

**COMPLIANCE AND BUSINESS INTEGRITY (CBI) AUDITING AND MONITORING
STANDARDS**

- 1. REASON FOR ISSUE.** This Veterans Health Administration (VHA) Handbook establishes standards for auditing and monitoring conducted by the Office of Compliance and Business Integrity (CBI) Program at all levels of the organization.
- 2. SUMMARY OF CHANGES.** This is a new VHA Handbook outlining the processes for the CBI auditing and monitoring program.
- 3. RELATED DIRECTIVE.** VHA Directive 1030.
- 4. RESPONSIBLE OFFICE.** The VHA CBI Office is responsible for the contents of this Handbook. Questions may be referred to (201) 643-1109 or (202) 501-1831.
- 5. RECISSIONS.** None.
- 6. RECERTIFICATION.** This VHA Handbook is scheduled for recertification on or before the last day of August 2016.

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COMPLIANCE AND BUSINESS INTEGRITY (CBI) AUDITING AND MONITORING STANDARDS

1. PURPOSE. This Veterans Health Administration (VHA) Handbook establishes standards for auditing and monitoring conducted by the Office of Compliance and Business Integrity (CBI) Program at all levels of the organization.

2. BACKGROUND

a. VHA's CBI Program was established in alignment with industry standards and trends by the Under Secretary for Health in 1999 to provide oversight to VHA revenue cycle financial and business operations, to incorporate elements of health care business oversight outlined in the Department of Health and Human Services (HHS) Office of the Inspector General (OIG) and United States Sentencing Commission Sentencing Guidelines, and to promote high standards of business integrity and quality into the VHA business environment. Changes in VHA's business practices, expansion of revenue cycle financial transactional activities, expansion of purchased care activity from non-VHA industry providers, and HHS OIG-defined health care industry oversight expectations, provided the primary impetus for implementing an internal compliance program.

b. Industry standards provide the framework for compliance program structure, and within that structure are seven elements that have been augmented to nine. One of the elements is auditing and monitoring, which is critical as its purpose is to evaluate and monitor business process compliance and assist in the reduction of identified problem areas. Although many monitoring techniques are available, one effective tool to promote and ensure compliance is the performance of regular, periodic compliance audits.

3. DEFINITIONS

a. **Annual Audit Plan.** Annual audit plans are formal, written plans for auditing based on actual or potential identified sources of CBI failures, revenue and purchased care operational failures, or by the organization's risk assessment. The VHA CBI Office provides the suggested Annual Audit Plan template, which can be found at: http://vaww.cbi.va.gov/ntlaudit_monitor.asp. **NOTE:** *This is an internal Web site and is unavailable to the public.*

b. **Auditing.** Auditing is defined as a retrospective review and examination of information for verification. Auditing is an evaluation of an organization, system, process, or enterprise to ascertain the validity and reliability of information and to provide an assessment of internal controls. The VHA CBI Office provides an automated report in the Audit Plan Worksheet Tool, which can be found at: http://vaww.cbi.va.gov/ntlaudit_monitor.asp. **NOTE:** *This is an internal Web site and is unavailable to the public.*

c. **Audit Report.** An audit report communicates the results of the audit work performed including any findings that may need to be addressed.

d. **Causation and Corrective Action Plan (CCAP)**. A CCAP is specific to an identified risk or revenue and purchased care organizational failure. Its purpose is to identify the cause of the risk or failure, and to lay out the specific steps the organization must take to minimize the likelihood of a risk actually occurring, or to halt the compliance failure and implement prevention mechanisms to ensure the failure does not resurface. The VHA CBI Office has developed a standard causation and corrective action plan, which can be found at:

http://vaww.cbi.va.gov/nlaudit_monitor.asp. *NOTE: This is an internal Web site and is unavailable to the public.*

e. **Federal Guidance**. Guidance, sometimes referred to as criteria, represents the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Regulatory guidance identifies the required or desired state or expectation with respect to the program or operation.

f. **Internal Control**. Internal controls are an integral component of management that provide reasonable assurance that the following objectives are being achieved, such as effectiveness and efficiency of operations and reliability of transactions affecting financial reporting as a result of compliance with applicable laws and regulations.

g. **Methodology**. Methodology explains how the auditor meets the objective(s) of the audit. It details the individual steps that are taken to achieve the intent of the objective(s).

h. **Monitoring**. Monitoring is defined as testing on an ongoing or daily, weekly, or quarterly basis with the objective of collecting information for compliance with policies, procedures and applicable laws. According to industry standards, internal controls and quality monitoring is the responsibility of business units actually carrying out the business activity. For instance, internal controls focused on ensuring proper and accurate insurance capture must be carried out by Insurance Identification and Verification staff. This Handbook does not attempt to require such activity as it only addresses the requirements of the CBI Program.

i. **Objective**. An objective is the purpose, goal, or target that the effort of the audit is to accomplish. An audit may have more than one objective depending on what the audit reviews.

j. **Risk**. Risk represents the threat that a future event within a specific timeframe may trigger a consequence, which could have an adverse impact on the organization; the likelihood of occurrence of the future event and consequence and the adverse impact are all measureable.

k. **Scope**. Scope is the range of the activity and the period (days, months, years) that surrounds the records being audited.

l. **Source**. Source defines where the data to be audited originated or the names of participants interviewed during the audit.

4. SCOPE

VHA CBI National Auditing and Monitoring (NAM) supports oversight of business activities at all levels of the organization and related financial, administrative, and health information management operations within medical facilities, Consolidated Patient Account Centers (CPACs), and nationally operated purchased care entities. The program does not provide internal oversight of other areas of business practices such as contractual arrangements, logistics, ethics, research, privacy, quality of clinical care, or conflicts of interest.

5. RESPONSIBILITIES OF THE CHIEF CBI OFFICER

The Chief CBI Officer is responsible for:

- a. Identifying key program elements of a risk-based CBI Program auditing framework.
- b. Creating and distributing a standard format that may be used for the CBI Annual Audit Planning process.
- c. Identifying key strengths and weaknesses in audit efforts and promoting improved practices.
- d. Analyzing auditing and monitoring findings to identify national and regional compliance risks which are reported to the CBI Business Compliance Committee, as well as Veterans Integrated Service Network (VISN), VA medical facility and VHA Central Office Program leadership.

6. RESPONSIBILITIES OF THE VISN DIRECTOR

The VISN Director is responsible for:

- a. Ensuring that local revenue cycle, purchased care and fee, and related CBI auditing and monitoring activities are effectively implemented within the network.
- b. Ensuring all facilities have CBI audit plans approved by local CBI Committees.

7. RESPONSIBILITIES OF THE VISN CBI OFFICER

The VISN CBI Officer is responsible for:

- a. Developing strategies for local implementation of the standard audit methodology (see par. 12), which includes seeking opportunities to ensure a standardized approach to auditing and monitoring across the VISN.
- b. Assisting the VA medical center CBI Officers in completing the annual audit and monitoring plans.

8. RESPONSIBILITIES OF THE CPAC DIRECTOR

The CPAC Director is responsible for:

- a. Ensuring that local revenue cycle and related CBI auditing and monitoring activities are effectively implemented within the CPACs.
- b. Ensuring CCAPs are implemented in response to issues identified by auditing and monitoring activities, the Compliance Committee, or CBI Metrics underperformance.
- c. Ensuring internal controls monitors, reports, and associated data are shared with the CPAC CBI Liaisons.

9. RESPONSIBILITIES OF THE DEPUTY CHIEF BUSINESS OFFICER FOR PURCHASED CARE

The Deputy Chief Business Officer for Purchased Care is responsible for:

- a. Ensuring that local fee and purchased care and related CBI auditing and monitoring activities are effectively implemented within national entities that manage purchased care operations.
- b. Ensuring CCAPs are implemented in response to issues identified by auditing and monitoring activities, the Compliance Committee, or CBI Metrics underperformance.

10. RESPONSIBILITIES OF THE FACILITY DIRECTOR

The facility Director is responsible for:

- a. Reviewing and approving annual auditing and monitoring plans.
- b. Ensuring internal business practices exist so CCAPs are implemented in response to issues identified by auditing and monitoring activities, the Compliance Committee, or CBI Metrics underperformance.

11. RESPONSIBILITIES OF THE FACILITY CBI OFFICER, THE CPAC LIAISONS, AND NATIONAL PURCHASED CARE SERVICE LINE LIAISON

Each facility CBI Officer, CPAC Liaison, and National Purchased Care Service Line Liaison is responsible for:

- a. Completing and submitting the CBI Annual Auditing and Monitoring Plan to their respective Executive Leaderships and Compliance Committees.
- b. Coordinating audit activities with operational managers and staff within the organization.

c. Reporting the results of auditing and monitoring activities to respective Executive Leadership and Compliance Committee.

d. Tracking CCAPs made in response to recommendations from auditing and monitoring activities and reporting to respective Compliance Committee and Executive Leadership.

12. CBI AUDITING AND MONITORING STANDARDS

The HHS OIG Compliance Program Guidance for Hospitals provides industry standards for operation of an effective health care compliance program. Within these standards the compliance program elements include:

- (1) Written policies and procedures;
- (2) Compliance officer and committee;
- (3) Risk assessment and management;
- (4) Training and education;
- (5) Open lines of communication;
- (6) Enforcement and discipline;
- (7) Monitoring and auditing;
- (8) Investigation, response and prevention; and
- (9) Annual review of compliance program effectiveness.

b. This Handbook incorporates industry standards and the CBI Program Standards to provide an effective auditing and monitoring framework at all levels of the VHA organization. **NOTE:** *Periodic audits and continuous monitoring and evaluation processes are critical to the success of effective compliance programs.*

c. Monitoring activities are essential in the prevention and correction of fraudulent transactions. Continuous monitoring helps in the identification of faulty or ineffective internal controls and is reported to management. Executive leadership is responsible for implementing and improving internal controls and for communicating the objectives of the internal controls. Monitoring the effectiveness of internal controls takes place in the normal course of business.

- (1) Each monitoring plan must include the following components:
 - (a) Documented compliance risk assessment;
 - (b) Identified areas of concern; and

(c) Previous auditing or monitoring findings.

(2) CBI Officers, CPAC Liaisons, and National Purchased Care Service Line Liaisons are responsible for collaborating with process owners in the development of monitoring plans and reporting the results of those monitors to the respective Executive Leadership and Compliance Committee.

(3) Monitoring plans must be endorsed by the respective Executive Leadership and Compliance Committee. **NOTE:** *According to industry standards, internal controls and quality monitoring are the responsibility of business units actually carrying out the business activity. For instance, internal controls focused on ensuring proper and accurate insurance capture need to be carried out by Insurance Identification and Verification staff. This Handbook does not attempt to require such activity as it only addresses the requirements of the CBI Program. It is the CBI Officer's duty as part of periodic audits to review those internal controls in place within the business unit in question, and to make a determination as to their adequacy in preventing and detecting CBI, revenue, and purchased care operational failures. Any audit report provided to leadership must include such an assessment.*

d. CBI Officers, CPAC Liaisons, and National Purchased Care Liaisons are responsible for auditing revenue cycle, and purchased care business process activities. Auditing verifies that processes and procedures are consistent with VA and VHA directives, handbooks, and manuals. The performance of regular, periodic compliance audits are an effective tool to promote and ensure compliance. Effective auditing programs include the development of annual audit plans; auditors that are independent, knowledgeable, and capable of performing in-depth reviews of business processes; and audits that are risk based and designed to minimize the risks associated with improper payments, claims, and billing practices.

(1) Annual audit plans must be created using the following factors:

- (a) Local annual risk assessment;
- (b) CBI national risk assessment;
- (c) Executive leadership input;
- (d) HHS OIG Annual Work Plan;
- (e) CBI Metrics data; and
- (f) Previous audit findings.

(2) Annual audit plans must be endorsed by Executive Leadership and the Compliance Committee.

(3) Audit personnel performing the audits must:

- (a) Be independent of tasks and duties of the audit topic and line management;

(b) Have access to existing audit and health care resources, relevant personnel and all relevant areas of operations in order to identify the root cause and origin of any compliance failures;

(c) Present written reports to Executive Leadership and the Compliance Committee;

(d) Follow the procedures outlined in VHA Directive 1030 and associated Handbooks;

(e) Specifically identify areas where CCAPs are needed;

(f) Follow-up on CCAPs to conclusion;

(g) Conduct subsequent reviews or studies to ensure CCAPs are implemented and effective; and

(h) Retain auditing and monitoring supporting documentation according to the VHA Record Control Schedule (RCS 10-1).

(4) Audits must focus on:

(a) Prioritized risk areas in the annual audit plan;

(b) Compliance with policy and applicable laws and regulations;

(c) A review of internal controls for effectiveness and adequacy;

(d) Identifying the root cause of any deficiencies found;

(e) Maintaining a high level of ethical behavior; and

(f) Following up on recommendations and CCAPs to closure.

(5) Audit plans must be documented and must include:

(a) Audit objective. Audit objectives may be more than one objective for each audit depending on what the audit reviews. For example, an objective may be to determine compliance with VHA directives and handbooks and may also include an audit of the internal controls in place for the process under review.

(b) Scope. Scope is a coding audit that includes billed claims submitted for payment from or for a defined period of time.

(c) Source. Source is the location of the data.

(d) Methodology. Methodology details the individual steps that are taken to achieve the intent of the objective(s).

(e) Frequency. Frequency defines the amount of times an audit must be performed in 1 year (monthly, quarterly, semi-annually, or annually).

- (f) Risk. Risk is foreseen issues associated with the audit topic found in the annual audit plan.
- (g) Internal Control. The audit plan lists the internal control or controls that are reviewed during the audit.
- (h) Federal Guidance. Federal guidance are procedures associated with the audit topic on a Federal level.
- (i) Audit Report.
- (j) CCAP.

13. REFERENCES

- a. VHA Directive 1030, Compliance and Business Integrity (CBI) Program, and associated Handbooks.
- b. GAO-07-731G, Government Auditing Standards, July 2007 Revision, By the Comptroller General of the United States, United States Government Accountability Office.
- c. HHS OIG Compliance Program Guidance for Hospitals, 63 Federal Register (FR) 8987 (February 23, 1998).
- d. HHS OIG Supplemental Compliance Program Guidance for Hospitals, 70 FR 4858 (January 31, 2005).
- e. Office of Management and Budget, Circular A-123.
- f. Standards for Internal Control in the Federal Government; Government Accountability Office (GAO); November 1, 1999; available at: <http://www.gao.gov/special.pubs/ai00021p.pdf>.
- g. Title 5 Code of Federal Regulations (CFR) Part 2635, Standards of Ethical Conduct for Employees of the Executive Branch.
- h. United States Sentencing Commission, Sentencing Guidelines, Chapter 8, Sentencing of Organizations at http://www.usc.gov/Guidelines/2010_guidelines/Manual_PDF/Chapter_8.pdf.
- i. VHA CBI National Risk Management (NRM) Program.