

No. 1

Recommended Action – Fiscal Year 2021 Risk Assessment and Proposed Internal Audit and Compliance Plans, UM

It was recommended by Vice President Rapp, endorsed by President Choi, recommended by the Audit Committee, moved by Curator _____, seconded by Curator _____, that the attached Fiscal Year 2021 Risk Assessment and Proposed Internal Audit and Compliance Plans be approved.

Roll call vote of Committee:	YES	NO
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Curator Graham
Curator Layman
David L. Steelman
Robin R. Wenneker

The motion _____.

Roll call vote of the Board:	YES	NO
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Curator Brncic
Curator Chatman
Curator Graham
Curator Hoberock
Curator Layman
Curator Snowden
Curator Steelman
Curator Wenneker
Curator Williams

The motion _____.

June 18-19, 2020



Internal Audit & Consulting Services

FY21 Risk Assessment and Proposed Internal Audit and Compliance Plans

June 2020

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Effects of the COVID-19 Pandemic on our Risk Assessment Approach

In the crisis we are experiencing, we know that risks have changed and will continue to change. Each organization will be impacted differently with a mix of opportunities and threats. We can't predict events, but we can focus on impact. The UM System has focused on impacts by:

- Shifting workers to telecommuting, minimizing the impact to productivity and keeping people safe.
- MU Health mobilizing and caring for our community – preparing for the worst and hoping for the best.
- Our universities shifting to on-line learning in an extremely short time-frame to keep students on track for graduation.
- Making difficult decisions to address the financial impact.

There is no silver bullet. Resiliency and agility are required to steer through these challenges, while taking care of patients, educating students, keeping staff safe and surviving the financial impact so our mission can continue and we are strategically positioned for success well into the future.

In the past, we performed the annual risk assessment by:

- Evaluating strategic, business and compliance objectives against the audit universe for the universities, health system and system office.
- Understanding leaders' concerns, how work was organized to achieve objectives (processes, accountability, resources) and the material impact, both financial and reputational.
- Through this process, areas were identified for an internal audit or consulting engagement and an annual plan developed.

Given the immediate risks to the financial health and business model impacts to our universities and health system accelerated by the COVID-19 era, following the past approach for conducting a risk assessment does not align with changing circumstances nor would it necessarily focus audit work on real-time emerging risks.

As the implications and ongoing uncertainty of the COVID-19 era continue its impact on the higher education and healthcare industries, internal audit and compliance professionals confronted this new reality by adjusting audit plans to meet their organizations emerging risks; and engaged in discussions around how internal audit and compliance prepare for the post-coronavirus business environment.

Since mid-March 2020, Ethics, Compliance and Audit Services staff have learned and engaged with other professionals through webinars, discussion sites with the Association of Healthcare Internal Auditors, Association of College and University Auditors and the University Risk Management and Insurance Association (a mix of compliance officers and risk managers). We learned that internal audit and compliance professionals agree that

successful approaches in the past will no longer be enough. Internal audit and compliance functions need to move with the speed of the organization to independently assess the actions taken and provide assurance that emerging risks are adequately addressed in a manner to protect the mission and ability to compete well into the future. Emerging risks due to COVID-19 include:

- Business continuity
- New funds and grants
- Supply chain and vendor management
- Workforce transition and strategies
- Adjusting operations to minimize virus outbreak
- Remote IT support functions
- Financial forecasting
- Cybersecurity and privacy concerns
- Regulatory change management
- Enrollment management/recruiting and retention (Universities)
- Remote learning and access (Universities)
- Coverage expansion (MU Health)
- Vaccines and diagnostic testing (MU Health)
- Telehealth expansion (MU Health)
- Revenue cycle (MU Health)
- Remote patient access (MU Health)
- Coding, billing and reimbursement of COVID-19 claims (MU Health)

Adapting what we learned to the UM System organization and situation, we recommend our priority audits and consulting engagements for FY2021 be re-evaluated every 60 to 90 days as leadership continues acting to reduce overhead through administrative consolidations, reducing the space footprint, improving contribution margins from academic programs and reevaluating existing program offerings and aggressively expanding online education capabilities. The following are criteria to use in guiding the decisions, particularly for the use of internal audit resources.

1. Planned or completed process changes. Process changes will be a result of consolidating activities and the addition of new services. To be effective, redesigned processes must achieve the intended outcomes (strategic, business, or compliance objectives). Having the appropriate activities in place (controls) to monitor progress towards intended outcomes while avoiding harmful outcomes to objectives, results in efficient and effective workflows. Internal audit can serve in a consulting capacity as processes are redesigned; or can audit processes post-implementation to validate these are operating as intended. This will concentrate audit work on evaluation of planned or current changes to processes.
2. Potential for fraud. In the current environment the potential for fraud heightens. Internal audit will perform automated routines in high risk areas to identify anomalies for further investigation. These areas include research grant spending, vendors, internally managed construction projects and retail operations.

3. Data access. Unauthorized access of data could result in data modification or corruption. Data can be exposed, stolen or used in an illegal or unauthorized manner. Internal audit will evaluate data access controls in processes susceptible to fraud and for systems storing sensitive information.

For this to work, internal audit needs to be apprised of governance and executive leadership decisions and plans for consolidation efforts and process changes. Robust discussions about the strategic importance of changes and the associated risks will provide necessary criteria to select the areas of highest risk.

Following is the proposed FY2021 Internal Audit Plan for the UM System, its universities and MU Health. The risk profiles are in Appendix A. A description about how the risk profiles were developed is also included.

FY2021 COVID-19 Related Internal Audit Plan

This proposed plan will be re-evaluated every sixty to ninety days with senior leadership, the Audit and the Compliance and Ethics Committee chair of the Board of Curators. Adjustments will be made based on recent/proposed process changes, emerging risks, or other COVID-19 related topics or concerns and balanced with internal audit resources.

Criteria	Proposed Audit/Project	Entity
COVID-19 Funds Tracking	Assist System Controllers Office in evaluating the processes established to ensure compliance with criteria from all new funding and grant sources and the ability to meet reporting requirements. – Consulting	System
Completed Process Changes	Validate that process changes made in response to the COVID-19 pandemic are working as intended. Remote learning, enrollment management & recruitment, remote IT support, supply chain and vendor management are examples of areas experiencing changes to workflow that can be reviewed. - Assurance	System
Planned or Completed Process Changes	Support the Administrative Transformation implementation activities. - Consulting and/or Assurance	System
Planned or Completed Process Changes	Telehealth - Focus to be determined. Audit objectives will be consistent with changes to processes and data access validation procedures. - Assurance	MU Health
Planned or Completed Process Changes	Regulatory Change Management - Assess process to track and monitor regulatory changes and controls in place to ensure communicated changes are implemented in a manner aligned with compliance requirements. UM System regulatory change management will be part of the Ethics and Compliance plan.	MU Health

Criteria	Proposed Audit/Project	Entity
Fraud Procedures	<p>Using basic data analytics perform procedures to identify anomalies for further review in the following areas:</p> <ul style="list-style-type: none"> • Research grant spending • Vendors • Internally managed construction projects • Retail operations 	System
Data Access/Fraud	<p>Insurance payer websites – evaluation of controls for protecting PHI and ePHI, and for preventing unauthorized user access and ability to divert payments.</p> <p>-Assurance</p>	MU Health
Data Access/Fraud	<p>Vendor/third party websites – evaluation of controls for protecting unauthorized user access and ability to create accounts to divert funds.</p> <p>-Assurance</p>	System
Ongoing Activities	Risk Assessment and Audit Plan Development - Continue to review key and emerging risks to adjust the current audit and compliance plan and to use as the basis for the FY 2022 audit plan.	System
Ongoing Activities	Monitoring of Management Action Plan Implementation - Review the status of prior audit agreed to management action plans.	System
Ongoing Activities	Conduct investigations and manage the Integrity and Accountability Hotline.	System

Additional Proposed Internal Audit Engagements

The internal audit engagements below are also recommended as part of the FY2021 Plan. Emerging risks will take priority over completion of these engagements as we balance internal audit resources with demand.

Risk Area	Proposed Audit/Project	Entity
Finance	UM System benefits rates versus hospital discounts - Management request to validate if discounts provided by MU Health and University Physicians to the UM System benefits plans are consistent with contractual obligations. - Assurance	System/MU Health
Strategic/Health Care Reform	EMR Extension to Lake Regional - Complete the evaluation begun in FY2020 of the Organized Healthcare Arrangement that governs the EMR extension to Lake Regional. - Assurance	MU Health
Strategic/Health Care Reform	EMR Extension to Capital Region Medical Center - Post implementation review of the Organized Health Care Arrangement governing the EMR extension to Capital Region Medical Center. - Assurance	MU Health
IT systems implementation	Revenue Cycle Implementation - Ongoing monitoring of risks associated with this initiative. - Consulting	MU Health
Compliance	Conflict of Interest/Commitment - Effectiveness assessment of the conflict of interest and commitment process against established criteria. - Assurance	MU, MU Health, UMKC, UMSL & MS&T
Environmental health and safety	Lab Safety - Determine if adequate controls are in place to provide safe working conditions for faculty, students and staff who work in labs which house hazardous chemicals. - Assurance	UMKC, MS&T
Grants & Contracts	Arts, Science and Children's Service Fund Contracts - Management request to validate allowable expenses against contracts in lieu of hiring an external auditor. - Assurance	UMSL
Operations & Compliance	International Programs: Evaluate compliance with internal policies and regulations governing travel abroad.	MU

Rolling Audit Plan

These internal audit engagements comprise the rolling audit plan. As risks emerge or internal audit resources allow, these engagements will move up in priority for completion as part of the FY2021 Internal Audit Plan. These areas will also be evaluated as part of the FY2022 risk assessment process.

Risk Area	Audit Description	Entity
Academic Enterprise/Reputational	Scholarship Awards: Assessment of scholarship awards to donor restrictions and/or established criteria. - Assurance	MU, UMKC, UMSL & MS&T
Strategic/Health Care Reform	Transition to Value Based Care: Review of the governance structure for overseeing the components related to the shift to value based care. - Assurance	MU Health
Compliance	Controlled Substances: Assessment of practices for purchasing, storing and safeguarding controlled substances. - Assurance	MU Health
Academic Enterprise/Reputational	Student Fees: Assessment of student fee use in accordance with purpose.	MU, UMKC, UMSL & MS&T
Academic Enterprise	Enrollment Management: Assessment of admissions processes for transparency, efficiency, effectiveness and bias against disadvantaged populations.	MU, UMKC, UMSL & MS&T
Operations	ePAF Processes: Evaluation of the electronic personnel action form processes, if not addressed in the Administrative Transformation work.	System

FY2021 Ethics and Compliance Plan

The system-wide Ethics and Compliance Program's overall purpose is to promote the highest standards of ethics and professional conduct and ensure compliance with all applicable laws, regulations and policies throughout the UM Systems. The Ethics and Compliance Program's objectives are to:

- Reinforce a culture of caring, integrity and accountability
- Empower staff, faculty and leadership to "own" and take responsibility for doing what's right and reporting concerns
- Protects the organization while finding creative ways to further our mission
- Is consistent with Federal Sentencing Guidelines Effective Elements

This will be accomplished by:

- Establishing the foundation for ethics and compliance
- Engaging compliance professionals in a collaborative network to strengthen compliance with applicable laws, regulations and policies
- Creating and reporting internal and external benchmarks to demonstrate impact and signal when adjustments may be necessary

Foundational Elements of the UM System Ethics and Compliance Program

In addition to responding to emerging compliance issues and concerns, Ethics and Compliance will focus on the following foundational elements critical to establishing an effective compliance program. With the onset of the COVID-19 pandemic this work has been temporarily suspended as leaders, faculty and staff responded to ensuring the completion of the semester, keeping everyone safe, and making the necessary financial adjustments. The timing of these projects will be determined by the capacity of the organization to begin once again engaging in longer term initiatives.

Establish the system-wide audit and compliance committee

This committee will oversee initial work to establish the system-wide code of conduct, compliance education and training, and core compliance policies. To fulfill its responsibilities the committee will receive periodic reports from compliance functions, audit reports and risk assessment results. The committee will play a key role in resolving compliance concerns that impact the system and are challenging to resolve at a unit level. The Chief Audit and Compliance Officer will provide the committee, once appointed, with a draft charter defining purpose, roles and responsibilities, authority, and frequency of meetings for the committee to modify and finalize.

Develop and implement the code of conduct

A system-wide code of conduct will establish every day behavior expected to support our mission and values. It is a statement for ourselves and to the public about what we stand

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for, our values and how we conduct ourselves. It is the ethical foundation for our success in achieving our mission and living our values. A project plan with milestones for development and implementation of a code of conduct has been developed. A working committee consisting of representatives from compliance professionals across the system, human resources, office of general counsel and communications will develop, write and vet the code of conduct with stakeholders. Once approved it will be rolled out across the system in accordance with a well-developed communications/promotion plan. Education and training will be provided with staff and faculty attestations required. Annual training and attestations will become mandatory throughout the system.

Engaging Compliance Professionals in a Collaborative Network

Working with compliance professionals across the system, an assessment will be completed gauging the strengths and opportunities for improvement using the Seven Elements of an Effective Compliance Program. This assessment will also include understanding how changes to regulations are tracked and adjustments to procedures and practices are implemented (regulatory change management). These working relationships and assessments will provide guidance for achieving economies of scale by working collaboratively across units to establish consistent policies, practices, monitoring, investigations, discipline and reporting of metrics to gauge effectiveness. The three priority areas of focus are:

Research Compliance and Grant Management

This is a priority area of focus because of the importance of research to the strategic direction of the UM System. Collaborative work has begun in this area with a recognition that we have an opportunity to approach research compliance consistently across the UM System. The work in this area will provide the opportunity to:

- Understand the highest risk areas and how we are addressing concerns
- Validate the regulatory change management process for research
- Standardize operating practices in regulatory areas across the system
- Continue to build on collaborative relationships to extend expertise across the system
- Explore providing consistent compliance education and training for those involved in research activities across the system
- Develop metrics and reporting that provides transparency into the number of compliance concerns, types and substantiation rate for leadership and the Audit, Compliance and Ethics Committee of the Board.

Data Management Program

This is a priority area because protecting sensitive information is important to our business, faculty, staff, students and patients. Safeguarding of sensitive information is impacted by multiple regulations, such as Gramm-Leach-Bliley Act (GLBA), Family Educational Rights and Privacy Act (FERPA), Health Insurance Portability and Accountability Act

(HIPAA), General Data Protection Regulation (GDPR), and the California Consumer Privacy Act (CCPA).

This assessment work will allow us to establish an overall data management program that will encompass the most stringent regulations applicable to the UM System and continue to build on collaborative relationships to extend expertise across the system. We will develop an understanding of:

- How we ensure compliance with each regulation
- The regulatory change management process
- Similarities and differences in operating practices across the system and opportunities for standardization
- Opportunities to provide consistent compliance education and training for those staff with responsibilities in these areas
- Benchmarks and metrics that will provide insight into effectiveness and areas for improvement

Fostering Early Reporting of Issues, Prompt and Fair Resolution and a Non-Retaliatory Environment

The early reporting of issues is the best defense against a “bad actor” continuing his/her damaging behavior for years. To instill this type of culture, employees must feel safe and protected from non-retaliation and issues investigated promptly and fairly. In this current environment, whistleblowing activity is on the rise. OSHA, which oversees 22 federal whistleblower statutes received 386 retaliation claims in the month of March 2020 related to COVID-19.

The UM System has multiple reporting avenues available. Bringing together the professionals that field concerns and reports, conduct the investigations and provide guidance on discipline we can:

- Assess our current approaches and identify opportunities to strengthen our culture to safeguard against retaliation, develop trust and encourage reporting of issues
- Ensure we have a strong and effective retaliation prevention and response system
- Discuss how to engage managers in supporting staff who voice concerns
- Develop metrics and reporting that provides transparency into the number of reported concerns, types and substantiation rate for leadership and the Audit, Compliance and Ethics Committee of the Board.

Appendix A: Development of the Risk Profiles

As the UM System makes the necessary adjustments to emerge from the COVID-19 pandemic, it is important to remain grounded in the longer-term vision and necessary changes to continue our mission for the people of Missouri. The following four themes were developed based on input from the 2018 risk assessment discussions. Leaders affirmed the continued relevance of these themes in the 2019 risk assessment discussions. The themes remain relevant as the leaders at all levels in the system continue the necessary work of meeting the challenges accelerated due the COVID-19 pandemic. These themes are:

1. ***Capability for Transformation***

The ability to execute on transformative issues, particularly the challenge of shifting to a more collaborative, innovative and accountable culture focused on resolving issues and moving forward.

2. ***Business Processes***

How inefficient processes contribute to the inability to move quickly on change initiatives. It is important to identify processes that hinder the integration of innovation. The manual nature of many work processes diverts staff time from building relationships with faculty and students so concerns can be better understood and addressed. There was a general sense that processes across campuses were reinvented too much and moving towards a collaborative/shared model is as necessary as improving and automating the processes.

3. ***Technology***

Technology was viewed as an enabler for changing the underlying business models for educating students, conducting research and providing infrastructure to assist with collaborative efforts across campuses. Specific challenges noted to utilizing technology for change and collaboration included the need for a data analytics approach, better tools for timely reporting without manual processes to compile information, and increased automation of workflow in general.

4. ***Talent***

The ability to retain and/or attract the talent needed to position the organization for sustainable, long-term success. Specifically noted were the ability to attract and retain researchers which is important to retaining the AAU designation; and the ability to offer competitive salaries to ensure staff skill sets needed as the administrative functions are reorganized.

The focus of risk assessment discussions in the prior two years have been anchored in the challenges to achieving strategic objectives. The risk profiles for FY2021 were developed by cross-referencing the ongoing challenges to achieving strategic, business and compliance objectives with emerging risks. These combined risk profiles provide a guide for prioritizing audit engagements for the longer-term achievement of objectives and the emerging risks that are part of the current environment.

FY2021 Higher Education Risk Profile

Category	Ongoing Challenges (previous risk assessments)	COVID-19 Emerging Risks
Finance	Capability to fund the strategic plans currently in place.	<ul style="list-style-type: none"> • With the COVID-19 challenges, funding and budget decisions are on a 60 -90 re-evaluation time frame • Financial forecasting • New funds and grants
Human Resources	Alignment of salary structure, talent management and benefits with institutional priorities to ensure skill sets necessary for moving the organization forward.	Workforce transition and strategies
Information Technology	<ul style="list-style-type: none"> • Cybersecurity: challenges to adequately protect the critical data and infrastructure from theft, piracy, corruption, unauthorized usage, viruses, theft of service or sabotage. • Decentralization of systems leads to gaps in process, data inconsistencies and manual processes. • Current data analytics approach impacts the ability to compare data, track metrics, benchmark and generally use information to make informed and timely decisions. 	<ul style="list-style-type: none"> • Remote IT support functions • Cybersecurity and privacy concerns
Operations	<ul style="list-style-type: none"> • Current approach to policy management results in unaligned policies at different levels of the organization, unclear guidance to users and difficulty in finding the policy/policies that apply when performing work. • Inability to recover from and continue uninterrupted operations during times of extraordinary events, systems or implementation failures. 	<ul style="list-style-type: none"> • Business continuity • Supply chain and vendor management • Enrollment management/recruiting and retention • Remote learning and access • Adjusting operations to minimize virus outbreak
Compliance	Increasing compliance regulations place a burden on operating units already functioning with reduced FTEs.	<ul style="list-style-type: none"> • Regulatory change management

FY2021 MU Health Risk Profile

Category	Ongoing Challenges (previous risk assessments)	COVID-19 Emerging Risks
Strategic/Health Care Reform	<ul style="list-style-type: none"> Continued growth through affiliations and contracting directly with small business, combined with aging infrastructure, limited space and hiring challenges, particularly a low unemployment rate, could impair ability to meet all MU Health obligations. With changes in reimbursement models (ACOs, bundled payments, Value Based Purchasing, Direct to Employer Risk Corridors, etc.) being able to operationalize the multitude of models in a financially and compliantly successful way. 	<ul style="list-style-type: none"> With the COVID-19 challenges, funding and budget decisions are on a 60 -90-day re-evaluation time frame Financial forecasting
Finance/Revenue Cycle	<ul style="list-style-type: none"> Revenue cycle software conversion 	<ul style="list-style-type: none"> Financial forecasting New funds and grants
Information Technology	<ul style="list-style-type: none"> IT Systems implementation may result in the technology and/or processes not working as intended or result in loss of functionality or delays in processing payments. (Revenue Cycle software conversion). Cybersecurity: challenges to adequately protect the critical data and infrastructure from theft, piracy, corruption, unauthorized usage, viruses, theft of service or sabotage. Adjusting established IT operations to new business models and integrating wholly-owned subsidiaries with variations to systems. 	<ul style="list-style-type: none"> Remote IT support functions Cybersecurity and privacy concerns
Operations	<ul style="list-style-type: none"> Governance over data analytics to drive population health strategy, ability to impact quality measures and other relevant initiatives requiring data-driven performance. Inventory management improvements will be critical to supporting cost controls and ensuring appropriate resourcing for all units. 	<ul style="list-style-type: none"> Vaccines and diagnostic testing Coverage expansion Telehealth expansion Revenue Cycle Remote patient access Business continuity

Category	Ongoing Challenges (previous risk assessments)	COVID-19 Emerging Risks
	<ul style="list-style-type: none"> ●Research infrastructure investments will be necessary to meet the stated goals and initiatives to enhance research expenditures and drive collaboration between research areas and clinical units. 	<ul style="list-style-type: none"> ●Supply chain and vendor management ●Adjusting operations to minimize virus outbreak ●Workforce transition and strategies
Compliance	<ul style="list-style-type: none"> ●Ongoing risks with managing the MU Health Corporate Integrity Agreement. 	<ul style="list-style-type: none"> ●Regulatory change management ●Coding, billing and reimbursement of COVID-19 Claims ●Cybersecurity and privacy concerns