

**Internal Audit Services
Annual Report
Fiscal Year 2011**

During Fiscal Year 2011, Internal Audit Services (IAS) presented a number of reports and issues to Parkland Management (Management) and the Dallas Country Hospital District Board of Managers (Board). Projects were the result of our annual audit plan approved by the Board in September 2010 and other projects performed at the request of Management and/or the Board.

This document summarizes the internal audit activity for the fiscal year.

Compliance Reviews

IAS performs compliance reviews to determine whether processes and controls are in compliance with regulations and processes are functioning as intended; some examples of standards used for testing include Centers for Medicare & Medicaid Services Conditions of Participation, Joint Commission, and federal/state laws. The following reviews were completed during the year.

Outpatient Procedure Area Coding Follow-up (Executive Session)

Self-Administered Drugs (Executive Session)

Evaluation and Management Services (Executive Session)

Regulatory Response Review

Parkland's Regulatory Response process has evolved over time. Various departments have taken ownership of different aspects of the process, resulting in a de-centralized structure. Currently, there is no single responsible party to provide oversight or leadership for the receipt, distribution, tracking or reporting of requests from external agencies. The failure of having an effective and timely regulatory response strategy could result in exclusion from government programs, loss of accreditation, loss of revenue, fines, criminal and civil monetary penalties, civil and/or criminal conviction.

Projects in Draft

Cost Report Validation

Procedures in the Appropriate Setting

Non-Physician Clinical Providers with Privileges

Information Technology Audits

IAS provides Parkland with a variety of information technology services including audits of general system controls, application controls, data integrity, physical security, information security, and internal data support. IAS also serves as consultants on various systems implementation projects. Criteria used in evaluating information technology applications, procedures, and implementations is derived from COBIT (Control Objectives for Information and Related Technology) and Industry Best Practices. The following information system audits were completed during the year.

Electronic Signature

This audit received a high risk rating because Parkland had not documented an organizational policy for electronic signatures. The audit received a high importance rating due to the compliance requirements associated with electronic signatures.

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ACS SLA and Invoice Review

This audit received a high risk rating due to the lack of controls in determining payments for vendor services. A comprehensive Service Level Agreement (SLA) and the accurate payments are highly important because of its direct impact on Parkland's expenses and performance relating to the Information Technology infrastructure.

Business Objects

This area received a high risk rating due to concerns about regulatory compliance, not following IT operations procedures, report validity, and software and implementation consulting procurement and contract fulfillment. This area received a high risk rating for importance due to the role of reports in business and clinical decision making and the need to evaluate IT project management. Reviewing IT implementations helps Parkland meet its stewardship goal of developing project management tools and infrastructure to support operational effectiveness projects.

Projects in Draft

Position Management

Operational/Financial Audits

IAS performs operational and financial audits to evaluate whether hospital departmental controls are effective and efficient, as well as to evaluate for sufficient controls over financial transactions. Unlike external financial audits, internal financial audits do not express professional opinions on presentation of financial statements. The Committee of Sponsoring Organizations (COSO) which provides a basis for evaluating internal controls as well as industry best practice criterion are used in evaluating operational effectiveness and efficiency.

Cash Handling Review

Internal Audit looks at Cash Handling controls on an annual basis. This area received a high risk rating due to the potential for cash controls to be circumvented. Overall, the controls appeared to be functioning as intended.

Stimulus Funds

This area received a high risk rating due to non-compliance with ARRA reporting requirements and absence of documentation proving compliance with the Buy American provision of the ARRA. Non-compliance with ARRA requirements could result in reclamation of previously dispersed funds.

Compensation (Executive Session)

Projects in Draft

HIPAA Privacy and Security
Infection Prevention Control Review
Managed Care Contract

Integrated Audits

Integrated audits are designed to take a more comprehensive view of an area by reviewing the operational/financial , compliance and/or information technology processes.

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Procurement Cycle

This area received a high risk rating due to the high volume of control failures and undefined processes. In addition, stronger controls would strengthen Parkland's ability to meet stewardship goals. This area received a high importance rating due to the high dollar volume of transactions and multiple control points involved in the procurement cycle.

Projects in Draft

General Ledger/Lawson

Special Projects

Special projects represent activities performed at the request of the Board or Management. During Fiscal Year 2011, IAS also classified routine annual audits into this project type. All special projects are noted below.

- **Physical Inventory**
- **External Audit Assistance** – IAS provided 621 hours to Deloitte for completion of the annual external audit.
- **List of Excluded Individuals**
- **Public Information Act Requests**
- **Fiscal Year 2012 Audit Planning**
- **Board Request**
 - Pay for Performance
 - Legal Fee Review
 - Consultant Review
 - Tee Com & Wai Wise Review

Consults

In accordance with The Institute of Internal Auditors (IIA) standards, IAS performs consultation services at the request of Parkland Management. This value-added service is advisory in nature and is an independent review focusing on areas of Management concern.

- New Parkland Hospital
- CORE Cash Register System
- Fixed Asset Monitoring
- Evaluation and Management
- Independent Contractor
- CMS Readiness
- CDR Billing Review
- Stemmons/Chase Buildout
- Maple Clinic Relocation
- Faculty Contract
- Request for Proposal Evaluations
- Time and Labor Edits
- Lunch Edits

Follow-up Projects

Internal Audit has provided quarterly reports on previously reported audit recommendations and management responses. During Fiscal Year 2011, IAS tracked 157 recommendations and action plans. Of the 157, 63 of the items had been addressed, 93 remain open, and 1 with management acceptance of risk.

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Time Summary

The following summary reflects the Fiscal Year 2011 Audit Plan budget to the actual time dedicated for indirect and direct audit hours. The variances in total budgeted time to actual time expended is largely in part to training and orientating new employees to the audit process, as well as a resource on family medical leave of absence. IAS had FTE vacancies of 14.1% during the year.

	Budget	Actual	Variance
Indirect Hours	10,551	11,230	679
Direct Hours	21,689	19,054	(2,635)
Totals	32,240	30,284	(1,956)

FY 2011 Financial Performance

	Budget	Actual	Variance	Percent
Salaries	\$1,380,746	\$1,172,642	\$208,104	15.1%
Supplies	\$52,052	\$54,073	(\$2,021)	(3.9%)
Total	\$1,432,798	\$1,226,715	\$206,083	14.4%

Department Goals

IAS has developed certain goals to evaluate our overall performance. Our goals and performance for the fiscal year are reflected below.

Goal	Performance
1. Continue to improve the efficiency and effectiveness of the audit process	Above Expectations
2. Align the annual audit plan with organization objectives	Far Above Expectations
3. Reduce Department operating costs	Above Expectations



B. Audit Report Action Plan
Board Expectations

VERBAL

TO: Audit & Compliance Committee Members
FROM: Mary Findley, Vice President and Chief Compliance Officer
DATE: November 09, 2011
CC: 2011 Compliance Education Report

A demonstration that the workforce has been provided and completed compliance training is evidence of compliance program effectiveness. The following reports summarize compliance related education provided to Parkland employees and physicians as part of the Corporate Compliance training plan activities.

✦ **New Employees/ House Staff Education**

During the orientation process, all new employees and house staff receive an overview of Parkland's Code of Conduct and Privacy policies with emphasis on ethical decision making, how the "Code" supports Parkland's mission, vision and guiding principles as well as how/when to raise concerns and report violations and privacy breaches.

✦ **Annual Education**

All employees and house staff must complete an annual review of Parkland's Code of Conduct and Privacy policies to include revisions and/or updates to the "Code", policies and federal and state rules and regulations. An attestation stating that "*I have received and read the Parkland Code of Conduct & Ethics (Code), understand my obligations to comply with the code, and have an affirmative duty to report compliance violations*", is required to be completed as part of this education.

✦ **Billing Compliance Education**

Employees involved in the charging, billing and collection process receive education to assure awareness of proper billing for health care items and services as determined by their specific role within the organization.

✦ **Care Management Compliance Education**

Employees involved in the care management and utilization management processes receive education to assure awareness of federal and state requirements in the areas of inpatient medical necessity and observation in addition to ongoing education of basic documentation required to support medical necessity of observation and inpatient admissions.

✦ **HIM Compliance Education**

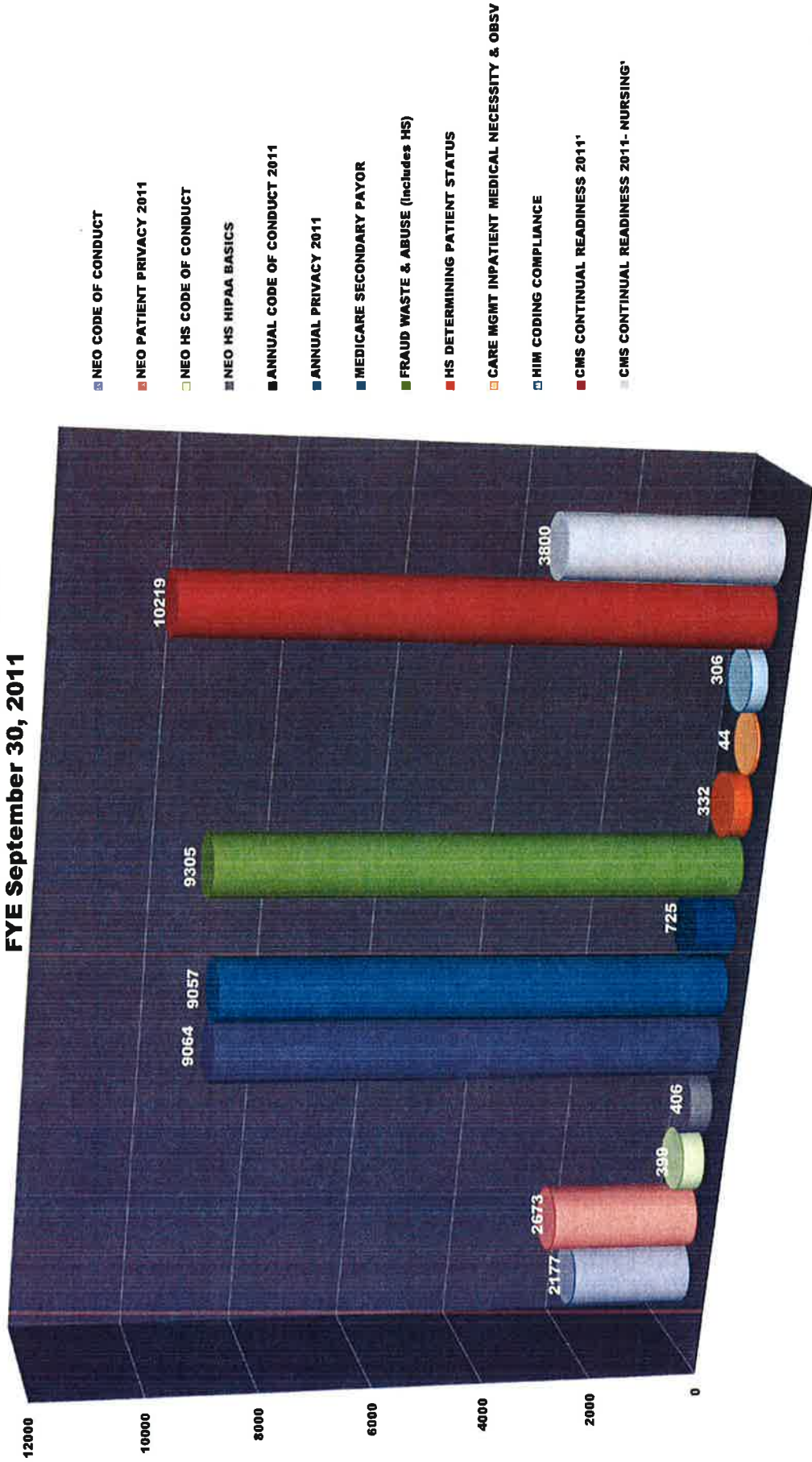
HIM employees with responsibility for code assigning, supervising or monitoring receives annual education to ensure appropriate awareness of coding updates.

✦ **CMS Continual Readiness Education**

As specified in Parkland's action plan to CMS, Parkland employees and house staff were required to complete education primarily focused in the areas of EMTALA and infection prevention.



Compliance Education On-Line Lessons Assigned By Subject FYE September 30, 2011



*Information as of October 31, 2011 due to data reporting limitations of LMS.



Parkland

Compliance Education Completion Percentages FYE September 30, 2011

General Compliance: NEO Code of Conduct- face to face	100.00%
General Compliance: NEO Code of Conduct-Online (2177 lessons)	98.94%
General Compliance: NEO Introduction to Privacy - Face to Face	100.00%
General Compliance: NEO Privacy Training -Online (2673 lessons)	98.40%
General Compliance: HS NEO Code of Conduct- Face to Face	100.00%
General Compliance: HS NEO Code of Conduct- Online (399 lessons)	98.75%
General Compliance: HS NEO Introduction to Privacy - Face to Face	100.00%
General Compliance: HS NEO HIPAA Basics Training - Online (406 lessons)	100.00%
General Compliance: Annual Code of Conduct 2011 (9064 lessons)	98.96%
General Compliance: Annual Privacy 2011 (9057 lessons)	98.96%
Billing Compliance: Medicare Secondary Payor (725 lessons)	100.00%
Billing Compliance: Fraud, Waste and Abuse (9305 lessons)	100.00%
Billing Compliance: HS Determining Patient Status (332 lessons)	98.80%
Billing Compliance: Care Mgmt Medical Necessity & OBSV (44 lessons)	100.00%
HIM Coding Compliance 2011 (306 lessons)	98.68%
CMS Continual Readiness 2011* (10219 lessons)	98.03%
CMS Continual Readiness 2011 - Nursing* (3800 lessons)	98.12%
	100.00%

*Information as of October 31, 2011 due to data reporting limitations of LMS.

D. Update on Compliance
Committee Activities

VERBAL