



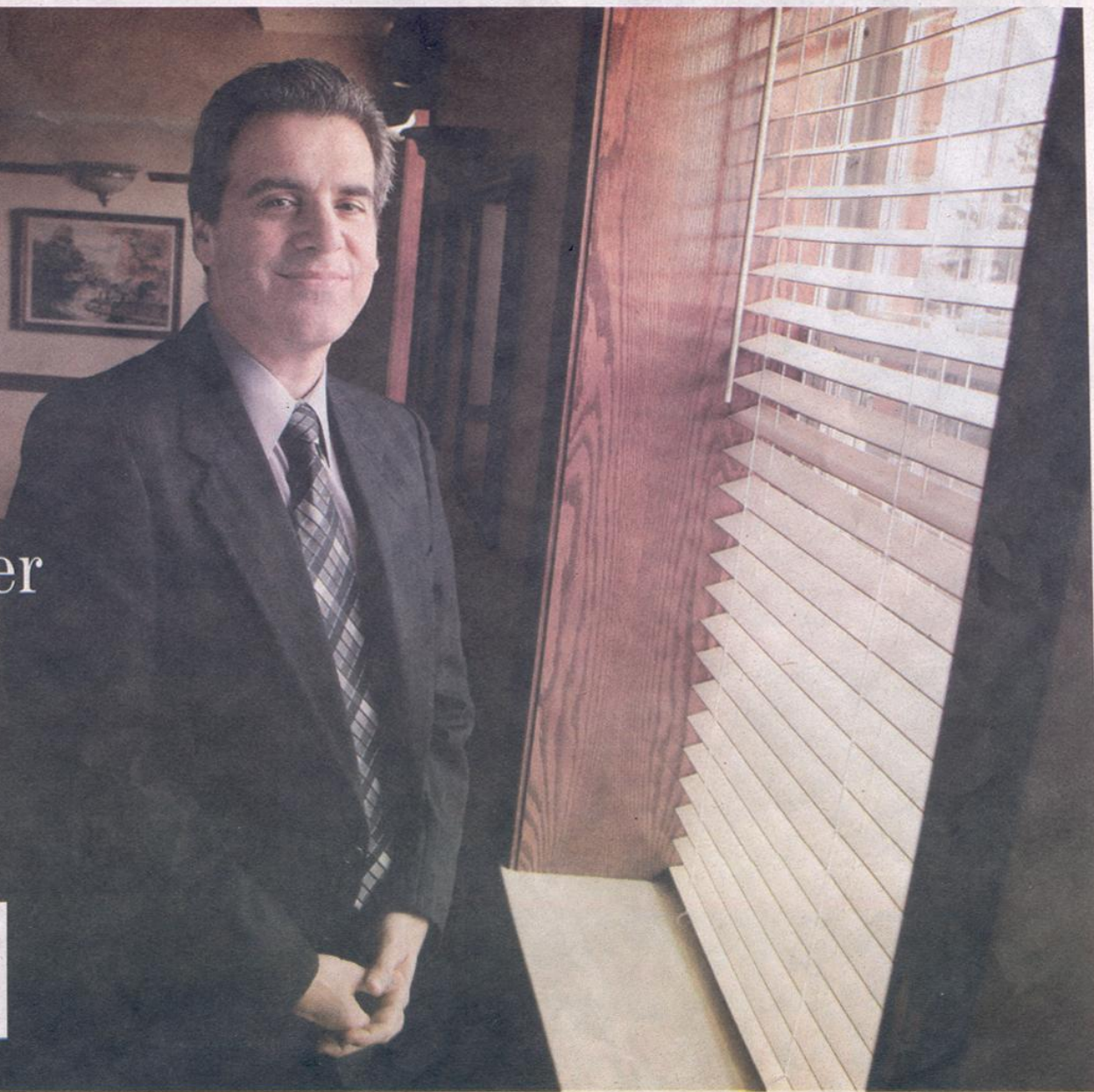
Taking control

Leaders of three companies discuss strategies for keeping internal controls in order. 15-17

ACCOUNTING

Companies create strategies for proper internal auditing

Taking control



JOE WOJCIK

Franco Insana, CFO of Family Hospice and Palliative Care, spends a large part of each day making sure the organization keeps up with Medicare regulations.

In a recent survey of 55 Pittsburgh executives and corporate board members, accounting firm KPMG found that 43 percent either didn't think or weren't sure their audit committees could tell whether company management had the right "controls" in place around operational risks. About the same number couldn't tell if the reports that audit committees consult actually tell them what they need to know to diagnose possible problems.

Companies that take risk assessment and management seriously, use a combination of learning from past problems, expert advice, and frequent checking and double-checking of their balance sheets to tailor the blend of monitoring procedures that's right for their organizations.

Three Pittsburgh firms share this process. For more, see pages 16-17

Family Hospice and Palliative Care

Nonprofit hospice provider

BASED: South Hills

EMPLOYEES ON FINANCIAL TEAM: 8

TOP RISK: Keeping up with Medicare regulations

INTERNAL CONTROL MEASURE: Internal audits based on Health and Human Services priorities

Family Hospice works to stay on top of Medicare regulations

BY ANYA LITVAK

Franco Insana's idea of an internal audit is a stepladder of tests, ranging in frequency from once daily to annually.

His primary mission as CFO of Family Hospice and Palliative Care is to make sure patients receive quality end of life service. But keeping up with Medicare requirements takes up a large chunk of the day.

Family Hospice has a five-member corporate compliance committee composed of finance and operations employees who meet quarterly and pore over various reports that track how the organization is

coming along in its annual corporate compliance workplan.

That's a fancy phrase for making sure the most important internal control measures are being monitored and changed, if necessary.

Many of these priorities are gleaned from the federal government, which publishes its own workplan and tells health care organizations which compliance measures it will watch closely that year.

For example, the 2010 workplan says the Department of Health and Human Services will pay particular attention to how physicians bill Medicare for hospice treatment.

"For a hospice patient to be covered by Medicare, there are certain forms that the

patient and the doctor have to sign within a certain time," Insana said. "So in our audits, we verify that all those forms have been signed, that they were signed by the right person, and on time."

If a nurse filed the original document, a member of the financial team will do the double-checking, and vice versa.

In October, Family Hospice had 463 claims sent to Medicare, so a random sample of about 25 percent should suffice as a check, Insana said.

Only some of Family Hospice's internal audits stem from the federal government's priorities. Some tests are "just good business practices," Insana said, such as monitoring travel expenses for a staff of nurses

who travel to patients' homes.

Here, Family Hospice can use the heavy document burden of being a health care organization to its advantage.

"We reimburse our staff for mileage," Insana said. And while there are IRS guidelines for that transaction, "essentially the employee is on the honor system."

Insana's staff regularly compares the travel slips nurses submit with the Medicare-required patient visit reports to make sure employees are where they are for as long as they say.

SEE HOSPICE, PAGE 17

HOSPICE: Internal controls a lot of work

FROM PAGE 15

A similar methodology is used for the "productivity audit."

Because nurses are required to document each patient they visit, how long it takes them to get to the patient's home and how long they spend there, Family Hospice runs an analysis to see how much of a 40-hour week is spent on actual patient care.

"It's not that every minute of every day needs to be accounted for," Insana said. "Typically, what we find is that, for most health care workers, the rule of thumb is

80 percent productivity. The rest of the time they have to catch up on their paperwork and other obligations."

On those occasions when the productivity count for an employee has dipped significantly below the 80 percent mark, the organization has been able to identify underperformers and directly address the issue.

"Surprisingly, we really haven't caught that much," Insana said.

That's what every internal auditor wants to see.