



EXECUTIVE CHAMBERS

DAVID IGE
GOVERNOR

HONOLULU

January 20, 2015

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, Speaker
and Members of the House of
Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Hawaii Health Systems Corporation Annual Internal Audit Report, as required by section 323F-22(d), Hawaii Revised Statutes (HRS). In accordance with Section 93-16, HRS, a copy of this report has been transmitted to the Legislative Reference Bureau and the report may be viewed electronically at <http://www.hhsc.org/About-Us/HHSC-Reports>.

Sincerely,

DAVID IGE
Governor, State of Hawaii

Enclosure



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N
Quality Healthcare For All

ANNUAL INTERNAL AUDIT REPORT
Pursuant to HRS Section 323F-22(d)

POC: Linda M. Rosen, M.D., M.P.H., Corporate Chief Executive Officer
December 31, 2014

Hawaii Health Systems Corporation – *Maui Region*



MAUI MEMORIAL
MEDICAL CENTER

Hawaii Health Systems Corporation – Maui Region

INTERNAL AUDIT SUMMARY

As of October 31, 2014



Executive Summary

Reviews Completed from 1/1/2011 to 10/31/2014

- *Regulatory & Corporate Compliance Process Review*
- *Credentialing & Privileging Review*
- *Data Access Review*
- *Pharmacy Operational Review*
- *Obstetrics Operational Review*
- *Capital Project Management Review*
- *Contract & Vendor Management Review*
- *Safety Review*
- *Physician Practice Management Program Review*
- *Laboratory Review*
- *Code of Conduct Review*

There were a total of 50 audit recommendations for the period from January 2011 through October 2014. See the Management Action Item Dashboard Summary on page 6 for additional detail. None of the findings and recommendations were considered “significant deficiencies” or “material weaknesses” in internal controls.

Review(s) in Process as of 10/31/14

- *Maui Heart & Vascular Program Review (previously referred to as the CV Program Review) – Currently in the fieldwork stage; scheduled for completion by January 2015.*

Executive Summary (continued)

Fraud Risk Assessments

- For each review, a project-level fraud risk assessment is performed by examining the Region's vulnerability to potential fraud schemes in the area being reviewed.
- Internal Audit did not discover and is not aware of any instances of fraud in the Maui Region of HHSC through October 31, 2014.

Internal Audit Infrastructure and Communication

- Internal Audit presents periodic Audit Committee Update Reports to the Audit Committee and these reports are available upon request.
- Internal Audit did not experience any difficulties that resulted in a scope limitation.
- There was a slight delay in the execution of the Audit Plan due to management turnover and internal organization-wide project initiatives; as a result certain projects approved in the 2013-2014 Audit Plan will be deferred until 2015.

Draft Audit Plan for CY 2015

The tentative Audit Plan for calendar year 2015 currently includes reviews in the following areas:

- *Board & Management Committee Governance Review*
- *Privacy Review*
- *Patient Financial Services Review*
- *Follow Up Reviews*

Additional reviews may be added to the plan and other changes made when the 2015 Risk Assessment is finalized (anticipated in March 2015).

Summary Results of Reports Issued

Code of Conduct Review

Issue Date: February 2014

Objectives:

- Obtain an understanding of the development of the Code to ensure that the Code is current, relevant and in compliance with applicable laws and regulations;
- Obtain an understanding of the processes in place to communicate and implement the Code and the processes in place to report Code related issues within the Region and HHSC Corporate;
- Review, evaluate, and test compliance with the Code to ensure that employees, management, Board members, Medical Staff and agents understand and are complying with the Code;
- Review, evaluate, and test management’s processes in place to monitor the operating effectiveness of the Code;
- Review, evaluate and test the effectiveness of the process to report Code matters in accordance with reporting procedures; and
- Provide recommendations for improvement to enhance effectiveness and efficiency, and suggest “leading practices” where applicable.

Summary Results of Reports Issued (continued)

Summary Results – Code of Conduct Review:

Findings	Management Action Plans
<p>1. Of the 72 Participants selected for Code of Conduct Acknowledgement testing, six were missing the Code of Conduct Acknowledgement from their file.</p>	<p>The Medical Staff Office revised their process to require Medical Staff to sign the Code of Conduct Acknowledgement upon being hired or privileged and upon reappointment. The Region will periodically review a sample of participants to ensure that the Code was signed. New acknowledgements will be obtained for those missing a signed Code if the individual is still associated with the facility.</p>
<p>2. The Region only recommends, but does not require the Code of Conduct Acknowledgement to be signed on an annual basis.</p>	<p>A draft revision of the Code includes clear language as to when the participant should acknowledge the Code. Obtaining Code of Conduct Acknowledgements electronically will be further reviewed due to the cost of implementation.</p>
<p>3. There lacks a defined reporting structure describing what, how, and to whom Code violations should be reported.</p>	<p>Since the Code is maintained at the HHSC Corporate level, management believes that coordination needs to be consistent between Regions. Therefore, this area of recommendations will be coordinated with the Chief Compliance and Privacy Officer (“CCPO”) and the other four Regions. Maui Regional HR Director and Regional Compliance Officer will continue to collaborate and will incorporate reporting at the Board level.</p>



<p>4. There is limited involvement from senior management in the process of communicating the Code to Participants.</p>	<p>Senior Management will continue to be encouraged to incorporate the Code through increased communications. A Senior Leader will continue to attend the new hire orientation and welcomes and encourages staff to report concerns or violations of the Code of Conduct. A letter to staff has been drafted and is under review for signature by the Regional Chief Executive Officer and the Chair of the Regional Board.</p>
<p>5. The Region does not provide supervisors and above with specific Code training that targets to their level of responsibility.</p>	<p>Since the Code of Conduct is maintained at the HHSC Corporate level, management believes that coordination needs to be consistent between Regions. Therefore, this area of recommendation will be coordinated with the CCPO and the other four Regions. Maui Region will initiate an educational flyer for supervisors and managers on identifying and reporting Code concerns or violations pending Corporate action.</p>



Management Action Item Dashboard Summary

The following represents the IA observations and recommendations from previous reports issued categorized by COSO 2013 Risk Assessment objectives:

Review	Audit Rating	COSO 2013 Risk Assessment Objective Category				No. of Findings Ranked "High" Requiring Immediate Management Attention
		Operational Findings	Financial Findings	Compliance Findings	Total Findings	
Regulatory & Corporate Compliance Process Review	Marginal	4	1	0	5	1
Credentialing & Privileging Review	Marginal	4	1	0	5	2
Data Access Review	Marginal	4	1	0	5	2
Pharmacy Operational Review	Marginal	4	1	1	6	3
Obstetrics Operational Review	Acceptable	2	1	0	3	0
Capital Project Management Review	Marginal	5	0	0	5	3
Contract & Vendor Management Review	Marginal	6	0	1	7	1
Safety Review	Acceptable	2	0	1	3	0
Physician Practice Management Program Review	Marginal	1	2	0	3	2
Laboratory Review	Acceptable	2	1	0	3	0
Code of Conduct Review	Marginal	5	0	0	5	0
TOTAL		39	8	3	50	14