Planning for Success—Managing a Compliance Audit Plan

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As a compliance officer, you already know that no two days are the same, and the best laid plans may have to be put aside to address an important issue that arose suddenly. Those days are normal and probably have something to do with why you enjoy being a compliance officer in the first place. It's important to stay flexible to serve your organization, but it's equally important to have a plan . . . an annual audit plan.

The benefits to an organization of having a compliance audit plan are numerous, such as maintaining a current list of the legal and regulatory risks specific to the organization and demonstrating a commitment to a formal auditing and monitoring program as outlined in the Department of Health and Human Services Office of Inspector General's seven elements of an effective compliance program. Moreover, it is often part of a compliance officer's job description and directive from executive leadership and the board of directors to identify, quantify, and manage compliance risks through auditing, developing policies and procedures, and conducting education. Despite the benefits of a compliance audit plan—and the mandate to assist in managing risk—compliance officers sometimes experience challenges to implementing the plan. Here are three suggestions to help ensure success for an auditing program.

Risk = Likelihood x Impact. A common challenge to managing an annual compliance audit plan is the pressure that conscientious compliance officers feel to take on more than is feasible. To address this challenge, it is important that risk assessments include a materiality score. One way to calculate a materiality score is to assign a number from one (low) to ten (high) to both the likelihood of the risk (i.e., what are the chances that the organization could have a lapse in this area in the next year?) and the impact of the risk (i.e., if a lapse did occur, what would be the financial, reputational, or other impact?) and multiply these numbers together. Ranking the list of compliance risks in order from greatest to least will assist compliance officers in selecting the top risks to test in the annual audit plan. The specific number of audits will depend on a variety of factors, including how many hours are available for the compliance officer (and team) to dedicate to audits, as well as the method of auditing (record reviews only, in-person interviews, and site visits are all methods to consider). Remember that operational changes to the business—such as developing, expanding or discontinuing a service line—will impact the materiality score, so revisit the scores from time to time to ensure the audit plan has the maximum positive impact on the organization.

There is strength in numbers. Be transparent and work to build consensus. Depending on the size and structure of the organization, the compliance officer may be the only person involved in auditing compliance risks or there may be other parts of the organization—such as internal audit, risk management, and information security—that are auditing these risks as well. Even those areas that aren't conducting audits may have valuable insight on overall risks (for example, legal and human resources). Don't forget about the operational leaders

of the various business units within the organization, who know firsthand what risks exist for their specific area and who likely have a good network of industry contacts that keeps them informed of regulatory trends while they are still developing. In organizations with a compliance committee, the compliance officer could communicate to the members in advance that an upcoming meeting will be dedicated to identifying compliance risks for the annual audit plan. Surveys are another good way to gather this information, so compliance officers can poll operational and executive leaders periodically on the top risks for the compliance program to quantify and manage.

Regardless of the method for obtaining feedback, it is essential to developing consensus that leaders understand the importance of the risks selected for testing in an audit plan and how conducting audits fits into the broader objectives of the compliance program. The truth is that no one enjoys being audited. However, if leaders understand the reasons the audits are important, how the audits were selected, and that there is buy in from their peers and leadership team for performing the audits, it provides the compliance officer with necessary institutional support. Compliance officers will be more successful and serve their organizations better by collaborating with other leaders on a strategic plan for assessing and managing compliance risks.

Change is constant. Plan for it. Audit plans usually are developed and finalized in advance of a new calendar or fiscal year. In many organizations, senior leadership or the board of directors will review and approve the compliance audit plan. When some new risk materializes or a known risk becomes more material in the middle of an audit plan cycle, the organization may ask the compliance officer to add additional audits to an already full calendar. One solution to this challenge is to reserve time in the compliance audit plan for "management requested" audits so that new audits can be slotted in as circumstances dictate. Communication and prioritization are important skills for compliance officers, so it also may become necessary to re-rank the materiality of the risks on the audit plan and obtain support from executive leaders and the board to postpone a scheduled audit to address a critical issue.

Having a strong compliance auditing program provides tremendous value to an organization in mitigating risks and building a culture of compliance. Although compliance officers may experience challenges in executing an annual compliance audit plan, there are ways to anticipate and manage these challenges for the greater good of the organization.

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