LEADERSHIP
PERSPECTIVES FROM THE
CHIEF AUDIT EXECUTIVE
(cae), A PANEL
DISCUSSION
LEADERSHIP PERSPECTIVES FROM THE CHIEF AUDIT EXECUTIVE (CAE), A PANEL DISCUSSION

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COMMUNITY MEDICAL CENTERS
A COLLABORATIVE EFFORT
AUDITING & MONITORING AND COMPLIANCE

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UPMC HEALTH PLAN
Introduction – UPMC Health Plan

- University of Pittsburgh Medical Center (UPMC)
  >$10 billion integrated global health enterprise headquartered in Pittsburgh, Pennsylvania
- >20 academic, community, and specialty hospitals, 400 OP sites, rehabilitation, retirement, long-term care facilities - employing >3,200 physicians and total >50,000 employees
- UPMC Insurance Division  >2 million members Medicare Advantage, Medical Assistance, Commercial, Behavioral Health, Dental, Vision, Workers’ Comp, Wellness and more
- www.upmc.com
Auditing & Monitoring and Compliance – the Structure

- VP- Audit, FWA, CCO
- Insurance Svc

- Corporate Compliance Team
- Audit Team
- FWA Team

- Lines of Business Compliance Teams
A Collaborative Effort

- Partnering
  - Risk Assessment
  - Internal Audit Planning
  - Auditing & Monitoring
  - External Audit Readiness
  - Process Improvement
  - Training & Education
  - Policy & Procedure Development
  - Management Reporting
  - FWA
A Collaborative Effort

- Examples
  - Coordinated Risk Assessment and Scoring Method
  - Medicare Operations/Compliance & Audit Committee
  - Collaborative Compliance Partnership
  - Joint Program Reviews / Reports
  - P&P Committees
  - Annual General Training / Specialized Training
A Collaborative Effort

Examples
- Performance Guarantee Reporting
- Comprehensive Reporting to Management and Governing Bodies
- Medicare Program Audit Readiness
- Quality Assurance Audits
- Mock Audits
- FWA Committees
- Process Improvement Initiatives
A Collaborative Effort

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Laura L. Sak, C.P.A. is the Vice President, Internal Audit at Advocate Health Care System in Illinois. She has been with Advocate for six years and has experience in public accounting and public reporting organizations. Laura works collaboratively with Advocate’s Management and Audit Committee of the Board of Directors to monitor the internal control environment, financial reporting practices, and respective compliance activities. She also assists in leading the Metro Chicago Health Care Internal Audit Executives roundtables, volunteers in various events and activities to provide guidance on effective internal control environments, and works with professionals from various organizations to promote leadership for women.

Advocate Health Care, named among the nation’s Top 5 largest health systems by Truven Analytics, is the largest health system in Illinois and one of the largest health care providers in the Midwest. Advocate operates more than 250 sites of care, including 12 hospitals that encompass 11 acute care hospitals, the state’s largest integrated children’s network, five Level I trauma centers (the state’s highest designation in trauma care), two Level II trauma centers, one of the area’s largest home health care companies and one of the region’s largest medical groups. Advocate Health Care trains more primary care physicians and residents at its four teaching hospitals than any other health system in the state.
Presentation Objectives

- Review guidance provided by the *International Standards for the Professional Practice of Internal Auditing* respective to Accountability and Responsibility for Audit Findings.
- Understand audit finding process flow.
- Discuss tracking and monitoring practices.
- Learn and share Accountability and Responsibility best practices.
- Gain knowledge and best practices to utilize in own organization.
Oversight Guidelines

The *International Standards for the Professional Practice of Internal Auditing* (Standards), revised 2012, provide oversight of audit results, their reporting, and their monitoring through the following guidelines:

- Standard 2000: Managing the Internal Audit Activity
- Standard 2400: Communicating Results
- Standard 2500: Monitoring Progress
Standard 2000: Managing the Internal Audit Activity

- Standard 2060: Reporting to Senior Management and the Board:
  - The chief audit executive must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

Source: International Standards for the Professional Practice of Internal Auditing (Revised October 2012)
Standard 2400: Communicating Results

- Standard 2410: Criteria for Communicating
  - Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans.

- Standard 2440: Disseminating Results
  - The Chief Audit Executive must communicate results to the appropriate parties.

Source: International Standards for the Professional Practice of Internal Auditing (Revised October 2012)
Standard 2500: Monitoring Progress

- Standard 2500: Monitoring Progress
  - The chief audit executive must establish and maintain a system to *monitor the disposition of results* communicated to management.

- Standard 2500.A1
  - The Chief Audit Executive must *establish a follow-up process to monitor and ensure that management actions have been effectively implemented* or that senior management has accepted the risk of not taking action.

Source: International Standards for the Professional Practice of Internal Auditing (Revised October 2012)
Audit Finding Process Flow

- Audit Finding
  - Internal Audit Recommendation
    - Management Action Plan
    - Implementation Date
  - Internal Audit Follow-Up:
    - Management Inquiry
    - Internal Control / Process Walk Through
    - Substantive Testing
    - Audit of Process
All audit findings should be reported in a document that identifies the following:

- Audit Finding Owner
- Action Plan Owner
- Audit Finding Severity Rating
- Action Plan Implementation Date
- Audit Finding Follow-Up Date
- Disposition Satisfactory
  - If yes, assess risk for future audit consideration
  - If no, assign new date for further follow-up
Tracking and Monitoring (con’t.)

- Audit findings should be monitored for their impact to the organization if not remediated in accordance with the agreed upon implementation date.
- Certain audit findings may not be remediated as Management may consider the risk to be insignificant.
- If remediation does not occur within a reasonable time period, or Management chooses to accept the risk, the risk of non-remediation must be considered by the Chief Audit Executive and reported to Senior Management and the Board.
Accountability and Responsibility Best Practices

- Clear communication on Management’s accountability for implementing the agreed-upon action plan to address an audit finding.
- Understanding and agreement of the time period in which an audit finding is to be remediated.
- Accurate tracking tool that provides notification of audit findings with remediation dates due.
- Timely follow-up and assessment of remediation.
- Responsibility of the Chief Audit Executive to assess the risk on a non-remediated audit finding and report the risk to Senior Management and the Board of Directors.
The Chief Audit Executives presenting in the Panel will provide their best practices for Accountability and Responsibility of audit findings.
Audience Best Practices and Questions

- The Audience may provide Best Practices in addressing Accountability and Responsibility of Audit Findings.

- Questions from the Audience.
Contact Information

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AHIA PANEL DISCUSSION

MARK EDDY

VP, INTERNAL AUDIT

HCA, INC.
HCA

HCA is the largest non-governmental hospital provider in the United States.

- 162 hospitals
- 112 surgery centers

Operating in 20 States and London, England

2012 Revenue: $36.8 billion
Assets: $28.1 billion
Employees: 204,000
Internal Audit Department: 146 employees
Information Systems Organizational Chart

Joe Steakley
Senior Vice President

Phil Billington
Vice President
(Information Systems Audit)

Brady Plummer
Assistant Vice President
(IT Audit)

Matthew Edman
Assistant Vice President
(IT Audit)

Lee Nelson
Director
(IA Systems and Reporting)

Bangchi Shi
Director
(IT Audit)

Brad Coulter
Director
(IT Audit, ICD-10)

Chase Whitaker
Director
(IT Audit, Continuous Audit)

Kevin Groom
Director
(IT Audit)
IT Auditors

- Build and apply structure
  - IIA Professional Practices Framework
- Manager doesn’t need to know everything
  - CPAs audit around systems
  - CISAs audit through systems
- Hire good people
  - Some technicians, but not all (about 1/3 strong technicians)
  - Not afraid of technology
  - Relationship builders
  - Understand process
- Growth Strategies
  - Strong technicians: technical training (security is “sexy”!)
  - Non-technical: career growth/promotion paths
Compliance Organizational Chart

Joe Steakley
Senior Vice President

Mark Eddy
Vice President
(Compliance, Corporate, Construction, & Vendor Audits)

Rodney Bennett
Assistant Vice President
(Cost Reporting & Coding Audits)

Travis Richmond
Director
(Referral Source Transaction Audits)

Pat Olenick
Director
(Clinical Audits)

Amy Yates
Senior Manager
(HPG Vendor Audits)

Amy Gargus
Director
(Corporate and Construction Audits)

Caroline Drazek
Director
(Inpatient Coding Audits)
Clinical Auditors

- Build and apply structure
  - IIA Professional Practices Framework

- Manager doesn’t need to know everything
  - Nursing
  - Coding (inpatient, outpatient, physician, oncology, ambulatory surgery, CDI)
  - Billing

- Hire good people
  - Well-rounded
  - Process Focus vs. Transaction Focus

- Growth Strategies
  - Maintain current areas of technical competence
  - Learn new technical competencies
  - Promotions
Contact

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AUDITING AND MONITORING
DO IT AND MANAGE IT...

DEBRA MUSCIO
SVP, CHIEF AUDIT, ETHICS AND COMPLIANCE OFFICER
COMMUNITY MEDICAL CENTERS
Based in Fresno/Clovis, California, Community Medical Centers is the region's largest health care provider and private employer. We operate three hospitals – Community Regional Medical Center, Clovis Community Medical Center and Fresno Heart & Surgical Hospital – several long-term care, outpatient, other health care facilities and a physician residency program in conjunction with the University of California, San Francisco.
Staffing

- Employees (full time, part time and per diem) more than 6,800
- Nursing staff *2,564
- Affiliated physicians 1,294
- Medical/dental residents 295
- Volunteers 749

*The 2,564 nursing staff members represent R.N.s, L.V.N.s and per diem at all facilities and are included in the more than 6,800 clinical and non-clinical employees.

Financial information as of fiscal year 2011-2012

- Revenue – Total amount earned $1,112,676,000
- Expenses – Total operating cost $993,270,000
- Total cost of community benefits $139,255,000
7 ELEMENTS + 1:

1. **Commitment - Oversight** - a designated Chief Compliance Officer and Committee

2. **A Corporate Ethics/Compliance Code (Code of Conduct) Standards and Compliance Policies & Procedures**

3. **Open lines of communication and process to receive complaints anonymously** – Hotline

4. Training and education

5. **Monitoring and auditing**

6. Response to allegation, investigations to detect deficiencies and remediation of identified issues

7. Enforcement of discipline as warranted

+ 1. Continuous Risk Assessments
While Consisting of Similar Tasks, Auditing and Monitoring are:

- Separate Concepts
- Separate Activities
- Performed by Different Professionals
- With Different Outcomes
- And Different Audience Expectations
Auditing & Monitoring
Defined AUDITING

Auditing is:

- A formal, systematic and disciplined approach designed to evaluate and improve the effectiveness of processes and related controls.

- Auditing is governed by professional standards, completed by individuals independent of the process being audited, and normally performed by individuals with one of several acknowledged certifications.

- Objectivity in governance reporting is the benefit of independence.
Auditing & Monitoring
Defined AUDITING

As defined by The Institute of Internal Auditors (The IIA):

- Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes.
Monitoring is:

- An on-going process usually directed by management to ensure processes are working as intended. Monitoring is an effective detective control within a process.
Monitoring may use some or many of the same tools and techniques deployed in an audit, but

Monitoring is not auditing, primarily because:

- Monitoring activities are reported through the management responsible for the operations being monitored.
Auditing & Monitoring – Defined

MONITORING

Typical Characteristics of Monitoring include:

- Often less structured than an audit, though audit techniques may be used
- Resources internal to area assessed - usually completed by operations or compliance personnel
- Involves on-going checking and measuring or periodic spot checks and tests (e.g., daily, weekly, monthly)
- Prospective / concurrent review of documentation and processes by personnel in the operational areas.
- May identify the need for an audit
- Accountability is typically to operations leadership (completed by department staff/reported to department management)
- Benefit: promotes ownership / responsibility / immediate feedback
- Drawback: independence and objectivity, “grossing the surface”
- If completed in relation to a compliance work plan, reporting is to the Compliance Officer and Compliance Committee, but not the Board
- May involve the internal audit or compliance functions
Auditing & Monitoring - In Conclusion

- Auditing and Monitoring convey and represent different levels of independence.
  - They are not a combined concept as may be inferred from the Federal Sentencing Guidelines and OIG Compliance Program Guidance.
  - Report Accordingly to your Board.

- The Compliance and Internal Audit Functions have similar reporting and accountability structures in serving the Board, but their roles and responsibilities are very different.

- Management is responsible for compliance and controls; corporate compliance and internal audit are not.
Monitoring and Auditing

Internal Audit - Internal Controls

- Retrospective independent, objective comprehensive formal review.
- Audit protocols allow for and encourage targeted audits as needed.
- The results of internal audits are reported to the Board (or appropriate Board committee) quarterly and as needed.
- Leaders from operational areas have an opportunity to review audit protocols to ensure their relevance and applicability.
Monitoring and Auditing

Internal Audit - Internal Controls

Baseline Requirements:

- Audit processes are designed to measure actual compliance against expectations, and to identify weaknesses or actual instances of non-compliance.

- This audit process identifies the internal controls (or lack thereof) which assure compliance on a daily basis. The results of such audits are shared with Leadership and the Board, and corrective action is undertaken where non-compliance is identified.

- When external resources supplement internal audit resources, these resources are un-conflicted (not involved in conflicting audit or compliance activities) and selected on the basis of competence.
Monitoring and Auditing
Internal Audit - Internal Controls

- Compliance risk assessments are conducted regularly, e.g., annually. These may be conducted jointly by compliance and audit. Findings are incorporated into compliance audit protocols.

- When external resources assist in risk assessments, these resources are un-conflicted and selected on the basis of competence.
Monitoring and Auditing

Internal Audit - Internal Controls

- Reliability of data used in management decision-making
- Adequacy of systems to safeguard corporate assets
- Status of prior audit findings
- There is a protocol for reporting exceptional contributions to the compliance function.
- There is a process for recognizing exceptional contributions to the compliance success of the organization.
Monitoring and Auditing

Internal Audit - Internal Controls

Practical Measures

- Internal audit is an established and recognized function.
- There is a good working relationship between internal audit and compliance.
- Internal audit is independent of finance.
- Compliance and internal audit have internal legal support and/or access to outside resources.
- Internal audit and compliance conduct risk assessments cooperatively.
Managing Monitoring/ Internal Audit

Key Differences

**Monitoring**
- Monitoring Focus – Prospective / Concurrent review promotes up-front accuracy, immediate feedback and corrective action.
- Encourage internal control
- Functions relative to guidance but lacks formal professional standards
- Government agendas and policies and procedures typically drive monitoring plan
- Operational responsibilities include training programs and privacy function

**Internal Audit**
- Audit Focus – Retrospective independent, objective comprehensive formal review.
- Evaluate effectiveness of internal controls
- Functions relative to formal professional standards
- Audit plan is typically risk-driven
- No operational responsibilities
Are we out of time already ......
Ask yourself.....

☐ Is your internal audit mission to provide assurance services related to the adequacy of management’s processes for managing risk, the organization’s governance processes, and the related controls?

☐ In addition does your internal audit provide value-add consulting services? Does your internal audit program audit the monitoring?

Remember...

☐ Both the assurance and consulting services are intended to assist management improve the effectiveness of their processes.

☐ Manage your internal audits but ensure your organizations monitoring is also being managed........
AUDITING AND MONITORING
RESOURCES

- OIG Supplemental Compliance Program Guidance for Hospitals
- OIG Workplan
- OIG Corporate Integrity Agreements (CIA)
  - http://oig.hhs.gov/fraud/cia/
- American Hospital Association AHA News Now
  - http://www.ahanews.com/ahanews/index.jsp
- Modern Healthcare’s Daily Dose
  - https://sec.crain.com/mh/cgi-bin/circulation.pl  Free if you already subscribe to Modern Healthcare
- PEPPER Reports (QualityNet Exchange)
  - http://qnetexchange.org/public/home.do  Click on “Getting Started” Note: Not an easy process to get set up but worth it once you get the reports. Contact your local Quality Improvement Organization (QIO) for further information.
- The Healthcare Compliance Professional’s Manual (Compliance Blue Book)
  - http://health.cch.com/
- Federal Sentencing Guidelines for Organizations
AUDITING AND MONITORING
RESOURCES

- Association of Healthcare Internal Auditors
  - [http://ahia.org/](http://ahia.org/)
- Health Ethics Trust
  - [http://www.healthethicstrust.com](http://www.healthethicstrust.com)
- Health Care Compliance Association (HCCA)
  - [http://www.hcca-info.org](http://www.hcca-info.org) “This Week in Corporate Compliance” (TWCC) Compliance Today
- Decision Health Listserves
  - Fraud and Abuse
    - [http://lyris.ucg.com/cgi-bin/listserv/listserv.pl/Fraud-L](http://lyris.ucg.com/cgi-bin/listserv/listserv.pl/Fraud-L)
  - Private Payer
    - [http://lyris.ucg.com/cgi-bin/listserv/listserv.pl/PrivatePayer-L](http://lyris.ucg.com/cgi-bin/listserv/listserv.pl/PrivatePayer-L)
  - Privacy
    - [http://listserv.ucg.com/cgi-bin/listserv/listserv.pl/privacy-l](http://listserv.ucg.com/cgi-bin/listserv/listserv.pl/privacy-l)
- Newsletters (e.g. Report on Medicare Compliance, Medicare Compliance Alert, Hospital Compliance Alert, Strategies for Health Care Compliance, etc.)
- Institute of Internal Auditors
Questions?

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Save the Date

September 21-24, 2014

33rd Annual Conference
Austin, Texas