

**ahia**  
Assoc. of Healthcare Internal Auditors

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Global Business Consulting

# Funding, Privacy, Security and IT System Changes Dominate Priorities for Healthcare Internal Auditors

*Key Findings From the Latest Survey Conducted by Protiviti and AHIA on Healthcare Provider Organisation Internal Audit Plan Priorities*

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*“One of the most constructive measures healthcare organisations can pursue now, even as the COVID-19 pandemic persists, is to amplify the capabilities of their internal audit function. These teams need more support so they can not only transform, but also help the business meet current challenges and prepare for whatever crisis – or opportunity – might come next.”*

– Richard Williams  
Global Healthcare Industry Leader, Protiviti

# Executive Summary

Perhaps no other industry has been tested more by the COVID-19 pandemic than healthcare. Even before the public health emergency, healthcare organisations were challenged in their mission to deliver high-quality patient care due to provider and staff shortages. The rising number of retirements, growth of nontraditional roles for clinicians and intense competition for top talent have made offering higher salaries and increased benefits an imperative for healthcare delivery organisations.

These costs, while necessary, erode the bottom line, and pandemic-related disruption of normal business operations has only made things worse. Many healthcare organisations have been forced to make severe and often morale-bruising cost reductions, including mandating time off for noncritical staff, reducing executive pay, and instituting furloughs and layoffs to impact the cost side of operating margins as quickly as possible.

Healthcare organisations are also facing significant supply constraints as they work through the pandemic-induced backlog of elective procedures and deferred care for their patients. That backlog, coupled with the eventual return to a more routine, yet high, level of demand for healthcare, is expected to heighten the need for both outpatient and inpatient services. Whether healthcare organisations can align an ample supply of skilled staff to deliver and support these services is questionable given the mass shortages of physicians, nurses and staff that already exist.

Regulatory compliance demands, renewed investigations activity by federal, state and accreditation agencies, disruptive and costly ransomware attacks, the constraints of legacy technologies and accelerating adoption of new tools, the increasing complexity of billing and collection processes, recent changes to value-based arrangements, a reinvented opioid crisis, and increased fraud risk due to changing work and care delivery models are just some of the other major challenges that today's healthcare organisations must carefully, yet nimbly, navigate.

It is against this backdrop that our latest Healthcare Internal Audit Plan Priorities Survey finds internal audit provider functions under intense pressure to audit new and unfamiliar areas and help their organisations contend with an array of key risks in a dynamic environment still being shaped by the global pandemic. And, as they face these complex challenges, many of these functions are grappling with significant skill and staff shortages of their own.

## Skill Deficiencies Forcing Postponement of Certain Audits

Current top priorities for internal audit functions supporting healthcare providers include audits focused on government funding programmes and preservation, such as the Coronavirus Aid, Relief and Economic Security (CARES) Act. Audits related to security and privacy issues are also, not surprisingly, high on the list.

However, the lack of skill competencies is preventing some internal audit functions in the healthcare industry from including specific audit types in their current audit plan, such as hospital and clinical coding and documentation, and digital innovation and emerging technologies.

At the same time, our survey findings suggest that many internal audit functions in the industry have increased their competencies in talent and resource management,

especially in relation to their efforts to evolve into a next-generation function. That said, internal auditors who possess next-gen skills and other specialised expertise, like analytics, hospital and clinical coding, and other emerging technologies, remain challenging to recruit and retain. So, while many internal audit functions are motivated to deepen their skills bench, their progress is hindered by a shortage of talent.

### More Healthcare Organisations Seeing the Value of Co-Sourcing

The rapid expansion of remote work during the pandemic has added a new wrinkle to the healthcare industry's ongoing struggle to hire and retain talent. For example, remote work has opened up a wealth of new career opportunities for nonclinical employees, such as medical coders, and accounting and finance professionals, including internal auditors and central billing office staff.

Also, many employees who have been working virtually throughout the public health emergency would prefer to continue working remotely for the long term — while earning either their current or a higher salary. Healthcare organisations must also contend with other employees who don't want to be required to return to an office or comply with a vaccine requirement policy.

These trends have many leading organisations in the healthcare industry taking a harder look at the value of co-sourcing for critical functions like internal audit. Other areas ripe for co-sourcing include the information technology (IT) help desk, and the revenue cycle, compliance and claims processing functions. While many healthcare organisations are trying to determine how best to support remote work into the future, they also see the advantage of using remote capabilities to keep these vital departments connected and running optimally.

In many ways, the COVID-19 pandemic, for all of its disruption, has given healthcare organisations a new sense of confidence about the strategic use of co-sourcing arrangements. They recognise that many key processes can be performed remotely — and well. Co-sourcing provides a way to replace missing or lost skill sets within their organisation, including within internal audit, and especially in areas like machine learning, artificial intelligence and process mining.

Internal audit functions already on their next-gen journey understand this. And as the findings from our latest Healthcare Internal Audit Plan Priorities Survey suggest, internal audit functions need more support so they can not only transform their organisation but also help it meet its current challenges while preparing for what comes next.

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*“We, like many internal audit departments, had pandemic preparedness or something similar on our risk radar but in hindsight we had a vague idea of what that meant until the pandemic actually happened. This illustrates to me the limitations of the risk assessment process and the need for increased flexibility and agility in the internal audit function. We need to dig deeper in our risk assessment, past the topic to the underlying processes, and coordinate and collaborate with other oversight and monitoring functions regularly to understand what risks they are addressing so that we can adjust our plan to complement their efforts.”*

— Cavell Alexander  
Vice President, Chief Compliance Officer, Chief Audit Executive, UCHealth  
AHIA Board of Directors Chair

# Provider Internal Audit Plan Priorities and Other Key Takeaways

## Top Provider Priorities for 2021

Indicate whether each topic is included in your 2021 audit plan.

	2021 Ranking	Yes, on 2021 Audit Plan
Government Funding	01	79%
Privacy and Security	02	72%
IT Application and System Changes	T03	65%
Finance and Accounting	T03	65%
Employee Time and Expense Reporting and Payroll	T03	65%
Billing and Collections	06	62%
Third-Party Risk Management	07	61%
Provider Financial Relationships	T08	54%
Compliance Investigations and Audits	T08	54%
Accounts Payable	T08	54%
Pharmacy Operations and Drug Compliance	T11	52%
Telehealth and Virtual Care	T11	52%
Fraud Management	T11	52%
Charge Capture and Integrity	14	50%
IT Disaster Recovery and Business Continuity	T15	48%
Employee, Provider and Vendor Verifications	T15	48%

Note: "T" indicates a tie.

Coronavirus Aid, Relief and Economic Security (CARES) Act Provider Relief Funds (PRFs) and/or Federal Emergency Management Agency (FEMA) funds are often significant sources of cash for recipient hospitals and other eligible healthcare entities. However, acceptance of these funds requires an organisation's agreement to a number of terms and conditions (T&Cs) and demonstration of eligible uses before and/or after the acceptance of the award.

The U.S. Department of Health and Human Services (HHS) has recently released reporting guidance for PRFs. Guidance topics address the potential for multiple reporting periods (first due September 30, 2021), the opening of the HHS reporting portal and notification of future HHS Office of Inspector General (OIG) audits.<sup>1</sup> Per HHS, any recipients identified as having provided inaccurate information to HHS will be subject to payment recoupment(s) and other legal action. Also, due to the COVID-19 pandemic, a number of states applied for Medicaid 1115 waivers to ensure that sufficient healthcare items and services would be available to enrollees during the emergency. The 1115 waiver allows states to be reimbursed for select items and services and exempted from sanctions for such noncompliance.

Today, healthcare organisations are dealing with multiple sources of COVID-19 government funding with multiple reporting requirements. Some funds, like the CARES Act PRFs, require new government reporting forms and are subject to government Single Audit requirements. Others, like the U.S. Health Resources and Services Administration (HRSA) claims payments for uninsured patients, are just reported on Single

Audit. A third group of funds requires subrecipient determinations and reporting.

The compliant use of all government funding sources will involve various accounting and financial reporting preservation efforts that need to be well-coordinated. At minimum, these efforts include sufficient documentation to support the allowed use of the funds, the timely return of unsupported funding, and the delivery of quality reports within the prescribed time frames and deadlines. Medicaid Section 1115(a) waiver authorities are time-limited and will expire no later than 60 days after the end of the public health emergency.

Key areas for internal audit to focus on during their audits and assessments include:

- PRF Report Filing — quick assessment of the plan to file, quality assurance (QA) steps and external auditor engagement
- Preservation of Funds review:
  - Documentation assessment for an HHS audit:
    - Operational narratives
    - T&Cs initial and final reviews and signoff. This includes documenting the process to affirm compliance to terms and conditions
    - Sampling approach and resolution of questions
    - Indexed, reconciled, saved for retention period and recovery plan; this includes recipients retaining all relied-upon HHS guidance documents
    - Consideration of a mock audit and key knowledge and person identification

<sup>1</sup> HHS announced on September 10, 2021, that recipients of PRFs will have available a 60-day grace period to meet PRF reporting requirements if the recipient fails to meet the reporting deadline on September 30, 2021: [www.hhs.gov/about/news/2021/09/10/hhs-announces-the-availability-of-25-point-5-billion-in-covid-19-provider-funding.html](https://www.hhs.gov/about/news/2021/09/10/hhs-announces-the-availability-of-25-point-5-billion-in-covid-19-provider-funding.html).

- Comprehensive funding analysis and assessment:
  - Net impact to organisation — optics
  - Reporting requirements matrix and timeline:
    - PRF funds reporting deadlines and periods may be different on Single Audit than other CARES Act funds
    - Could be four (4) PRF reports, if funds received across all periods
- 1115 Medicaid Waiver — impact analysis, budget treatment, policy or process changes

## 02

## Privacy and Security

While enforcement of Health Insurance Portability and Accountability Act (HIPAA) requirements may have eased throughout the pandemic, there has been a surge of threats and vulnerabilities that risk the privacy and security of sensitive data within healthcare environments. Ransomware continues to be a hot trend, for example, with the attacks becoming more targeted, compromising not only critical systems but also data backups and vital data stores. Phishing schemes remain a primary vehicle for introducing ransomware into healthcare organisations.

However, a growing number of attacks originating from vendor or third-party software that healthcare organisations — or their partners — use can have a detrimental impact as well, as evidenced by the recent SolarWinds and Kaseya ransomware outbreaks. These attacks can result in the wide distribution of collateral ransomware, which may impact the most critical healthcare practices. Ransomware threat actors are even going so far as to identify and compromise an organisation’s backups before making themselves known; this forces the hand of the victims to pay the ransom. And for those organisations that believe they

can recover without paying the ransom, know that these attackers are often attempting to extort victims by threatening to disclose publicly whatever sensitive information has been compromised, unless the victim pays the ransom.

More broadly, privacy and security continue to be key challenges for the healthcare industry, as new technologies, partnerships and collaborations are used to expand the reach of the healthcare system across a multitude of digital technologies, platforms and applications. Privacy and security are also a top focus for industry members looking to reinvent and disrupt care models to meet patients’ needs through consumer-driven and enabled technologies, and to align themselves with the latest in value-based payment structures and reimbursement models in the process.

New merger and acquisition activity, the establishment of new legal entities and partnerships, and the acquisition and affiliation of individual physician practices into more complex, clinically integrated networks also introduce privacy and security-related challenges — especially in relation to safeguarding sensitive data shared and used across these organisations.

For example, the responsibility of who should perform critical processes and controls that may impact multiple organisations becomes more complex or sometimes unclear. Therefore, contractual obligations, legal structures, and accountability for performance of key and complementing controls all need to be identified and assigned clearly. Otherwise, the probability of misunderstandings or nonperformance across key controls and touchpoints between organisations is high across many areas. They include user access management, including user activity monitoring and investigation, ownership of patient records and the integrity of that information, data discrepancy resolution, patients’ right to access, technical security testing and remediation, system availability, downtime, recovery, and data integrity — to name only a few.

**T03****IT Application and System Changes**

Healthcare IT application implementations are consistently increasing in both their rigour and complexity. Regulations addressing healthcare system interoperability and patient information blocking are driving an increase in the transparency into the average patient's continuum of care. The exchange of data associated with increased transparency, coupled with a changing reimbursement model that requires new tracking aspects of costs and value, necessitates significantly more complex considerations for data interaction and processing.

It is important for health systems to understand how their current technology suite supports the transparency of patient information with other health networks and the patients themselves. If the decision is to respond to these regulatory requirements by implementing or upgrading the electronic health record (EHR) platform, nearly all the organisation's current applications and supporting business processes will be affected. The preparation, scoping and management of clinical system implementation can be nearly as costly as the physical implementation itself. Proper project management and scoping can dramatically increase the success of the project.

Applications must account for increasing business complexities, expanding supply chain networks and the growing need to track a multitude of different data elements that help to demonstrate value-based care. The introduction of nontraditional, value-based care payment models has given rise to a new wave of payer requirements and avenues for payment denial that back-office billing systems must rapidly address. For many organisations, addressing these concerns involves reassessing their current technology stack and adopting applications that augment their

ability to meet the aforementioned regulatory and reimbursement requirements.

To address the rising need for deeper insight into hospital performance and more efficient materials management, many health systems are adopting the latest enterprise resource planning (ERP) systems. The use of these new ERPs can help provide insights into business performance and support the supply chain in a manner typically not afforded to an organisation by legacy ERP systems. Such as with EHRs, the implementation of ERP systems involves integration with much of an organisation's technology suite and requires careful planning and project management. Newer healthcare reimbursement and payment models have also given rise to many bolt-on tools and applications. Navigating these tools requires planning and careful consideration of interface issues with current billing systems and data security requirements.

**T03****Finance and Accounting**

Healthcare finance and accounting departments will continue to face many challenges in the coming year. As organisations struggle with cash flow due to changes in service mix, payer mix, lower-than-expected volumes and the recoup of Medicare advance payments, leadership is looking to accounting and finance functions to provide more timely and detailed information. These challenges, along with managing the reporting requirements for the PRFs, ERP implementations and more, if not handled well, can result in finance and accounting struggling to scale up to provide the same level of services as in years past.

Now more than ever, it's critical for healthcare organisations to have strong internal controls. However, the new "normal" for accounting departments with lean staff and remote workers

creates a greater propensity for lax controls and inefficient processes. Additionally, cyber threats have continued to increase with the adoption of more technologies to enable a remote workforce. Today's healthcare auditors must consider these trends and partner with their finance and accounting teams to advance their capabilities. That includes placing a greater emphasis on financial controls versus operational audits and tapping auditors' skill sets to help identify potential cyberattacks. Audits that use process mining tools and data residing in the organisation's ERP system can also help identify process inefficiencies and bottlenecks quickly.

### **T03** Employee Time and Expense Reporting and Payroll

Employee time and expense reporting and payroll are crucial functions in healthcare, as they capture key inputs for one of the organisation's largest and most valuable assets: the workforce. Complete and accurate time reporting is essential, as it provides vital insights into resource management through productive and nonproductive labour. However, there are also several time reporting regulations associated with shift work, mandatory breaks, overtime and overall hour limitations that healthcare providers must actively manage, while also ensuring that appropriate staffing levels are in place to provide high-quality service to an ever-changing patient population.

Also, as time reporting directly impacts payroll, one of the most significant costs for healthcare providers, it's important to conduct a thorough review of payroll practices regularly. Specific areas of focus include U.S. Department of Labor regulations and/or state regulations, duplicate payments, potential employee fraud, inequitable pay, errors in manual and/or automated calculations, and segregation of duties (SoD).

It is also important to have strong processes and policies in place related to employee expense reimbursement, including purchases made with corporate credit cards and/or purchasing cards, to ensure accurate payment, accounting and compliance with Internal Revenue Service guidelines. Healthcare organisations also need to report and track physician-related expenses properly to ensure compliance with applicable federal and state laws (e.g., Stark Law provisions, Medicare-Medicaid Anti-Fraud and Abuse Amendments).

### **06** Billing and Collections

The need for a more agile, data-driven and proactive approach to managing an organisation's billing and accounts receivable functions has never been more evident. Use of technological innovations, including automation and advanced analytics, is a great opportunity to assist management with identifying and helping to resolve continued margin pressures. Healthcare organisations with internal audit functions focused on evolving into next-generation functions benefit from having the ability to identify potential control gaps as well as opportunities for greater efficiencies and effectiveness.

Billing and collection processes remain a constant concern within the healthcare industry year over year. With increased emphasis on facilitating compliance and maximising revenue, many activities, such as proper coding and billing and accurately identifying over- and underpayments, have become more complex.

An industry-leading attribute of financial reporting is ensuring that revenue integrity is occurring through various control activities, including solid reconciliation efforts that accurately identify payments received and variances from payers. For provider organisations'

financial health, the ability to identify initial payer denials or adjustments accurately and employ solid denial mitigation efforts is critical. Internal audit can support the use of next-generation audit capabilities, advanced analytics, and continuous monitoring and auditing to spearhead the timely identification of variances when provider organisations return to a semblance of normalcy following the pandemic. Ensuring that basic controls are in place will prove pivotal going forward.

## 07 Third-Party Risk Management

Healthcare organisations partner with third-party vendors to outsource services, drive service excellence, control costs and risks, or gain other advantages. However, with increasingly complex vendor networks, rising customer demands, a rapidly changing regulatory environment and ever-looming cybersecurity threats, there is tremendous pressure on these organisations to ensure that their vendors maintain consistent compliance with internal policies and evolving regulations. The risks these relationships can create include financial, reputational, legal and regulatory compliance, cyber, and even patient safety.

The approach an organisation takes to vendor risk management can significantly affect its ability to achieve its goals. Vendor risk management is the practice of evaluating business partners, suppliers or third-party vendors both before a business relationship is established and over the duration of a contract. In general, healthcare organisations recognise the importance of vendor risk management; however, few organisations can say they're doing it effectively. For the many healthcare providers who struggle with vendor risk management, the inability to adequately assess and understand the risks that vendors pose can become incredibly costly. Finally, many healthcare

organisations do not believe their vendor risk assessments, as they exist today, are valuable for providing actionable insights to the C-suite and board of directors.

Essential vendor management practices for healthcare organisations include developing appropriate governance documents, having a well-defined, effective vendor selection process, establishing contractual standards, keeping up with periodic due diligence and continued oversight, defining an internal vendor risk assessment process, establishing a robust vendor inventory and performance monitoring process, and creating a vendor governance framework.

Increasingly, healthcare organisations are using the internal audit function as a resource to assist with third-party vendor risk management. Internal audit is often tasked with testing the programme that management has developed and implemented, while also providing value-added feedback. Example reviews include assessing the organisation's processes to classify and perform due diligence on vendors based on inherent risks; reviewing how contractual documents are created, retained and reviewed as a function of identified risk; and evaluating the vendor risk management life cycle to determine how effectively the organisation uses ongoing assessments and performance monitoring mechanisms (e.g., scorecards, questionnaires, on-site assessments) to manage the overall portfolio of vendor risk.

## T08 Provider Financial Relationships

Provider compensation and contracting continues to remain an area of major concern for hospitals and other providers due to the recent value-based arrangement changes to the Anti-Kickback Statute and Stark Law provisions and the federal government's efforts to

prevent and prosecute healthcare fraud. Internal audit should work closely with the legal and compliance departments to understand the organisation's position on arrangements using the new safe harbours and/or exceptions.

The Office of Inspector General (OIG) and Centres for Medicare and Medicaid Services (CMS) continue to increase their scrutiny of provider compensation relationships. There are several recent examples of legal settlements and/or damages as a result. Internal audit functions should focus on assessing controls designed to identify and prevent improper provider compensation arrangements, including processes such as independent fair market valuations, extended contract approval and contracting checklists. Also, the routine review of existing contracts and arrangements can validate the overall effectiveness of those controls.

Additionally, PODs (physician-owned entities that derive revenue from selling, or arranging for the sale of, implantable medical devices) remain a focus for regulators. With increased OIG scrutiny, internal audit should assess the mechanisms used for regular monitoring and governance of vendor and POD relationships (e.g., contract compliance, payments, performance metrics) and due diligence processes (e.g., vendor review, contract review and approval process), which are essential to mitigate the risk of using PODs when contracting with vendors.

**T08**

## Compliance Investigations and Audits

Failure to comply with regulatory requirements associated with the areas mentioned earlier (e.g., physician relationships, vendor management, revenue integrity) may result in audits, investigations and corporate integrity agreements. Enforcement actions were paused during the pandemic, but there

was only a brief respite during the initial surge in COVID-19 cases. Regulatory audits, investigations and inspections are back on the schedule for federal, state and accreditation agencies, with increased focus on emergency management and other areas of process or control weaknesses illuminated by the pandemic.

Routine auditing and monitoring analytics may help an organisation avoid investigations by promptly identifying outliers or systemic issues, identifying the root cause, validating effectiveness of corrective actions, and anticipating potential issues. For example, changes in a physician's prescribing pattern may indicate the availability of new, more effective therapies, a change in financial relationships or a new potential conflict of interest. Monitoring physician practice patterns may help identify unnecessary surgeries prior to regulatory intervention. Monitoring patient status designation may identify a need for education on the two-midnight rule, observation and required documentation to support billing criteria.

**T08**

## Accounts Payable

Internal audit functions should determine whether the accounts payable (AP) department has sufficient, well-functioning controls. Ideally, most spending will go through a purchasing system and be preapproved with a purchase requisition or purchase order (PO). The receipt of the goods or services should be recorded in the system, and these two transactions matched systematically to the invoice. For non-PO spend, internal audit should assess whether the approval of invoices occurred properly before the payment and in conjunction with the relevant spending authority.

Internal audit should also determine whether vendor setups are adequately approved and completed appropriately, which includes addressing optimal

segregation of duties. They should also direct further focus on identifying erroneous duplicate payments and training accounts payable (AP) teams to recognise and escalate spoofing attempts. Using data analytics to facilitate testing of large populations for these types of reviews can make internal audit a more effective business partner.

## Pharmacy Operations and Drug Compliance

Pharmacy is one of the most regulated hospital departments and accounts for a large amount of revenue — and spend. Pharmacy technology (e.g., carousels, automated dispensing machines, robots) improves constantly, and cost savings opportunities should be continuously considered. The 340B programme is under scrutiny and HRSA audits of covered entities continue to uncover noncompliant practices, which result in manufacturer repayments, corrective action plans and, in some cases, termination from the programme.

Despite previous progress made in the fight against opioid and substance use disorders, the pandemic has exacerbated the crisis. Analytics to identify behaviours that may indicate drug diversion are rapidly improving, but hospitals and health systems still struggle to solve the age-old problems of ownership and execution. Next-generation audit diversion analytics are not valuable unless properly implemented and acted on (i.e., reviews are documented, and risky behaviours are consistently investigated and reported on, when appropriate).

Key areas for internal audit to focus on during their audits and assessments include:

- Drug procurement and shortages
- Drug receipt and storage
- Inventory management and traceability
- 340B compliance

- Revenue cycle:
  - Charge capture/Charge Description Master (CDM) maintenance
  - Coding/billing
  - Drug waste charge compliance (JW modifier)
- Patient safety and reputational risk:
  - Controlled substance prescribing — monitoring for outliers and compliance with state and federal requirements and guidelines
  - Drug diversion — physical security, monitoring, investigation and reporting
  - Medication safety practices

## Telehealth and Virtual Care

The rapid changes in technology over the past decade and the high demand for virtual healthcare services fuelled by the pandemic have led to the transformation of telehealth and virtual care. This new healthcare delivery model is improving access, outcomes, and patient and provider satisfaction.

Providers now have greater flexibility to treat patients safely using telehealth modalities, and reimbursement for those services has improved significantly, acting as a catalyst for expanded provider services. However, providers must ensure that clinical workflows are effective and efficient. They must also audit for accurate documentation and coding and evaluate how telehealth technology can create a seamless interface between providers and patients. Key areas for internal audit to focus on during their audits and assessments include:

- Patient experience
- Billing and revenue

- Clinical integration and workstream management
- Regulatory compliance
- Technology
- Security
- Privacy

## Fraud Management

The public health emergency has created the perfect storm for fraud risk, and auditors should be on high alert. Organisations must identify the new and ever-changing fraud scenarios and be agile enough to manage the associated risks and responses. As businesses embrace the “new normal” for where and how organisations and their personnel get work done, now is the time for auditors and fraud prevention functions to reimagine their approach.

The rapid expansion of remote work and telehealth within clinical care and other business functions has occurred, in most cases, without thoughtful consideration of the new risks or the controls necessary to manage them. Internal audit should validate the business and compliance plans to identify, assess and help close control gaps. This work should include updating risk and control matrices (RCMs), with particular emphasis on the inclusion of appropriate control attributes for large-scale remote/telework areas and activities associated with high fraud risk.

Various government agencies have declared their intentions to devote time, money and technology to fight healthcare-related fraud and abuse. These activities often yield anywhere from \$4 to \$8 of recovery for every dollar invested. New to the focus of regulators is data ethics, with the Federal Trade Commission (FTC) recently beginning COVID-19 Consumer Protection Act

enforcement activities. Also, when the public health emergency is over, the various Medicare 1135 waivers and temporary reprieves from investigations and regulatory inquiries will end, too. Enforcement priorities are sure to include the appropriateness of 1135 waiver usage and timely cessation.

Internal audit’s ability to understand the organisation’s vulnerabilities and establish an appropriate framework to monitor them is essential. As staffing shortages and higher rates of turnover continue to plague the industry, particularly in roles requiring more experienced personnel, the risk of control breakdowns or lapses is increased. With regulators demanding that industry participants be more active in investigating and managing a wide range of compliance risks, now is the time for internal audit to reassess coordination of risk activities with compliance and other fraud-fighting departments.

The current trend of upgrading and retooling various business technology platforms continues. Internal audit should be involved with evaluating the design of associated fraud, financial and operational controls for new ERP applications, remote/telework software and solutions, EHRs, billing systems, and other new tools. The rapidly evolving clinical and business landscape, with increased efficiency pressures on internal audit, will demand even more data analytics and process mapping and mining along with new approaches for identifying and reducing fraud, waste and abuse risks.

One of the best anti-fraud deterrents is a high-functioning, well-established and integrated next-generation internal audit function. Industry-leading internal audit functions have the tools to obtain a view of an entire population of claims, transactions or arrangements and identify outliers. They can obtain and compare information between multiple systems to validate the appropriate movement of information, pharmaceuticals or patients. Organisations can identify

risk areas more quickly by using advanced analytics and automated processes and by making better use of limited resources to surface and mitigate risks. This frees resources to focus on more in-depth investigations, while ensuring that risks are managed appropriately.

14

## Charge Capture and Integrity

Charge capture is becoming an area of increased focus for many providers. Internal audit should evaluate an organisation's overall charge functions and make any necessary improvements. Missed and miscoded charges and overcharges can negatively impact revenue and pose potential compliance risks. It's critical to determine whether effective policies and procedures exist and are enforced throughout the organisation and whether key process owners understand their role in the processes.

Timely, accurate and complete charge capture and comprehensive revenue reconciliation and governance processes help facilitate compliance, address any necessary charge rework and, ultimately, improve net revenue. Focused attention and routine internal reviews of charge capture functions to assess the effectiveness and adequacy of key controls also lead to greater charging accuracy.

The revenue integrity department or the various personnel and functions responsible for timely, accurate and complete charging should play an active role in the charge capture and charge reconciliation processes and facilitate collaboration among clinical departments, decision support, patient accounts and patient access. Internal audit should either verify a structure is in place or assist with establishing a structure to foster internal problem-solving and provide escalation pathways across the organisation. Internal audit functions should also corroborate that the organisation is using leading

practices and benchmarking against targets for timely documentation, charge capture and overall charge reconciliation compliance to ensure that any process redesign aligns to the desired and improved future state.

T15

## IT Disaster Recovery and Business Continuity

The CMS and The Joint Commission (TJC) require that hospitals have an integrated emergency management plan, policies and recovery plans that address a healthcare organisation's preparedness and healthcare system recovery. These plans must focus on an effective and efficient return to normalcy or a new standard of normalcy for the provision of healthcare delivery. The CMS and TJC also require continuity of operations planning that ensures the continuation of essential operations, patient care services and ancillary support functions across a wide range of potential emergencies.

Internal audit should review the effectiveness of their organisation's emergency management and business continuity processes, starting with their business continuity strategy and functions that facilitate the foundational business impact analysis (BIA), subsequent business continuity plan (BCP) and IT disaster recovery plan development, and continuous improvement and maintenance activities.

Organisations should complement the BIA with the hazard vulnerability analysis (HVA); together, they underpin the BCP. An HVA assesses the risk, preparedness and impact for an individual healthcare organisation according to hazards, including natural disasters, infrastructure failures, security threats, mass casualty events, surge planning and infectious diseases. A BCP will also address acquiring or storing clinical supplies, assigning staff, creating emergency protocols, and coordinating continuity of operations planning.

The BCP should also highlight any maintenance or updates to perform on the recovery plans, identifying clear gaps and prioritising services and functions. Also, healthcare organisations must determine which resources are needed to carry out each service. This assessment should include the Memorandums of Understanding (MOUs) with all partners and a list of required resources, such as physical equipment, IT infrastructure, and any specific skill sets required to perform functions and their associated dependencies (i.e., functions that must be in place to carry out a service).

Organisations must also document the number of personnel currently trained and qualified in each service, as it will make resource allocation easier. An organisational matrix that details the skill sets required for all essential roles will help ensure that those positions remain filled. Also, organisations need to maintain an up-to-date record of employee-related information, such as licences and certifications and completed training. That information will help the organisation fill essential roles and facilitate the mobilisation of workers quickly, as needs arise.

Key areas for internal audit to focus on during their audits and assessments include:

- Examining the performance of activities incorporated in BCPs and determining whether the business continuity and disaster recovery processes address organisational recovery needs based on an all-hazards approach
- Ensuring that communication plans balance caution with a business-as-usual mindset
- Examining departmental BCPs for clear guidance regarding critical services, such as supply chain, pharmacy, laboratory, human resources (HR) and financial services
- Ensuring that all departmental BCPs are based on outputs of a BIA
- Validating that lessons learned are captured in after-action reviews and incorporated into relevant response and recovery plans
- Confirming that the supply chain function has created a supply chain resiliency plan that considers an all-hazards approach for emergencies and has identified secondary and tertiary vendors
- Confirming retention of updated MOUs with community, state, and local authorities and vendors
- Determining how the event affects budgets and business plans to assess financial and operational risks, including the evaluation of short-term liquidity (e.g., terms and conditions on loans and contracts with creditors and investors)

## Employee, Provider and Vendor Verifications

Employee, provider and vendor verifications continue to be a focus for hospitals. Failing to verify or monitor licences and credentialing properly can result in noncompliance with applicable laws, regulations and accreditation standards. It also can put patients and staff at risk. Healthcare organisations that have weak verification processes risk violation of the CMS Conditions of Participation (CoP) and the False Claims Act.

Controls in this area that internal audit should focus on include standardised licence and credentialing reviews, documented processes, contract approval processes, documentation checklists, and routine reviews of licence status.

The following are examples of attribute areas that internal auditors should include in their audits and assessments:

- Approvals from all required individuals and committees
- Credentialing, privileging and payer enrolment processes performed within required time frames, as per policies
- State licences, certifications, references, controlled substance registrations and insurance verified within required time frames, according to laws, regulations and policies
- Exclusion checks — for example, from the OIG List of Excluded Individuals and Entities (LEIE), state-specific Medicaid exclusion lists, and the General Services Administration (GSA) System for Award Management (SAM)

## Other Key Takeaways

### *Looking to 2022*

Additional provider areas that are not listed in the top priorities for 2021 that appear to be priorities for 2022 include:

- Change in delivery model across the care continuum
- Supply chain
- Patient access
- Chargemaster
- HR and workforce challenges

### *Lack of Skills and Competencies*

Additional provider areas that are not on any audit plans due to lack of skills and competencies include:

- Hospital and physician clinical coding and documentation
- Digital and innovation initiatives, emerging technologies, and competition with new “born digital” companies
- Changing delivery models across the care continuum
- Medical management and related compliance risks
- Compliance, utilisation and quality risks

# Key Takeaways for Internal Audit Functions on the Next-Gen Journey

Healthcare provider organisations have been hit especially hard by the COVID-19 pandemic. The ebb and flow of the public health emergency has stressed providers, other front-line staff and the back-office functions that support the industry. Internal audit functions also felt the pinch, from reallocated budgets to staffing furloughs to the growing realisation of the need for employees with new skill sets.

In early 2021, Protiviti published [The Next-Generation Internal Audit Journey Needs to Begin Now](#), a thought leadership piece that focused on how all industries were advancing their internal audit functions. As Brian Christensen, executive vice president of global internal audit at Protiviti, notes:

Once the gears of change are moving, they don't stop. The internal audit profession has undergone significant, and positive, changes over the past few years, which only accelerated during the COVID-19 pandemic. Chief audit executives (CAEs) and their teams have seen the changes and innovations in their organisations firsthand, underscoring the importance for them to develop and advance their knowledge and skill sets in the internal audit next-generation components within Governance, Methodology, and Enabling Technology. We see that most internal audit groups are just getting started on their next-gen journeys. This is good — the key is to be on the journey and continue to move forward. Otherwise, internal audit functions can get left behind.

The main takeaway from the next-gen internal auditing survey is that progress remains slow: Next-generation internal audit journeys are just beginning.

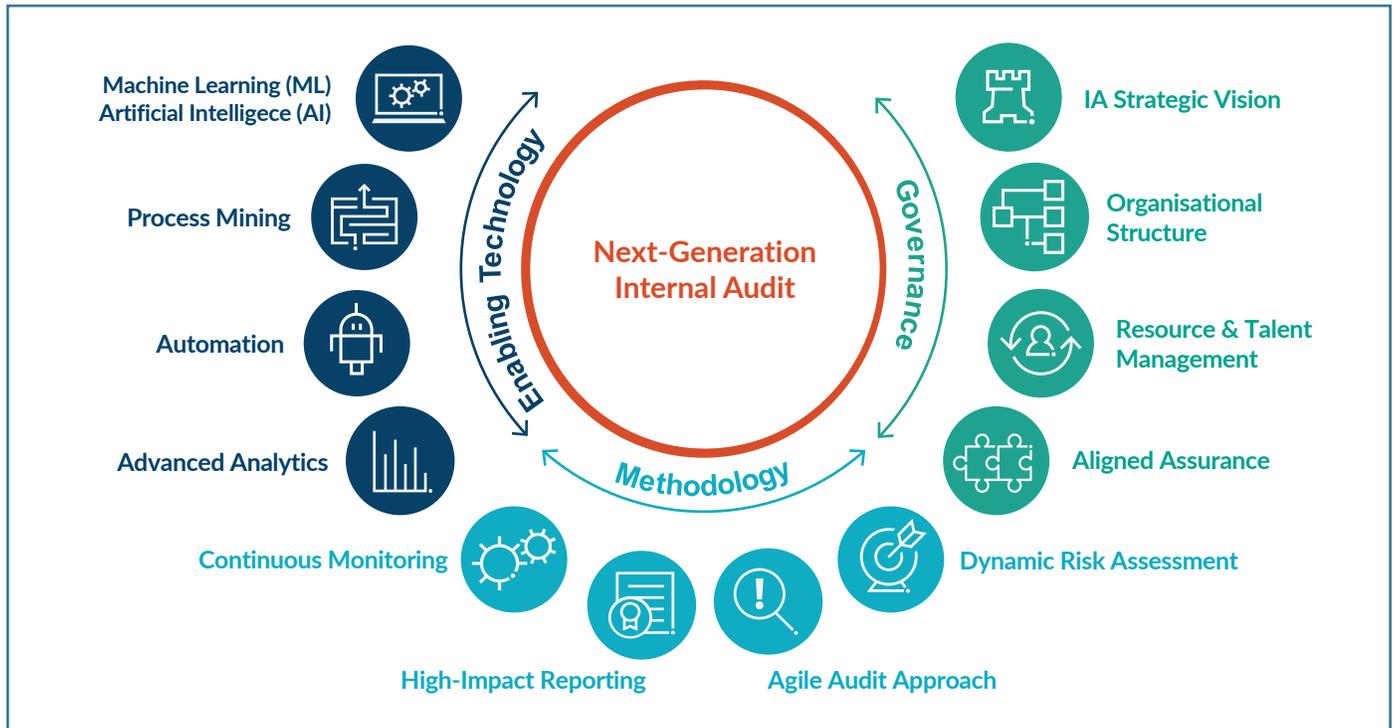
When measured against other industries, healthcare internal audit functions lag in undertaking or hosting

transformation and innovation initiatives (e.g., analytics and automation development, hack-a-thons, innovation challenges). However, among healthcare provider respondents, there was an 11% increase this year in those who reported that they are currently undertaking transformation or innovation initiatives to support internal audit. Nearly all healthcare provider respondents said their internal audit functions have either increased these initiatives (54%) or remained the same (45%) on a year-over-year basis.

Many of the key themes across the healthcare industry, as in all industries, that we expect will continue over the course of 2022 are directly or indirectly related to internal audit and next-gen concepts. These themes include the following:

- Continuing emphasis on using data more effectively
- Increasing adoption of emerging technologies and a push toward digital transformation
- Increasing focus on replacing legacy systems with modern ERP systems, along with continued enhancement and optimisation of EHRs
- Using enterprise risk management (ERM) tools to assist with preparedness and recovery efforts
- Seeking supply chain optimisation services to help with increased expenses
- Continuing to push for compliance programmes to be more agile and effective — and using data and analytics to help accelerate that push
- Attracting and retaining top talent to staff analytics and security teams appropriately

## Next-Generation Internal Audit Framework



Overall implementation levels for all three next-generation internal audit areas (governance, methodology and enabling technology) and the corresponding 12 next-gen components are moving along the spectrum (from not implemented to optimising), thus showing internal audit functions' progression within their next-generation journeys. Please see additional next-gen internal audit charts in Appendix A.

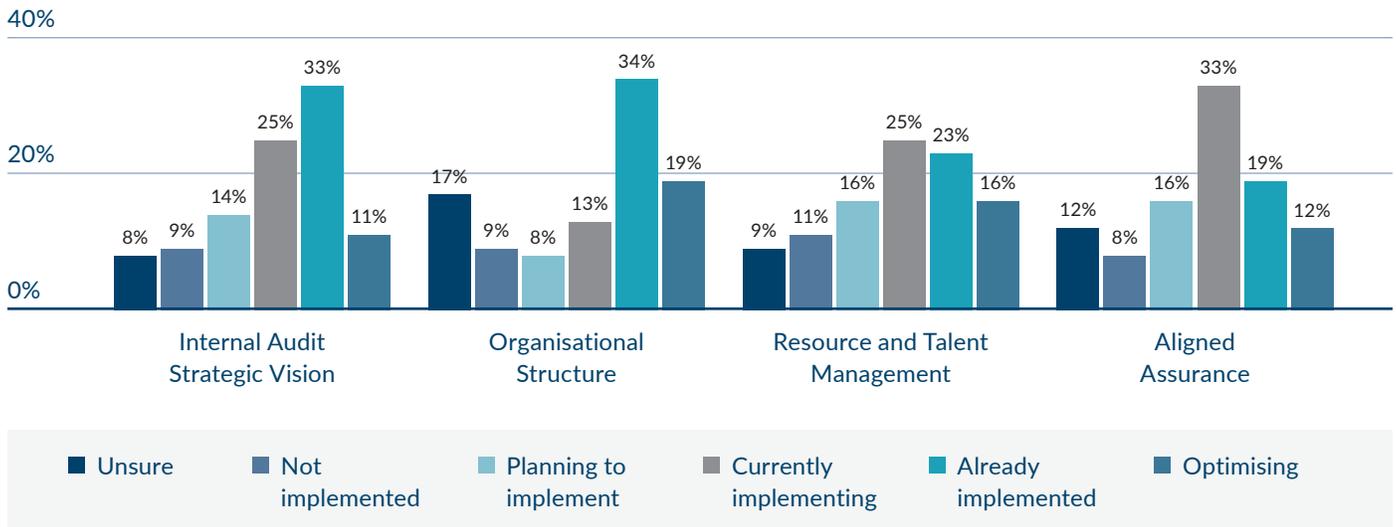
Fifty percent or more of healthcare organisations' internal audit functions are planning to expand their competencies across at least 10 of the 12 next-gen components, according to our research. Process mining and machine learning (ML) and artificial intelligence (AI) are the only areas where they lag behind.

Among the three next-generation internal audit areas, healthcare internal audit functions have demonstrated the most progress in implementing and advancing competencies within the governance area. This is not a surprise, as internal audit functions typically have the most familiarity with these components, which also require the least amount of innovation or expense to implement.

Details on the specific governance structures, methodologies and enabling technologies that make up the next-generation internal audit framework are outlined in Appendix B.

## Governance

Please outline your internal audit department's level of implementation related to the following next-gen components.



When the COVID-19 pandemic hit, most internal audit functions had a higher methodology maturity level than governance maturity level. Methodology areas usually demonstrate more bang for their buck with individuals outside of the internal audit function. However, with limited resources and a decreased budget, many internal audit functions determined it would be a good time to reassess their department and make sure they were nimble and aligned to best help their organisations through the pandemic.

So, this year's data shows a switch from methodology to governance, as strong governance competencies are the foundation of an internal audit function. They determine how internal audit fits into the organisation's strategy, how the function is structured, how it maximises the use of staff and high-demand resources, and how it cooperates with "second lines" (e.g., compliance, risk) within the organisation.

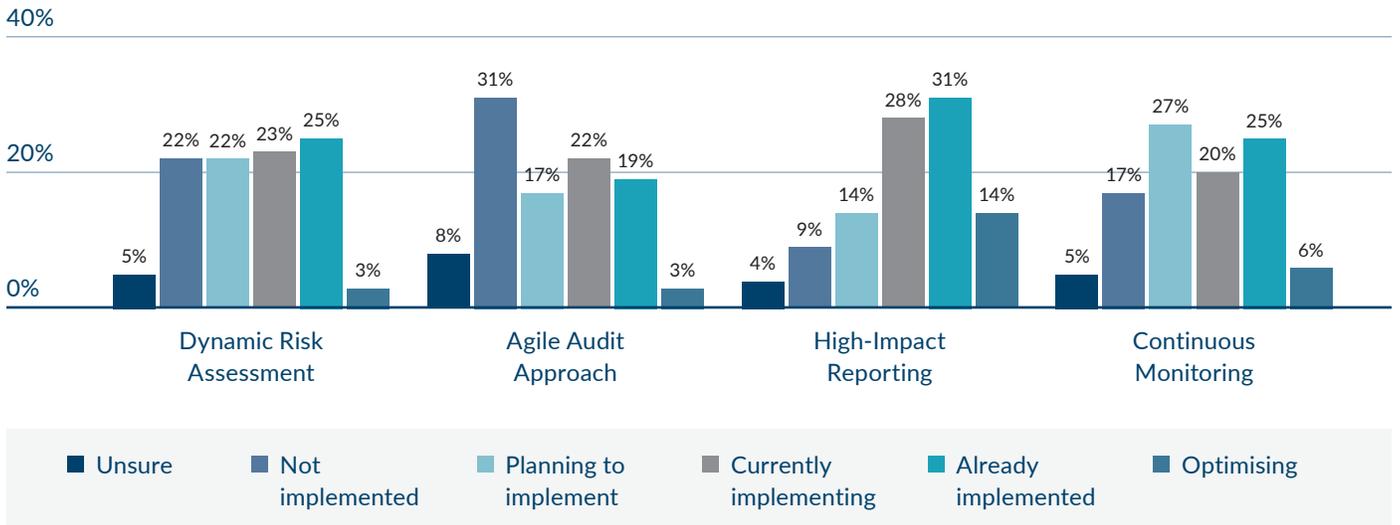
CAEs should ask, "How do we both develop and access the skills necessary to build out a next-gen internal audit function?" Options include, but aren't limited to, training current staff, recruiting and borrowing professionals from other parts of the organisation, or bringing in external expertise.

Our research shows that more than half (52%) of internal audit functions in the healthcare industry are choosing to fill the gaps of next-gen skill sets with a strategic co-sourcing partner that has specialised expertise not found in-house.

One quick way to make sure resources are aligned and used effectively is to ensure that there is no duplication of efforts — and that starts with a risk assessment. Currently, three-quarters (75%) of all healthcare provider respondents in our survey report that they align their risk assessment process with their compliance function counterparts to ensure that there is no duplication of work.

## Methodology

Please outline your internal audit department's level of implementation related to the following next-gen components.



Despite governance taking over the top implementation growth spot during the pandemic, it won't be long before methodology makes a comeback. Once governance components are implemented, they require less continued maintenance, which will allow internal audit functions to return their focus to improving the methodology components. That, in turn, can improve the stakeholder experience and help the organisation achieve a real-time view of risk.

Surprisingly, most internal audit functions (64%) in the healthcare industry are still performing or refreshing their risk assessment process only annually or even less frequently. Hopefully, with more organisations adopting a dynamic risk assessment approach, we will see more internal audit functions keeping a real-time pulse on their organisation's health.

On a positive note, it appears that more than half of internal audit functions (55%) are becoming more

agile and working on a larger number (20 or more) of smaller audit and advisory projects over the course of a year. Also, 52% of internal audit functions are at least following up on outstanding internal audit findings either monthly or as the due date occurs. As the follow-up process continues to mature, more internal audit functions are implementing continuous monitoring to alert auditors to problem areas for further review. The process can also help guide project identification for future internal audit projects based on the timeliness and outcomes of the follow-ups.

Out of all 12 next-generation internal audit components, high-impact reporting is used by the largest percentage of healthcare internal audit functions in 2021, according to our survey. Powerful examples of high-impact reporting are those that communicate essential information in easy-to-digest packets and are tailored to the expected audience.

Two key areas where internal audit can use high-impact reporting and continuous monitoring are also within the function itself:

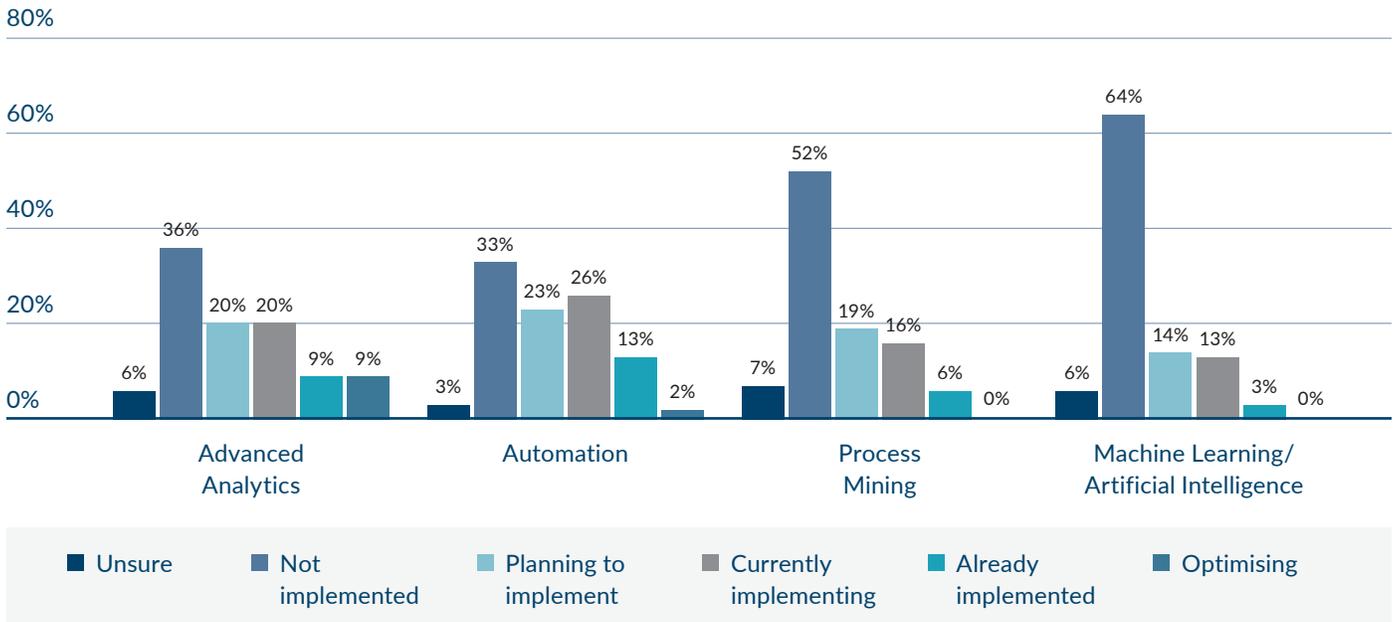
- Follow-up dashboards can outline real-time status of findings based on risk ranking, due dates, responsible key process owners and more. These high-impact reporting dashboards can also allow direct access to the key process owners responsible for remediating the issues to check up on their status or the status of the individuals who report

up to them. This helps facilitate accountability and timely resolution of open follow-ups.

- Risk assessment dashboards can monitor multiple risk inputs (e.g., surveys, interviews, follow-up dashboards, other continuous monitoring dashboards) to identify trends, outliers and so on. Internal audit functions can break out the top risks to a facility, department, region, state or type of facility (e.g., hospital, ambulatory, post-acute) to identify the key risks to the organisation at any level.

## Enabling Technology

Please outline your internal audit department's level of implementation related to the following next-gen components.



Implementation levels are the lowest among the enabling technology areas, with ML/AI and process mining being the lowest (16% and 22%, respectively, currently implementing or better). This is also not surprising, as these areas are complex, expensive to implement and unfamiliar to most internal audit functions. All four of the enabling technology components:

- Rank within the top five components most organisations are interested in implementing; however, they are also doubtful they can procure the resources with the right skill sets to use them
- Rank as the top four components that organisations believe they will need the assistance of a third party to audit
- Continue to rank as the lowest competency scores year over year

Perhaps the most interesting item to note is that many organisations want to build out their continuous monitoring and dynamic risk assessment processes with high-impact reporting. Yet, they have not implemented advanced analytics, which is a critical capability for all three of these methodology components.

As reported in [Research Shows High Digital Maturity Can Be a Critical Driver for Next-Gen Audit](#), Andrew Struthers-Kennedy, Protiviti managing director and IT audit global leader, states:

While the internal audit profession has undergone significant and positive change in recent years, few CAEs can report with confidence that their internal audit organisation is well on its way to becoming a ‘next-generation’ function, let alone a digital leader. Yet, many have been evaluating and exploring the use of technology to improve the overall performance of the internal audit function. The most advanced internal audit functions also tend to be those that have embraced, adopted, and integrated new methods and technologies.

It is vital to develop skills and capabilities in all three next-generation areas — governance, methodology and enabling technology — to create a truly next-generation internal audit function. The maturity of these areas should be aligned so that they enable and support each other.

---

*“The next generation of audit is heavily focused on identifying and responding to the organisation’s needs in a dynamic fashion. As auditors, it is our job to sit in the passenger seat for our organisations and keep an eye on the GPS, road conditions and the overall health of the vehicle to ensure that our organisations reach their destination in the safest, most efficient and compliant way possible.”*

— Jarod Baccus  
Healthcare Internal Audit Solutions Lead, Protiviti

# Conclusion

Complexity and risk are inherent in the healthcare industry. But our latest Healthcare Internal Audit Plan Priorities Survey finds that healthcare organisations are facing an environment like nothing they've experienced before. The COVID-19 pandemic isn't the only force driving change in the industry currently, but it's the greatest accelerator. And the provider and payer organisations that are likely to emerge most successfully from this period of disruption and uncertainty are those with internal audit functions that accelerated their next-generation internal audit journey either before or during the pandemic.

That's why one of the most constructive measures healthcare organisations can undertake now, even as the public health emergency persists, is to amplify the capabilities of their internal audit function. New hiring, targeted training, co-sourcing arrangements and strategic investments in technology can all help internal audit functions to begin or advance their next-gen evolution. And this evolution is a must for internal audit to become the strategic partner that healthcare organisations need to help them endure through the remainder of the pandemic and position for future success.

## Methodology and Demographics

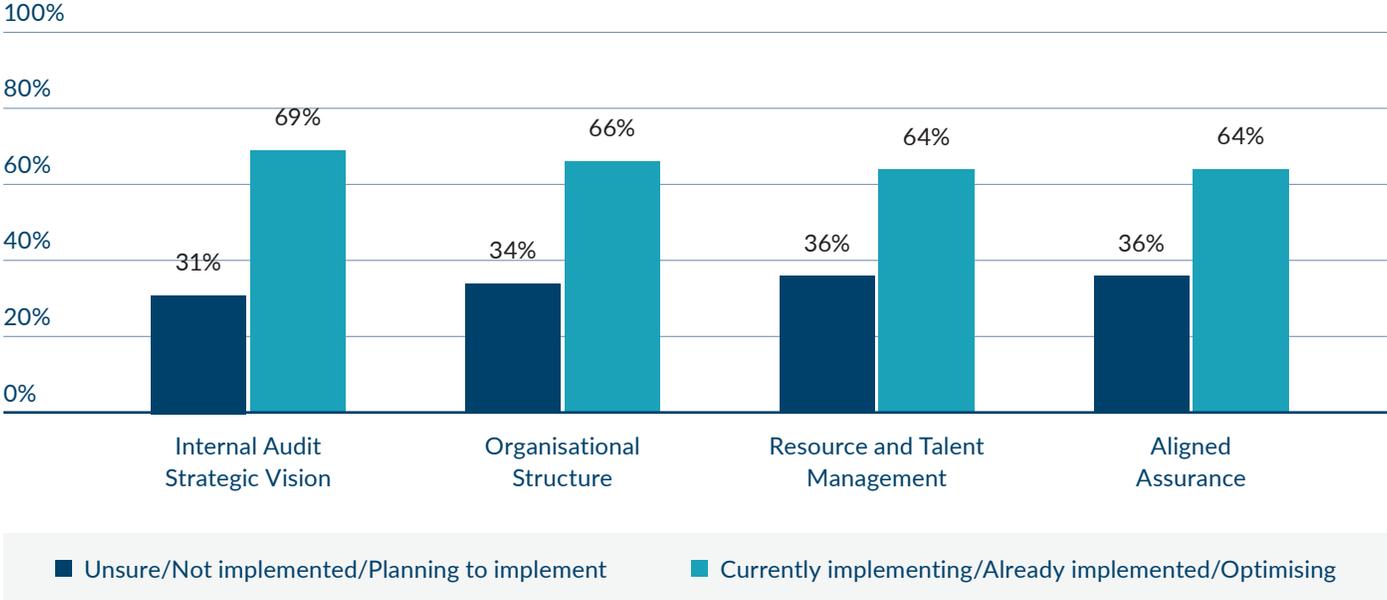
Protiviti and the Association of Healthcare Internal Auditors (AHIA) conducted their Healthcare Internal Audit Plan Priorities Survey online from June 2021 through July 2021. More than 75 healthcare internal audit leaders and professionals completed the survey questionnaire, including chief audit executives and audit leadership.

The survey consisted of a series of questions related to provider and payer audit plan priorities, next-gen audit capabilities, transformation and innovation initiatives, internal audit processes and quality assessments.

# Appendix A: Additional Healthcare Provider Insights

Please outline your internal audit department's level of implementation related to the following next-gen components.

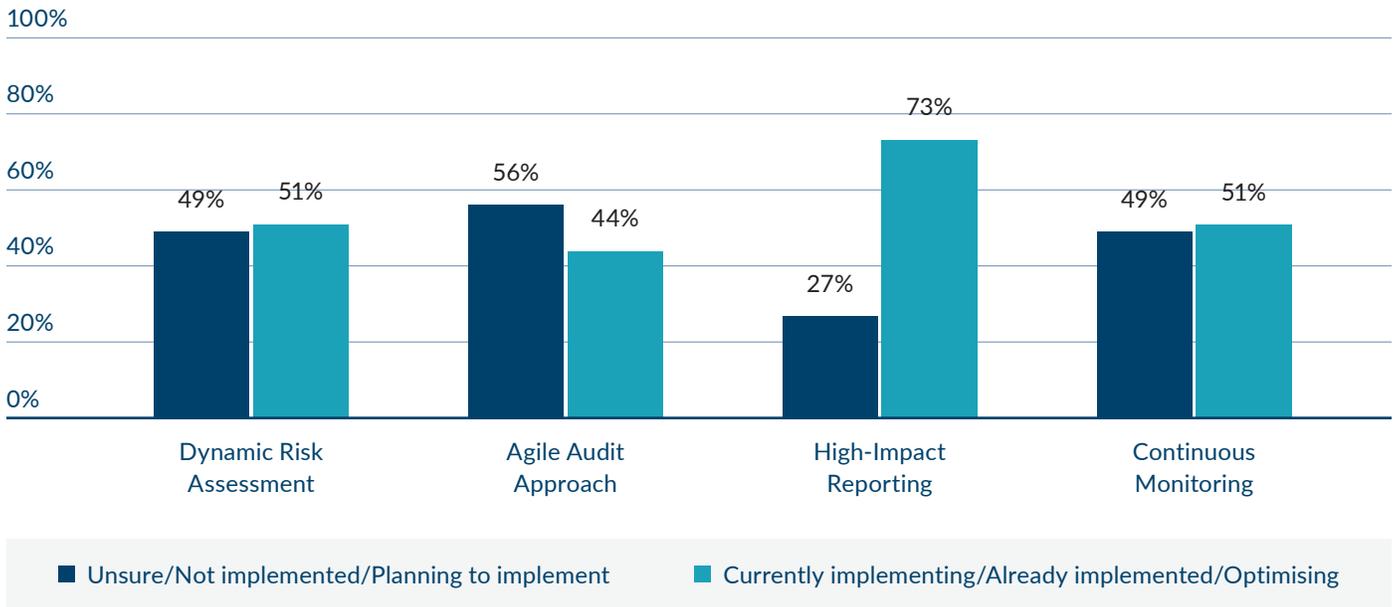
## GOVERNANCE



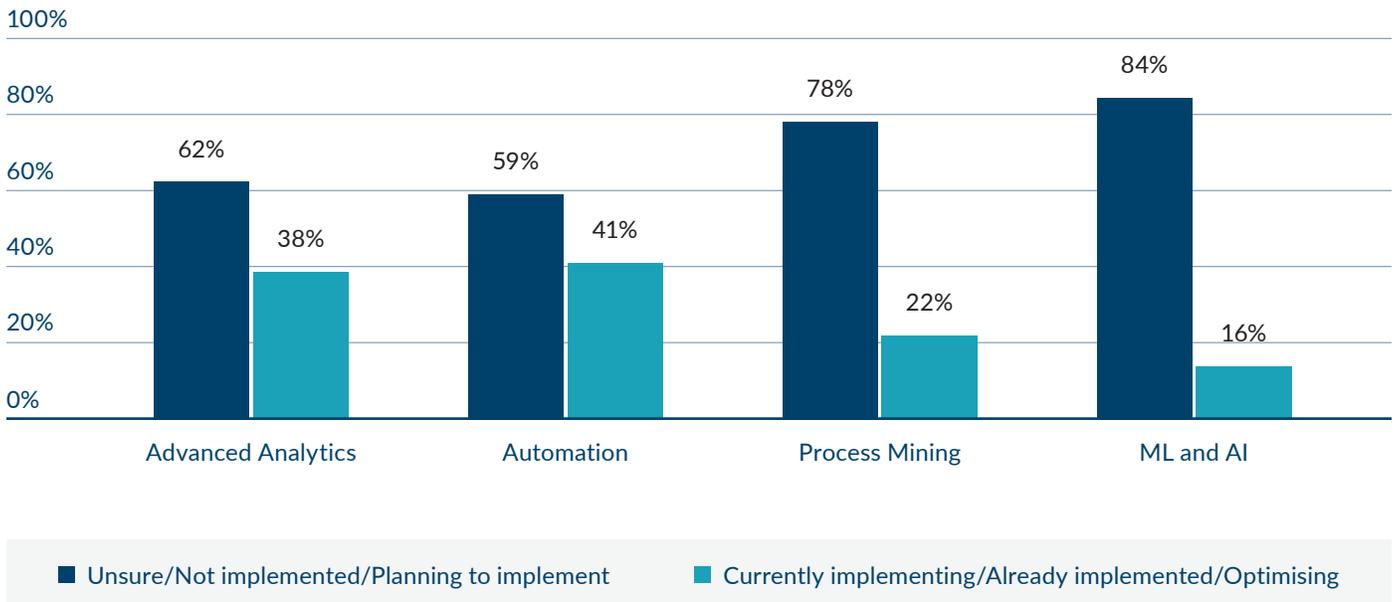
“Now is an ideal time for internal audit teams to build on all the change they’ve experienced and helped to spearhead over the past year. They can take advantage of business stakeholders’ newfound openness to working more collaboratively and even proactively with the internal audit function. Organisations are already disrupted. And as the business continues to change in response to new challenges, internal audit will need to keep changing right alongside it, too.”

— Cassie Putnam  
Internal Audit and Financial Advisory Practice, Protiviti

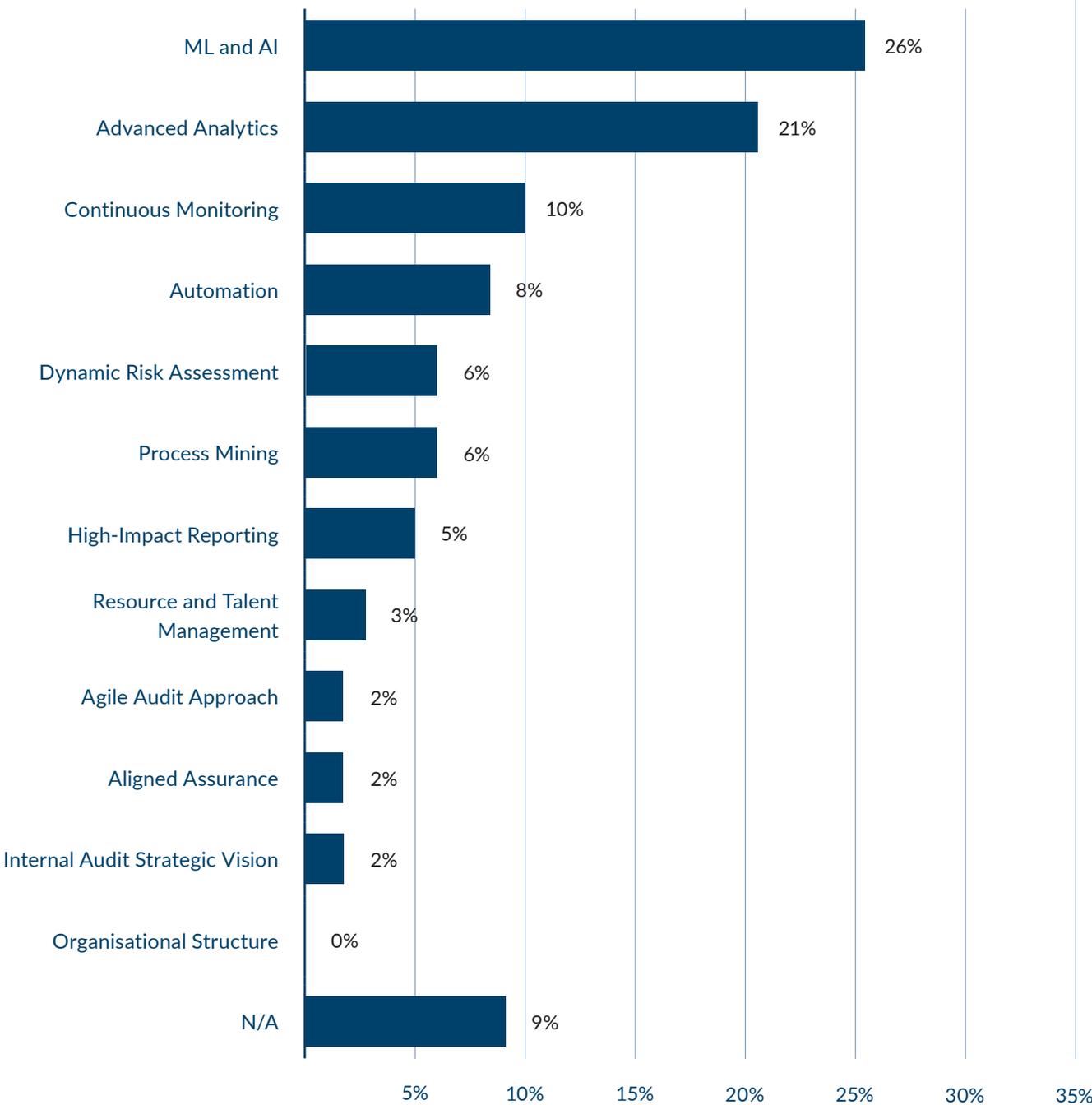
## METHODOLOGY



## ENABLING TECHNOLOGY

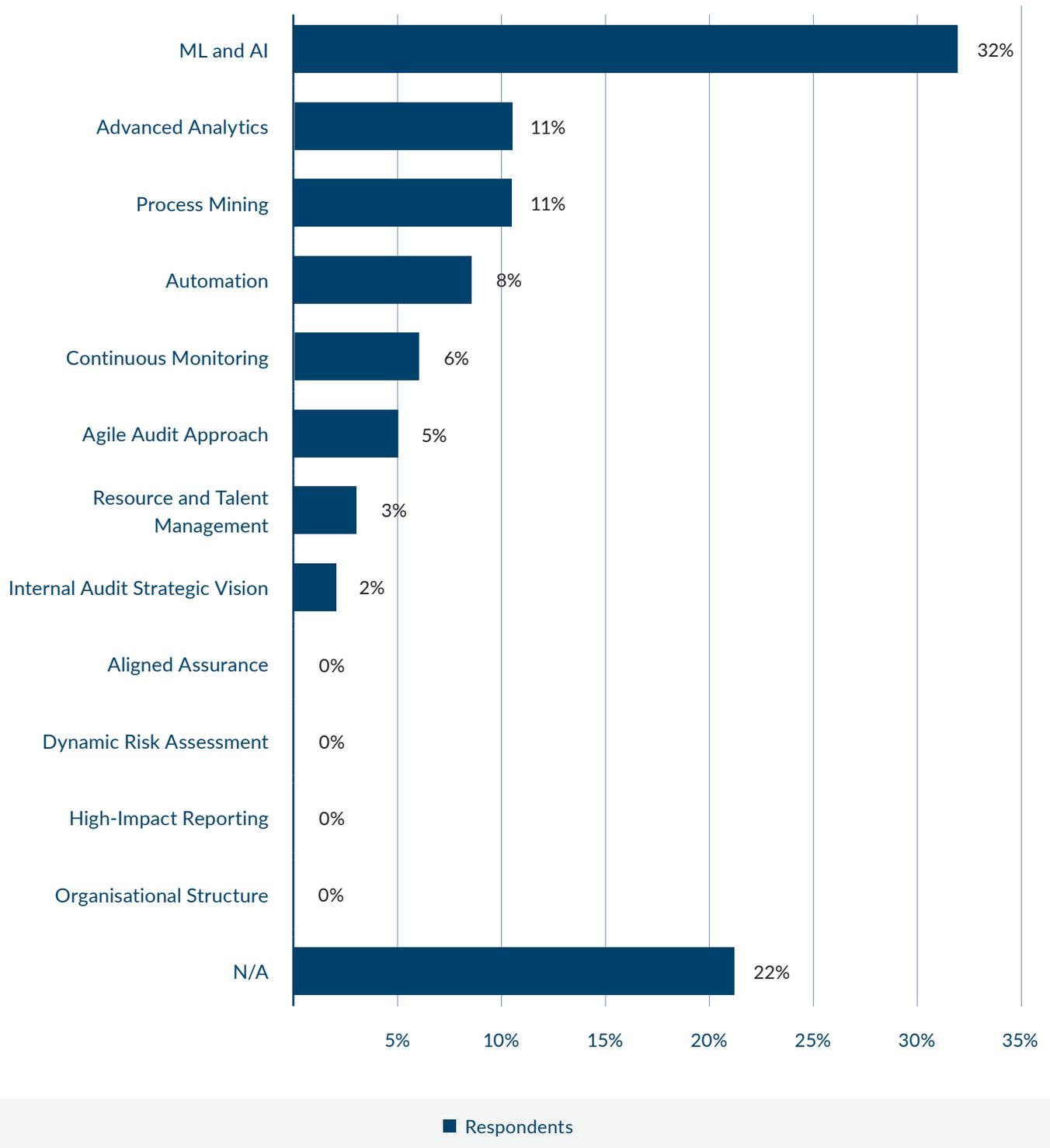


**What next-gen area, if any, are you most interested in implementing within internal audit service capabilities but most doubtful that you will be able to procure the resources to do so?**

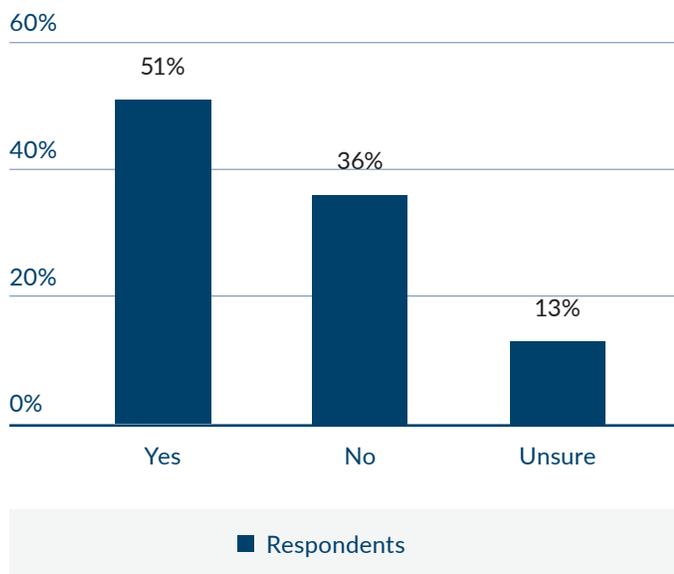


■ Respondents

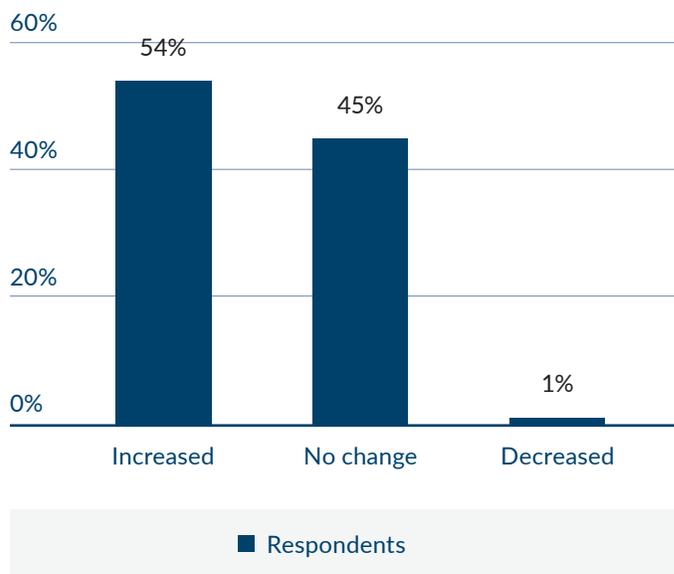
**What is the number one next-gen area that you need to audit but will require third-party skills/ assistance to do so effectively?**



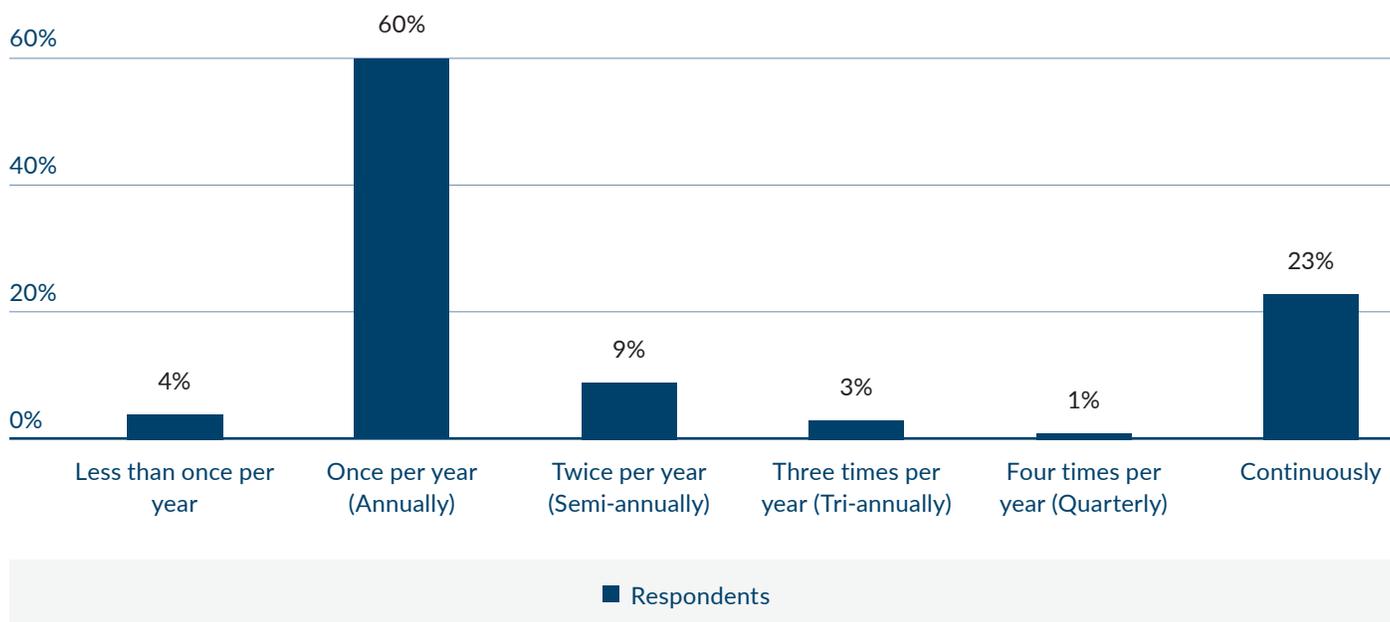
**Is your internal audit department currently undertaking or hosting activities around transformation or innovation initiatives?**



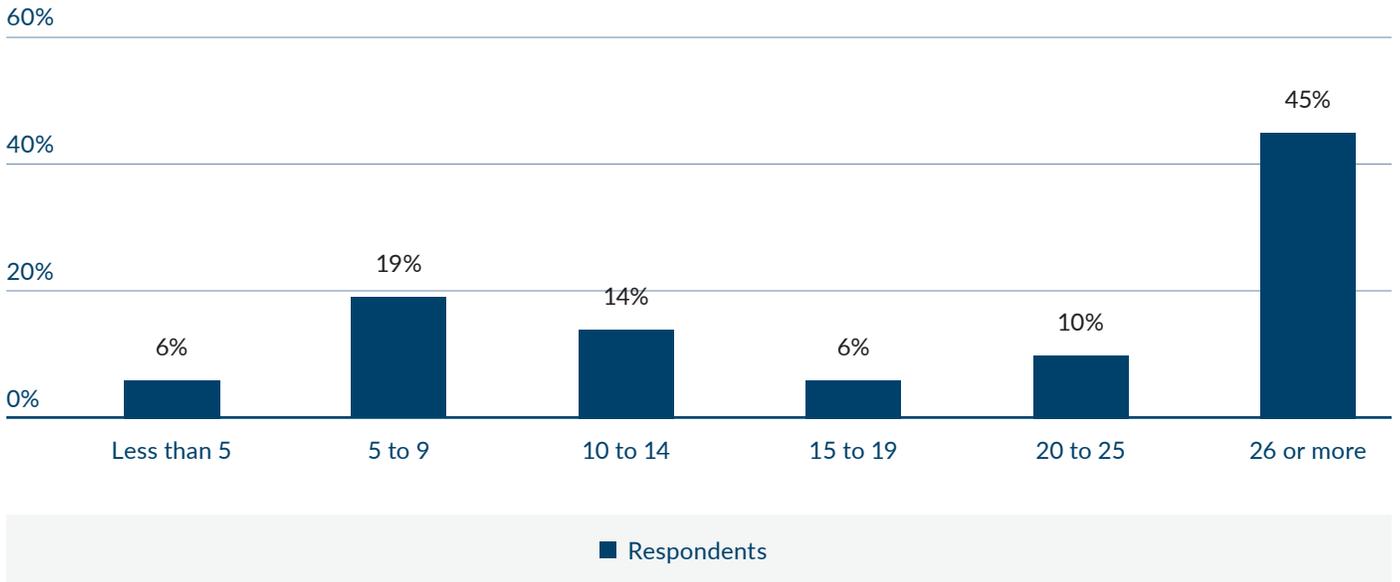
**Compared to one year ago, how has the focus on innovation and transformation initiatives to support internal audits changed?**



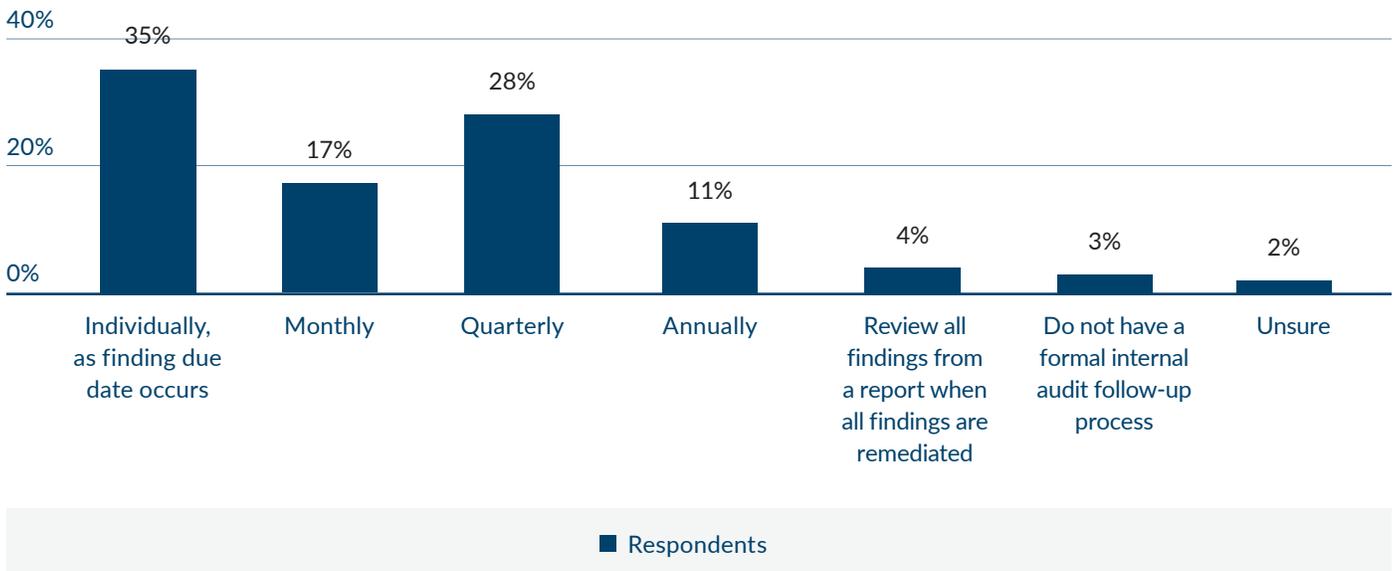
**How often is the risk assessment process performed and/or refreshed?**



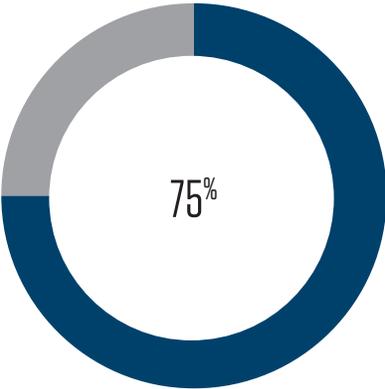
## How many internal audits/projects are on the average annual audit plan?



## How often do you follow up on outstanding internal audit findings?

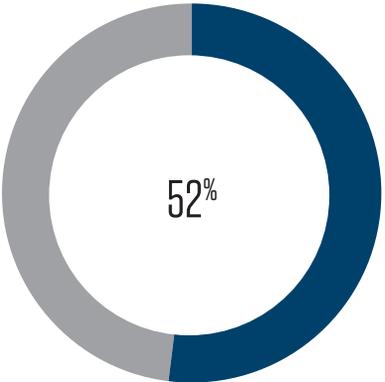


Do the internal audit department and compliance department coordinate their risk assessment process and ensure no duplication of work between the internal audit plan and the compliance work plan(s)?



■ "Yes" Responses

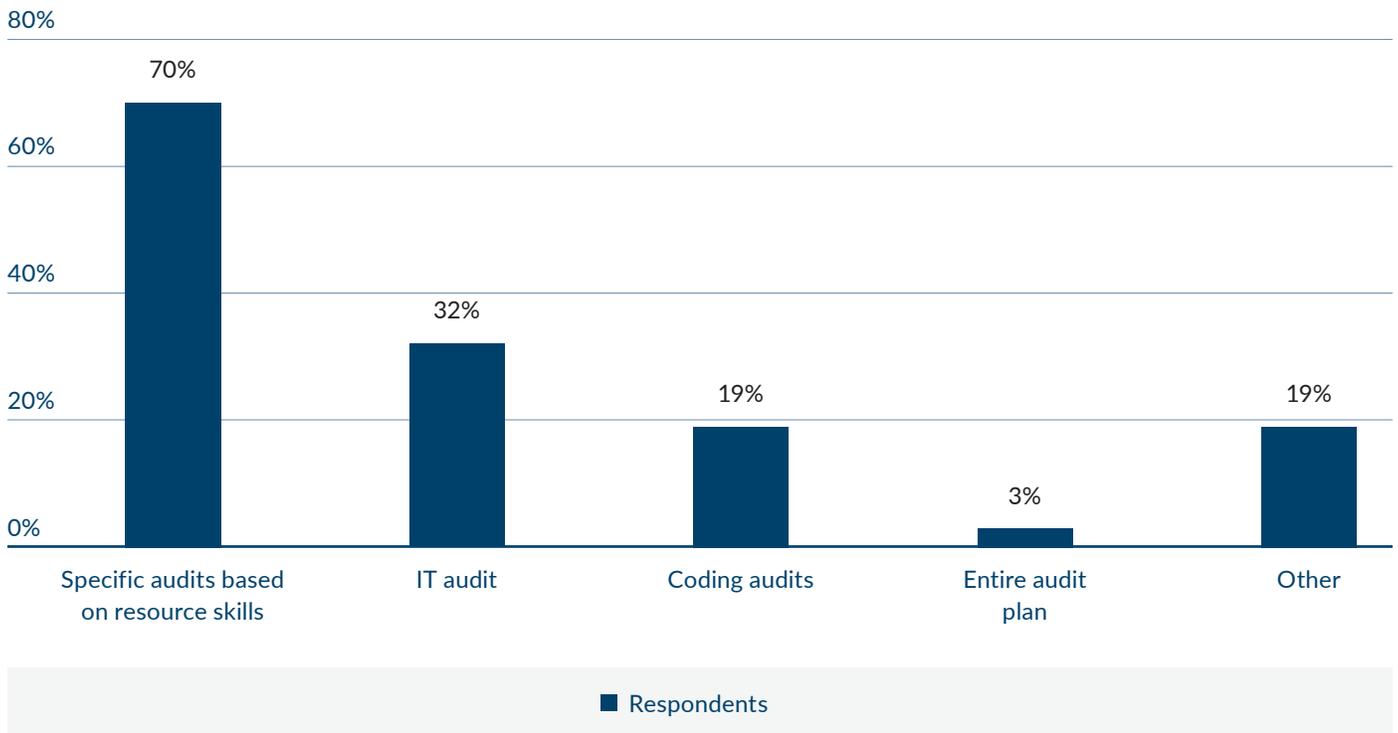
Do you co-source with any strategic partners/third-party vendors to execute the audit plan?



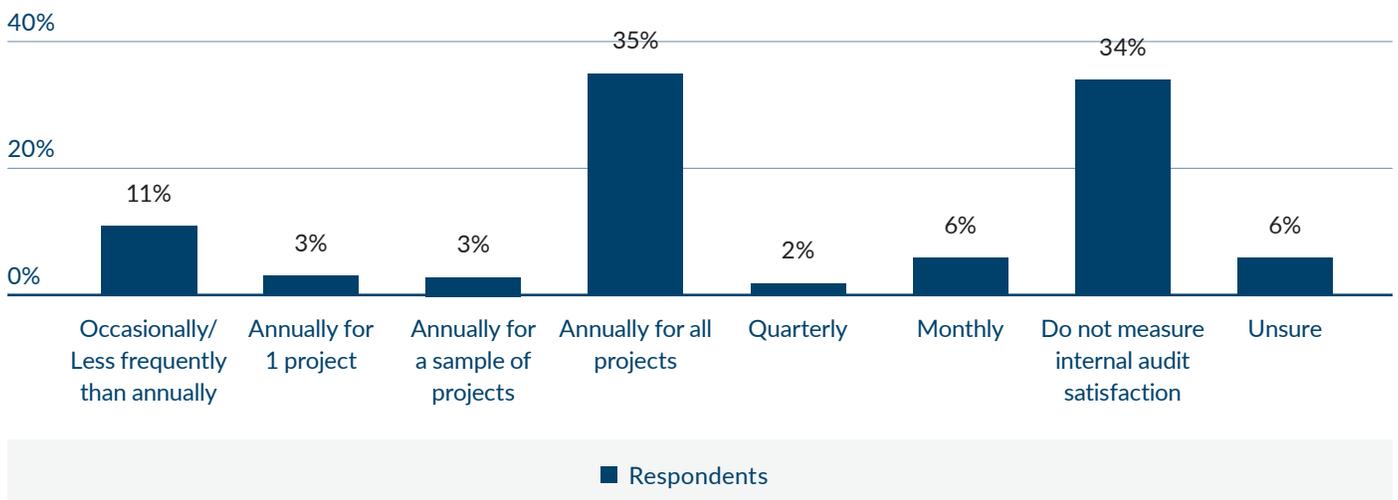
■ "Yes" Responses

## Which areas do you co-source? (Multiple responses permitted.)

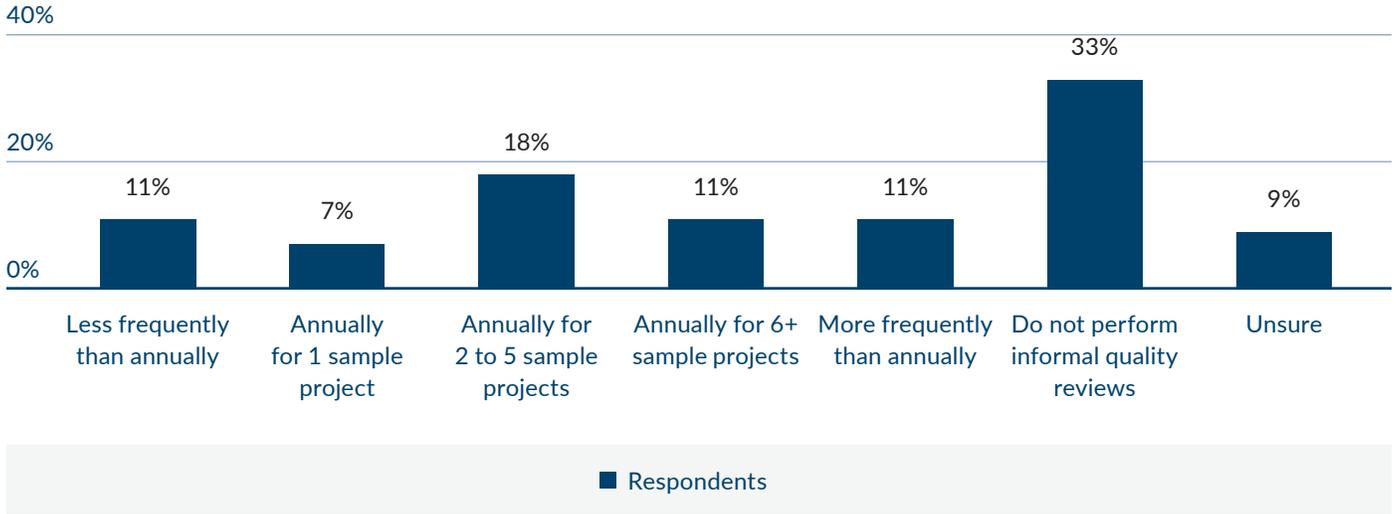
Sample: Respondents whose organisations co-source with strategic partners/third-party vendors to execute the audit plan.



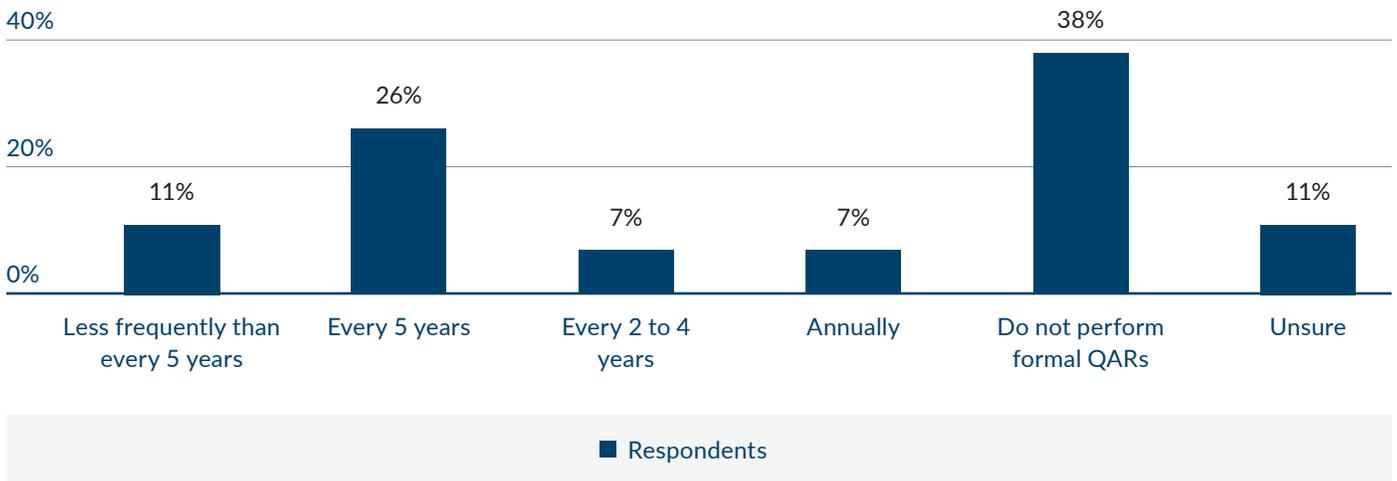
## How often do you measure internal audit satisfaction across the organisation?



**How often do you conduct informal quality reviews for conformance to your organisation's /department's standards?**



**How often do you conduct formal quality assurance reviews (QAR) for conformance to IIA Standards?**



# Appendix B: Protiviti's Vision for the Next Generation of Internal Auditing

The specific governance structures, methodologies and enabling technologies that next-generation internal audit groups introduce vary. However, nearly all of the transformations Protiviti has supported or seen have addressed most, if not all, of the competencies, qualities and components in three broad categories illustrated below. A summary of each is on the following pages.

## Governance

- **Internal Audit Strategic Vision** — Next-generation internal audit organisations should seek to define a clear and concise strategy to establish the function's purpose, enable achievement of objectives within the established vision and mission, and facilitate a culture of innovation that helps achieve the function's strategy and ensure future relevance.
- **Organisational Structure** — A traditional internal audit hierarchy begets a traditional approach. As new methodologies are embraced, the organisational structure to support them will begin to look very different. The structure must be developed to allow for sufficient and flexible coverage across legal entities, geographies in which the organisation operates and risks facing the organisation. Reporting lines and roles and responsibilities of both audit and support teams will be redrawn. The composition, size and locations of the audit and support teams will also look very different. Flexible resource models will be employed to gain access to skill sets and capacity as needed.
- **Resource and Talent Management** — In today's corporate climate, a resilient workforce will prove vital to a company's ability to pivot in the face of changing market realities. The workforce of

the future needs to be reimagined for increased flexibility and be able to respond to rapid changes in business. Next-generation internal audit groups need to ensure that robust resource management strategies and processes are in place to acquire, manage, retain and enhance the resources, skill sets and capabilities that will enable the internal audit function to achieve both core assurance and transformational goals and objectives.

- **Aligned Assurance** — Aligned enterprise assurance is a correlation of risk, controls and a broader view of the control environment across the three lines and by and between the organisation's assurance functions. It seeks to maximise operating efficiency and provides clearer visibility of results to stakeholders. This approach facilitates governance and management of risk within an organisation's risk appetite and aims to optimise the coverage of assurance obtained from management, and internal and external assurance providers on the risk areas affecting the organisation.

## Methodology

- **Dynamic Risk Assessment** — Internal audit functions that desire to enhance and transform their organisation should continually seek to adapt their risk assessment approach to quantify risk more effectively in a rapidly evolving business environment and execute relevant assurance work to align with key organisational risks and priorities. A dynamic risk assessment approach is designed to be increasingly data-driven and adaptive to emerging risks and proactively measure key existing risks, enabling organisations to identify changing risk trends in real time, quantitatively measure and prioritise risk, and drive the most effective use of assurance coverage.

- **Agile Audit Approach** — An agile audit approach uses a framework that is based on iterative and sustainable development, where requirements and solutions evolve through collaboration between cross-functional audit teams focused on quality. Internal audit and its stakeholders are focused on a common goal of risk mitigation through responding to changing and emerging business needs and directions while simultaneously working to meet business and regulatory commitments.
- **High-Impact Reporting** — Internal audit demonstrates its value by communicating effectively and, in the process, utilising simplified and high-impact reporting. This is the culmination of all internal audit's activities leading to the right type of communication tailored to each audience to achieve maximum impact. Communications should occur in various forms to stakeholders with different needs and expectations, including audit reports, risk assessments, audit committee presentations and reports to regulators. Next-generation internal audit functions communicate what stakeholders need to know and allow them to drill down to the details as needed.
- **Continuous Monitoring** — Next-generation internal audit organisations should seek to adopt a robust continuous monitoring programme to optimise the efficiency and effectiveness of their audit operations and facilitate deployment of audit resources to more strategic efforts. Organisations should work to create a technology road map that includes the necessary data and functionality to facilitate a continuous monitoring programme. Internal audit organisations also should consider the potential for continuous monitoring in the context of their broader assurance strategy.

## Enabling Technology

- **Advanced Analytics** — Internal audit organisations should challenge their current state of analytics capabilities and commit to making better use of data. Raise awareness, develop skills, explore new tools, establish a plan and drive incrementally increased use.
- **Automation** — As the popularity of automation increases, including but not limited to robotic process automation (RPA), internal audit departments should be asking about their organisation's current strategy and plans and evaluating whether there are any processes or tasks that lend themselves to automation. This can increase the effectiveness and efficiency of audit work by improving audit quality and coverage as well as by automating routine audit tasks, which, in turn, frees up time for more value-adding work.
- **Process Mining** — Internal auditors should seek out new technologies that will help add value to their organisations beyond traditional audit methods. Enabling technologies such as process mining allow auditors to analyse large quantities of data easily, visually recreate processes from data, explore deviations and identify root causes of previously unknown issues. Process mining also allows for more dynamic and meaningful reporting.
- **ML and AI** — Organisations are rapidly looking to turn their data into value-added products and services through ML techniques. Internal audit departments need to be familiar with this field of study, the risks and opportunities it presents, and how it can be applied. AI and ML represent great examples of techniques with the potential to deliver significant value through the internal audit life cycle (risk assessment and planning, scoping, discovery, fieldwork, reporting, follow-up and monitoring) and change the way internal auditors use data to complete audit activities.

# Appendix C: Payer Internal Audit Plan Priorities and Other Key Takeaways

Facing revised CMS audit protocols for 2021 and increased challenges presented by the pandemic, healthcare payers are adjusting their internal audit focus. Payers’ relationships with first-tier, downstream and delegated entities are under increased scrutiny from the CMS.

In the current environment, virtual and digital interaction are moving to the forefront. Also, information security, IT disaster recovery and business

continuity are now higher priorities for payers. Payers have had to adjust to changes in the adjudication and capitation processes quickly to account for an influx of pandemic-related submissions, which are accompanied by new and increased fraud, waste and abuse threats.

Results from Protiviti’s Healthcare Internal Audit Plan Priorities Survey clearly indicate these quick shifts in audit priorities.

## Top Payer Priorities for 2021

	2021 Ranking	Yes, on 2021 Audit Plan
Financial Controls	01	44%
Information Security	02	40%
Business Continuity and IT Disaster Recovery	03	33%
Model Audit Rule (MAR)	T04	27%
Pharmacy Benefits Management (PBM) Operations	T04	27%
Provider Contracting	T04	27%
Affordable Care Act (ACA) Provisions	T07	22%
Appeals and Grievances	T07	22%
Claims Adjudication	T07	22%
Compliance Programme Effectiveness/First Tier, Downstream or Related Entity (FDR) Oversight	T07	22%
Contracts Management	T07	22%

Note: "T" indicates a tie.

## Looking to 2022

Additional payer areas that are not listed in the top priorities for 2021 that appear to be priorities for 2022 include:

- Joint ventures and third parties
- Provider directory
- Medicare Advantage (Part C) and Medicare Prescription Drug Plan (Part D) bidding
- Managed Medicare and Children's Health Insurance Programme (CHIP)
- Enterprise Risk Management (ERM)

## ABOUT AHIA

The Association of Healthcare Internal Auditors (AHIA) is an international organisation dedicated to the advancement of the healthcare internal auditing profession, which includes auditing disciplines such as operational, compliance, clinical/medical, financial and information technology. AHIA was founded in 1981 to provide leadership and advocacy to advance the healthcare internal audit profession by facilitating relevant education, certification, resources and networking opportunities.



## ABOUT PROTIVITI

Protiviti ([www.protiviti.com](http://www.protiviti.com)) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2021 *Fortune* 100 Best Companies to Work For® list, Protiviti has served more than 60% of *Fortune* 1000 and 35% of *Fortune* Global 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.



## OUR HEALTHCARE INTERNAL AUDIT SOLUTIONS

Healthcare organisations today are faced with myriad challenges and many are underutilising one of their greatest assets: internal audit. Leading internal audit functions have moved well beyond checking the box on policy compliance and serve as a strategic partner to help ensure their organisations become more innovative and explore new technologies, identify and mitigate emerging risks, develop creative solutions to complex business challenges, and encourage best practices to enhance business functions. Protiviti's industry-leading healthcare internal audit solutions are flexible with proven methodologies, provide access to a vast array of skills, are value-added and collaborative, incorporate tools and techniques such as RPA and advanced analytics, and allow us to be a strategic partner in helping your organisation confidently face the future.

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Atlanta, GA  
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Boston, MA  
Charlotte, NC  
Chicago, IL  
Cincinnati, OH  
Cleveland, OH  
Columbus, OH  
Dallas, TX  
Denver, CO

Ft. Lauderdale, FL  
Houston, TX  
Indianapolis, IN  
Irvine, CA  
Kansas City, KS  
Los Angeles, CA  
Milwaukee, WI  
Minneapolis, MN  
Nashville, TN  
New York, NY  
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Phoenix, AZ

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Salt Lake City, UT  
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San Jose, CA  
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Stamford, CT  
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Tampa, FL  
Washington, D.C.  
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Woodbridge, NJ

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Manchester  
Milton Keynes  
Swindon

### BAHRAIN\*

Manama

### KUWAIT\*

Kuwait City

### OMAN\*

Muscat

### QATAR\*

Doha

### SAUDI ARABIA\*

Riyadh

### UNITED ARAB EMIRATES\*

Abu Dhabi  
Dubai

### EGYPT\*

Cairo

### SOUTH AFRICA \*

Durban  
Johannesburg

## ASIA-PACIFIC

### AUSTRALIA

Brisbane  
Canberra  
Melbourne  
Sydney

### CHINA

Beijing  
Hong Kong  
Shanghai  
Shenzhen

### INDIA\*

Bengaluru  
Chennai  
Hyderabad  
Kolkata  
Mumbai  
New Delhi

### JAPAN

Osaka  
Tokyo

### SINGAPORE

Singapore

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