

## Developing a Meaningful Compliance Work Plan

Margaret Hambleton  
Vice President, Chief Compliance Officer  
Dignity Health

HCCA Compliance Institute  
April 20, 2015  
Lake Buena Vista, FL

---

---

---


---

---

---

---

---



## Agenda

- Work Plan Objectives
- Elements used to develop a Work Plan
  - Awareness Survey
  - Effectiveness Evaluation
  - Risk Assessment
- Coordinating with audit, education, policy, and other activities
- Stakeholder engagement

---

---

---


---

---

---

---

---



## Work Plan Objectives

- To direct compliance and operations staff efforts in the work most critical to eliminate potential areas of vulnerability and to improve compliance program effectiveness
- To determine the adequacy of resources (staff, technology, services) used to address areas of vulnerability
- To ensure structural and substantive assessment of the compliance program

---

---

---


---

---

---

---

---



**The Work Plan is Not...**

- The OIG's Work Plan
- Vendor developed plans
- Results of your Risk Assessment alone
- Static
- Developed in a vacuum

---

---

---


---

---

---

---

---



**The Work Plan Is...**

- Reflection of the Organization
  - Mission
  - Strategy
  - Operations
  - Risk Tolerance
- Dynamic
- Engaging

---

---

---


---

---

---

---

---



**Work Plan Components**

- Awareness Survey
- Effectiveness Evaluation
- Risk Assessment
  - Internal and External Risk Identification
  - Assessment
  - Prioritization
  - Approval
  - Implementation and Tracking
- Strategy and Operational Alignment

---

---

---

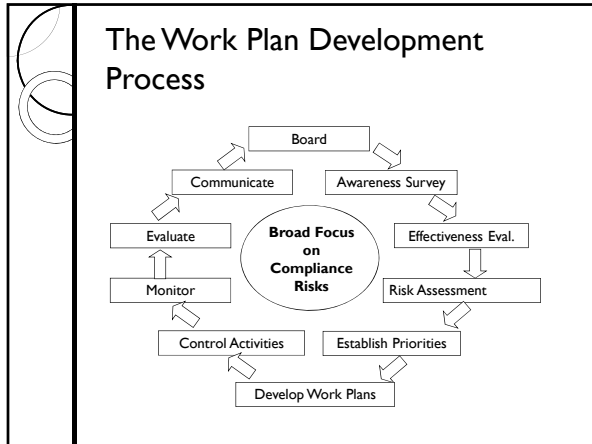
---

---

---

---

---




---

---

---

---

---

---

---

---

### Awareness Survey

- Helps address structural elements of your compliance program
- Companion to Effectiveness Evaluation
- Provides helpful information about dissemination of your program to staff

---

---

---

---

---

---

---

---

### Awareness Survey

- Short and Simple
- Consider multiple deployment methods
- Typical areas of inquiry
  - Do employees know who the Compliance Officer and Compliance Staff are?
  - Do employees know how to find the Standards of Conduct and Compliance Policies?
  - Do employees know how to report Compliance concerns?
  - Do employees trust that if they report a concern it will be addressed?
  - Do employees think their co-workers, supervisor, and organization leaders act with integrity

---

---

---

---

---

---

---

---

## Effectiveness Evaluations

- What do you measure?
  - Eight elements (including risk assessment)
    - Authority
    - Policy and Procedures (including Standards of Conduct)
    - Training and Education
    - Reporting
    - Auditing and Monitoring
    - Response and Prevention
    - Enforcement
    - Risk Assessment and Work Plan Development

---

---

---

---

---

---

---

---

---

---

---

---

## Effectiveness Evaluation

- How do you measure effectiveness?

Issue to be Scored	Description	Score	Score Basis	Comments
<b>1.00 Annual Risk Assessment and Evaluation</b>				
1.01	Has an annual compliance risk assessment been performed by the SPS Compliance Department in the last two years in order to identify the relevant compliance risk areas?			
1.02	Have the results of the prior year compliance risk assessment been communicated to the Board and other stakeholders?			
1.03	Was a compliance effectiveness evaluation developed in the last year by the SPS Compliance Department to identify opportunities to improve the effectiveness of the SPS Ministry Integrity Program?			
1.04	Does the compliance office communicate the results of prior annual compliance effectiveness evaluations to the Board and other stakeholders?			

---

---

---

---

---

---

---

---

---

---

---

---

## Effectiveness Evaluation

Category	Score
Policies	4.7
Risk Assessment	4.6
Oversight	4.6
Hotline	4.6
Investigation	4.5
Education	4.4
Auditing	4.4
Enforcement	4.3

---

---

---

---

---

---

---

---


---

---

---

---





### Other Methods of Measurement

- Employee Surveys
- Interviews or Focus Groups
- Document Reviews
- Benchmarking against other providers
- Denial Management
- Existing Measures
- Compliance Training Quizzes

---

---

---


---

---

---

---

---



### Risk Assessment

- Eighth element of an effective compliance program
- Government guidance
  - Federal Sentencing Guidelines
    - “Organizations shall periodically assess the risk of criminal conduct and shall take appropriate steps...”
  - OIG Program Guidance
    - “Institutions should consider conducting risk assessments to determine where to devote audit resources...”

---

---

---


---

---

---

---

---



### Definitions

- Risks – Observable events or conditions that may occur and, if they do occur, would have a harmful effect. The impact of a risk should be measurable or definable in specific observable terms (i.e. financial, legal, reputational, etc.)
- Inherent Risk – The risk of an event occurring without consideration for internal controls
- Residual Risk – The risk that remains after considering current controls

---

---

---


---

---

---

---

---



**Definitions**

- Risk Identification – The process by which the universe of risks is identified
  - Audits
  - Literature
  - Enforcement/regulatory
  - Impressions of individuals engaged in the process
- Risk Assessment – The process by which identified risks are evaluated and prioritized

---

---

---


---

---

---

---

---



**Definitions**

- Risk Tolerance – The amount/type of risk the organization is willing accept
  - Cultural considerations – the organizations mission and values
  - Strategic considerations
  - Capacity considerations

---

---

---


---

---

---

---

---



**Why Conduct a Risk Assessment**

- Proactive versus reactive
- Supports enterprise risk management
- Cultural integration
- Raises awareness of program value
- Mitigation of penalties
- Continuous program improvement
- Basis for annual work plan
- Identifies needed resources

---

---

---


---

---

---

---

---



**Risk Identification**

- Surveys
- Interviews
- Prior audit findings
- Prior compliance investigations
- Exit Interviews with separating employees
- External sources

---

---

---


---

---

---

---

---



**Risk Identification**

- Exposures now and in the next 3-5 years
- Key process or functions
- Key strategic initiatives
- Complex studies, processes or functions with multiple stakeholders, hand-offs, control, and authority

---

---

---


---

---

---

---

---



**Risk Identification**

- Open ended surveys or interviews
  - Rely on the expertise of the individual being surveyed
  - Supports a wide range of potential risks
  - Can be difficult to adequately define and compare risks
  - One-on-one interviews allow for additional probing

---

---

---

---


---

---

---

---





### Risk Identification

- Risk ranking
  - Pre-defined listing of potential risks
  - Surveys readily available in the market
  - Quick and easy for participants
  - Be aware – this is not a true risk assessment (although it may be sold as one)
  - Be careful not to confuse controls with risks

---

---

---


---

---

---

---

---



### Risk Identification Controls vs. Risks

- Controls:
  - Policies, procedures, audits, education, management approvals, quality reviews, automation, program structure, etc.
  - Examples:
    - Does the organization have a policy on conflict of interest?
    - Does the organization update the standards of conduct periodically?
    - Are Compliance Committee minutes reviewed?
    - Are procedures in place to identify and address billing misconduct?
    - Who is responsible for monitoring and enforcing adherence to these policies?

---

---

---


---

---

---

---

---



### Risk Assessment

- Impact (Severity)
  - Financial
  - Legal
  - Reputation
  - Operations
  - Strategic
- Vulnerability
  - Likelihood/Frequency/History
  - Complexity
  - Rate of Change
- Controls

---

---

---

---

---

---

---

---

### Assessment Tools

- Risk Map
- Gap Analysis
- Risk Prioritization Scoring

---

---

---

---

---

---

---

---

### Simple Risk Map

Point	Vulnerability (X)	Impact (Y)
A	18	14
B	12	6
C	21	6
D	3	14
E	30	14
F	3	4
G	9	3
H	24	4
I	24	10
J	9	10
K	21	12
L	15	10
M	12	14

---

---

---

---

---

---

---

---

### Complex Risk Map

Risk Map with Control Notation

Control Legend:  
○ Good Controls  
□ Same Controls  
△ Poor Controls

Point	Vulnerability (X)	Impact (Y)	Control Status
A	18	14	Poor
B	12	6	Good
C	21	6	Same
D	3	14	Good
E	30	14	Good
F	3	4	Good
G	9	3	Poor
H	24	4	Poor
I	24	10	Same
J	9	10	Same
K	21	12	Good
L	15	10	Same
M	12	14	Good

---

---

---

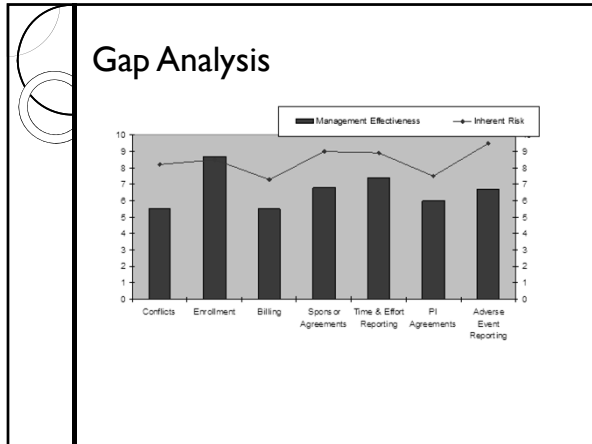
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

### Risk Prioritization Scoring

Compliance Risk Assessment - FY15

Risk Category	Risk	Intrinsic										Vulnerability			Risk Prioritization Score	Comments
		Financial	Operational	Reputational	Legal/Regulatory	Compliance	Strategic	Operational	Reputational	Legal/Regulatory	Compliance	Strategic	Impact	Exposure		
	Risk 1	5	4	3	3	4	2	4	4	4	4	2	75%	7.5	180.0	
	Risk 2	5	4	3	4	4	2	2	2	2	2	25%	1.5	37.5		
	Risk 3	1	2	3	4	3	2	1	2	1	2	50%	13.5	189.0		
	Risk 4	3	2	3	4	3	2	1	2	1	2	50%	6.5	162.5		
														0.0	0.0	
														0.0	0.0	
														0.0	0.0	
														0.0	0.0	
														0.0	0.0	

---

---

---

---

---

---

---

---

---

---

- ### Risk Impact
- Severity measure
  - Define scoring terms in very specific terms
    - Numeric scoring
    - High – Low
    - Example: High=Loss or additional expense greater than 1% of gross revenue (financial impact)

---

---

---

---

---


---

---

---

---

---



### Vulnerability Scoring

- Consider without controls to understand the inherent risk
- Specific definition of terms (scores)
- Vulnerability may include:
  - Likelihood of failure
  - History of failure
  - Rate of change
  - Complexity of process
  - Detectability of failure

---

---

---


---

---

---

---

---



### Evaluating the Control Environments

- Extent of variation
- Routine review or audit of process
- Human factors
  - Standard work
  - Communication, hand-offs, redundancy, work around, reliance on memory, etc.

---

---

---


---

---

---

---

---



### Risk Tolerance

- Continuum ranging from total avoidance of risk to total acceptance
- Tied to mission and organizational governance and leadership
- Understand that you probably can not address all risks identified

---

---

---


---

---

---

---

---



### Work Plan Development

- Identifying and prioritizing risks creates risk if nothing will be done with the information
- Audits are not corrective action!
- Understand the root cause
- Resources available

---

---

---


---

---

---

---

---



### Work Plan Development

- Involve stakeholders
- Communicate
- Monitoring and ongoing periodic assessment
- Re-evaluate and reprioritize at next risk assessment

---

---

---


---

---

---

---

---



### Planning Each Element

- Definable goal (By 12/31/15 testing will demonstrate 100% billing accuracy consistent with the 2-Midnight Rule)
  - S – Specific
  - M – Measurable
  - A – Attainable
  - R – Relevant
  - T – Time-Based
- Milestones/Scheduling
- Resources
- Tracking

---

---

---

---

---

---

---

---

**Coordination**

- One work plan or many?
  - Compliance Work Plan
  - Education Plan
  - Compliance Audit/Review Plan
  - Internal Audit Plan
  - Others (ERM, Risk, Security, Privacy, etc.)
- Who owns the plan?

---

---

---

---

---

---

---

---

**Stakeholder Engagement**

- Include key stakeholders in Effectiveness Evaluation and Risk Assessment process
- Alignment with operational priorities and strategy
- Consider burden and benefit
- Use your experts
- Communicate Plan and Progress
  - Governing Body
  - Executive Leaders
  - Compliance Committees
  - Departments helping you or doing the work

---

---

---

---

---

---

---

---

**Questions/Discussion**



---

---

---

---

---

---

---

---