

# F O R U M

SISTERS OF CHARITY HEALTHCARE SYSTEMS INC.

## Protecting Assets by Auditing Services

**C**atholic healthcare providers are stewards of the assets with which they are entrusted. Protecting those assets is an obligation providers do not take lightly. In July 1989 the Sisters of Charity Health Care Systems Inc. (SCHCS) established the Audit Services Department to help SCHCS members safeguard assets, minimize the risk of asset loss or impairment, and help ensure efficient and effective operations.

In April 1988 SCHCS established a three-member audit committee experienced in healthcare and internal auditing. To help ensure independence and objectivity, the committee members chosen were not SCHCS employees. The committee advised that as stewards of many valuable assets, SCHCS needed to provide internal audit services for its member facilities.

Through interviews with key facility leaders, such as chief executive and financial officers, finance committees, and boards of directors, the committee determined the types of audit services SCHCS members needed. "The SCHCS audit committee spent a great

deal of time building the foundation and getting input, direction, and support at the local level to make audit services viable," explains Jeff Ladenburger, director of audit services.

The committee decided to place audit staff at SCHCS headquarters in Cincinnati and in Colorado Springs, CO, to allow members easier access to the service, to ensure

that staff developed expertise in their respective geographic regions, and to save on staff travel and expenses. Two member facilities currently have internal audit programs of their own that work with SCHCS audit services staff. SCHCS members are located in Colorado, Kentucky, Nebraska, New Mexico, and Ohio.

Audit services staff perform operational and financial audits, assist external auditors, and help facilities with other internal control issues. "Our goal is simply to try to help the member facilities in whatever area of operations they feel they need assistance," says

Ladenburger. The Audit Services Department has completed 20 audits since it was launched. Its staff try to visit every SCHCS facility at least once every two years, or more often if a facility requests it. The service is provided as part of the facilities' SCHCS membership dues.



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Before each audit, audit services staff work with the facility's managers and finance committee to determine what needs to be reviewed and how much time the audit will take. When the audit is complete, audit services staff recommend how the facility can improve specific procedures or operational practices.

"The audits are value-added services because they address issues that the facilities themselves are interested in looking into," emphasizes Ladenburger. For example, to help minimize the facility's investment in accounts receivable, the audit team may help a facility streamline the process from patient preadmission through final payment

on patient accounts. Or it may help a facility review its purchasing procedures, advising it to take advantage of deep discounts available to SCHCS members and to take advantage of early payment discounts when appropriate. Audit services staff also can assist facilities in implementing a management information system, helping managers ensure that the system works as planned.

In one case, audit services staff reviewed a facility's contracts and found it had numerous contracts that managers were not aware of. First, the audit team simply helped the facility identify all its contracts. Then they helped the facility develop a centralized data base for the contracts so that they were easier to locate. Finally, to keep the number of contracts from increasing, the team recommended that managers develop policies and procedures to bet-

ter control contracts.

The SCHCS audit committee monitors the Audit Services Department's effectiveness. In addition, the department asks each facility for feedback once each audit has been completed. This helps the department evaluate the quality of its work and continually improve its operations. So far the response from facilities has been positive.

Audit services staff plan to continue providing services to SCHCS member facilities and helping them anticipate situations before they become crises. Through its monthly newsletter, the department plans to keep SCHCS members up-to-date on key healthcare issues. "In today's environment, it's a real challenge to be an effective healthcare manager. We want to continue to be a service to managers and assist them as they address these challenges," asserts Ladenburger.

- **Financial Auditing**—Focus on compliance with internal control policies or the fairness of account balances
- **Operational Auditing**—Review work flow, reasonableness and effectiveness of policies or operations
- **Other Audit Services Duties**—Analyze one-time transactions