NEW PERSPECTIVES
on Healthcare Risk Management, Control and Governance

Enhance Your Internal Audit Process: Use Software Solutions
page 7

Mitigate Fraud Risk: Build a Robust Fraud Risk Management Program
page 11

Auditing CLIA Compliance: A Quick Overview
page 20

Achieving Meaningful Use: While Meeting Privacy and Security Requirements
page 29

The Risky Business of Information Sharing: Why You Need to Care about Copyright
page 46
Enhance Your Internal Audit Process: Use Software Solutions

By Kevin C. Flynn, MS, FACHE

Executive Summary

Internal auditors are pressured for time and faced with the need to do more with less human resources. There was a day when all the work of an auditor was done by hand. That day is gone and now you can use automation to leverage your efforts. Web-based software surveillance tools can help your ability to pre-empt problems and give management the ability to track performance of their systems (and staff) over time. Thoughtful use of this type software can help eliminate unwanted surprises by creatively focusing only on areas that are in need of auditing. Importantly, those you audit have a hand in performing some aspects of the audits.

Introduction

A colleague in academic medicine recently called to vent his frustration about a scheduled internal audit for his clinical service line. He acknowledged surviving a previous audit and recounted it as an unpleasant experience. To help my colleague see this as an opportunity instead of an ordeal, I recalled three internal audits from my career and explained how each had produced teachable moments not only to improve my operation, but identify me among peers as a best practice model.

I view the internal audit process in a positive way for two reasons. First, from childhood, many of us are taught that the fall from pride occurs when we refuse to consider we have something new to learn. I have never walked away from an internal audit without learning new—and valuable—information.

Second, early in my career, my mentor, Norval Copeland, a hospital president, taught me there should be a two-step approach to working with internal auditors: cooperate and collaborate. He supported the internal audit process because he believed internal auditors see so many operations that implementing their recommendations typically leads to an effective and safer operation.

One characteristic I have always found intriguing with internal audits, however, is that they only occur every few years. As anyone who has held a healthcare management position knows, it does not take long for bad habits and careless processes to begin. This is especially true when there is turnover in key positions followed by a lapse in replacing an incumbent and/or poor training and orientation for new hires.

In the scope of my work with RCP Solutions, I have talked to internal auditors who see an inherent weakness in this cyclical audit schedule. I also noted that many of the recommendations presented to me during audits were standards which naturally applied to all departments. If a weakness was identified in one department or service line during an audit, it more than likely existed in others.

Web-based software surveillance tools can enhance internal audit’s ability to identify problems early on, allowing an organization to measure, manage and monitor their risk, compliance, governance and internal audit functions and reduce it all to a score that can be tracked. By auditing—and scoring—all departments in real time, internal auditors can eliminate surprises and respond to departments with falling scores. Our company uses a software tool entitled, RCP SCORE™ (Strategic Command of Risk Elements), which has an enhanced internal audit module designed for auditors. As supportive as I am about the internal audit process, I champion the use of software which can both improve the timing of implementing an auditor’s recommendations and identify problems long before the official audit process begins.

Enhancing internal auditors’ recommendations

One of the follow-up recommendations from my last internal audit in academic medicine was to have my director of finance perform surprise audits of petty cash on a quarterly basis. Many executives carry out this type of directive by loading the action item into their calendar function and conducting the audit when the reminder appears. Automated software, however, provides a much more proactive and measurable approach to this process.

In this example, the director of finance would receive an email directing them to login to the SCORE website. After a secure login, the user would be asked if the audit was conducted. The user’s response would be scored depending on the answer selected.

For instance, if the unscheduled audit was performed during the previous quarter and there were zero discrepancies, the user would receive the highest score. If
the audit was conducted and there was a shortfall in cash or receipts, the user would receive a lower score.

Additionally, the user may be required to explain any issues in a short narrative before they can complete their answer. If the audit identifies a missing supervisor’s signature on a petty cash slip, an observation could be noted along with the response. An unfavorable answer can also be designed to require an upload of a specific form into the document section of the software so the immediate supervisor and internal auditor can review.

When each departmental director of finance in a large organization answers this same question, senior management and internal audit can begin to track the scores across an enterprise to identify problem areas. When the score for petty cash audits drops, it serves as an internal early warning system that a problem has been identified. Similar processes can be implemented for any department handling and transferring cash from patients.

A simpler example was the recommendation from an auditor that a business continuity plan be written, approved and updated on an annual basis.

---

**By auditing—and scoring—all departments in real time, internal auditors can eliminate surprises and respond to departments with falling scores.**

---

Using the automated approach, the written plan could be stored in the software’s document section along with an annual assessment question designed to ensure that the policy continues to be reviewed and revised by senior management. The software application essentially ‘pings’ its users to ensure the process continues, even alerting direct supervisors if the action is not completed. This is a powerful tool to ensure internal auditors that their recommendations are not just being followed, but even measures the performance of the process and compares it across departments.

Recently, a consulting firm requested advice on how to take a risk and compliance manual from collecting dust and turn it into an intuitive and interactive process for their client, a six-site diagnostic and interventional radiology group.

---

**As with many risk and compliance policies, when it is never discussed, there is less assurance it is being enforced.**

---

The typical risk management scenario they had witnessed began whenever a suspected problem arose in one of the radiology sites: an onsite manager would reference the risk and compliance manual to see if a policy existed for that particular issue and then interpret accordingly.

As an example, under the group’s Code of Ethics and Professional Conduct, the radiologists’ policy focused on accepting gifts. The policy stated that no one employed by the group could accept anything from vendors. As with many risk and compliance policies, when it is never discussed, there is less assurance it is being enforced.

Using the software, the policy becomes an accountable action item for all practice managers, physicians, physician-extenders and support staff. It required them to verify annually they had neither solicited nor accepted payments, gifts or remuneration from anyone with the intent to induce the purchase of supplies, services, obtain new patients or referral sources or to retain existing business.

An associated annual assessment question asked if they had been offered or accepted anything from vendors, etc. The answers ranged from not accepting any gift to acknowledging they had accepted something. As with automated Conflict of Interest programs, internal audit and senior management monitor the responses in real time and focus immediately on issues that put the practice at risk. This is a much more efficient and effective approach than allowing the policy manual to collect dust.

---

**Rapid response to operational issues**

Internal audit software solutions also enhance the capability to react and respond to issues that arise throughout the year and require immediate intervention and monitoring. One New York-based multi-site health system asked for assistance for three issues, which could potentially expose them to financial loss:

1. **Cell Phones** – They had no process in place to track the hundreds of cell phones in use throughout their network. This included dollars spent on cell phones for people no longer employed with their system.

   The solution focused on checking whether cell phones had been added or removed in real time. This solution is designed to assist department directors by simply responding to a monthly assessment question, which asks if they have either added a cell phone for a new hire in their cost center or cancelled a cell phone for an employee who has left the organization. A ‘yes’ response triggers additional questions, requiring the responsible party to acknowledge they have communicated the appropriate information to Materials Management, ensuring cell phone bills accurately reflect presently employed staff.

   We have found the frequency of certain questions serve as a useful reminder for managers to complete work that might fall through the cracks even though the software is doing much more than serving as a reminder; it is scoring their performance.

2. **Leased Equipment** – There was also no process for tracking leased equipment throughout the network, especially where lease payments were being made on discarded equipment.

   As with the cell phones, the solution established a formal process to track equipment in real time. Moreover, the wording of the response options serve as a set of directions to inform the user to notify Finance with the exact details required on disposed or traded-in equipment, while simultaneously allowing the user to acknowledge they have either completed the leased equipment check or disclose that it will be completed within a short time frame.
A narrative field provides room to include necessary information, including model and serial numbers of equipment.

3. **EMTALA Compliance** – There was no regular audit mechanism established for Emergency Department (E.D.) patient records to assess whether patients who presented themselves for treatment were properly cared for and treated.

The solution required an audit check to ensure the hospital was in compliance. In this example, Emergency Department directors would be charged with conducting a quarterly audit of a statistically significant sample of randomly selected E.D. charts against the triage sign-in logs. Details of any discrepancy can be noted in the narrative field, while an electronic copy of the completed audit is filed in the document section.

Again, the audit—and its results—serve as a cue to ensure that EMTALA compliance remains a priority for all E.D. staff and the score allows senior management to compare results across hospitals in their system.

The audit module provides internal auditors with an oversight function, allowing them to monitor issues in an administrative function and react to issues that could jeopardize accreditation and even reputational risk. During a recent conversation with an executive of a multi-site blood bank, the executive shared a story of a nurse who was responsible for documenting all aspects of clinical orientation for new employees. Upon completion of the clinical orientation, the accreditation standard requires a supporting document to be signed, dated and placed in the new employee’s file. For unknown reasons, the nurse stopped completing the documentation without informing anyone. Not surprisingly, it took the organization several months to identify the issue, leaving them exposed to a potential citation from any of the three accreditation bodies.

With automated surveillance, the nurse would be required to respond to specific assessment questions regarding new employee orientation documentation. Significantly, these are not reminder emails; they require the nurse to answer specific questions to determine if new employees were oriented. When an affirmative answer is given, additional information can be required, including a copy of the documentation. To not answer the question generates an alert to a supervisor.

One of the most frequent questions I hear regarding self-assessment responses to web-based applications is, “What if the respondent lies?” This is a concern for any auditor. At the risk of being too simplistic, my response typically goes to the heart of the matter. Software does not make an employee dishonest. The employee was probably already prone to lying. The advantage with a software solution is that you have an electronic record of deliberate misinformation, which can be used for disciplinary action or termination.

**Software improves audit efficiency**

One of our clients, a Lloyd’s of London specialty insurer, Atrium Underwriters Limited has been using the software for six years for internal audit and more recently Sarbanes-Oxley (SOX) purposes. The main benefit from employing the audit module is the efficiency in producing audit reports and tracking audit issues. The production of an internal audit report was previously a laborious process requiring management responses provided by the auditee to be copied into a report template along with the other components that make up a report. The use of this software has removed this as management responses are provided via the system. The creation of an internal audit report in the required template with all of its components—i.e., the executive summary, issues, management responses, implementation dates, etc.—is now performed by simply selecting a few options within the application. A process that could take hours is now performed in minutes.

The second immediate benefit from the module is the tracking of audit issues. Previously it was necessary to record each audit issue raised within a spreadsheet and request auditees to
provide a progress report at regular intervals, which then had to be copied into the master spreadsheet.

The software has eliminated this requirement as all data are maintained centrally, and it is also possible to easily identify those issues that are overdue and the auditee who is responsible, and to electronically request updates to be provided into the system. This feature allows a robust audit trail to be kept. Once again a process that could take days now be performed in minutes. This module also assists Atrium, with regards to internal audit expectations, in meeting the Solvency II requirements which is being implemented unilaterally across Europe.

Additionally, over the past few years, Atrium has used the application for SOX purposes. This has enabled a robust process to be introduced in that questions, based upon the key controls, are automatically sent out to ‘owners’ at the required intervals and documentation to support the effectiveness of the control is uploaded by the ‘owner.’

The main benefit from using this feature is that the regular testing performed is less intrusive and can be performed throughout the period since the documentation is centrally available. And it is only necessary to contact the ‘owner’ when a query is identified. An attestation report can be produced from the system that identifies those controls that have failed during the quarter, which can then be provided to the required parties.

Key processes
While there are many functions associated with the disciplines of risk management, compliance, and internal audit, there are three key and distinct processes at the core:

- Measurement of risk, assessment and costs.
- Management through action items and control activities.
- Monitoring through reporting and benchmarking.

The advantage with a software solution is that you have an electronic record of deliberate misinformation.

The software manages these three key processes as part of its core functionality, drawing upon architecture which interlinks and addresses the interdependencies between each process. The ability to create healthcare-oriented ‘rule-sets’ specific to accreditation, malpractice mitigation or service line needs, without modifications to the software, substantially broadens the platform’s reach, relevance and opportunity. The audit module is structured to be an independent, objective assurance and process-oriented solution. Using the audit module, internal auditors:

- Provide oversight of mitigation and compliance activities.
- Streamline audit planning, execution and remediation management.
- Automate compliance audits and reports.
- Deliver credible and defensible audit reports and benchmarking.

The dynamic status of a range of metrics including self-assessment, action items, risks and capital allocations is always accessible to the internal auditor, allowing the broadest possible oversight and delivering key information variables critical to the audit process.

Conclusion
Internal auditors, external auditors, as well as risk and compliance professionals, face ever increasing workloads and intense pressures brought about by a myriad of regulations. Internal audit is a fundamental aspect of any organization’s risk and compliance management processes.

Software will enable an organization to accomplish its internal audit objectives through a systematic and disciplined approach to the identification, evaluation, testing and remediation of processes, resulting in an improved effectiveness of risk management, compliance and governance. Software automates and centralizes collaborative auditing functions to provide credible and defensible audit processes, audit reporting and benchmarking.

These activities are seamlessly integrated, closing the loop between risk, compliance and audit disciplines thereby making audit planning, execution and management a seamless task. The use of software changes the traditional healthcare internal audit process from a periodic check-up to an ongoing assessment with measurable results.

Kevin C. Flynn, MS, FACHE is president of the healthcare division at Risk Compliance Performance Solutions, LLC, in Dresher, PA, and a senior fellow and faculty member at The University of Scranton. You can reach Kevin by email at kflynn@RCP-Solutions.com or by telephone at (267) 607-4173.

There is nothing so useless as doing efficiently that which should not be done at all.
~ Peter Drucker