

Action Plan Follow-Up

Achieve your best during the worst part of our jobs

By Steve Sokol, CHIAP, CIA, CPA, CFE, and Summer Buchanan, CHIAP

The importance of following up on audit recommendations or action plans is something internal auditors can agree on. Beyond meeting a requirement of The Institute of Internal Auditors (IIA) Global Internal Audit Standards, management's follow-up actions are the real change that happens in an organization. The power of a great audit comes alive when others see the value in change and move beyond talk to action.

Ongoing engagement with audit clients through follow-up is part of why audits don't really have an endpoint. Once you issue the audit report, you have just started the change process. The project and relationships continue through follow-up, then the mitigated risk assessment, and eventually, the next audit.

We interviewed leaders of internal audit functions at nine healthcare organizations to find out more about their follow-up processes, strategies, and approaches. Clearly, this sample is too small for projecting results, but we identified valuable insights and numerous best practices. Because several organizations did not want to be named, these results are presented with anonymity.

Quick Tips

Follow up, Follow-up, Followup: Which One is Right?

- Using it as a verb? Put a space between the two words, and no hyphen: *follow up*.
- Using it as a noun or adjective? Put a hyphen between the two words: *follow-up*.
- Writing it as *followup*? Don't.

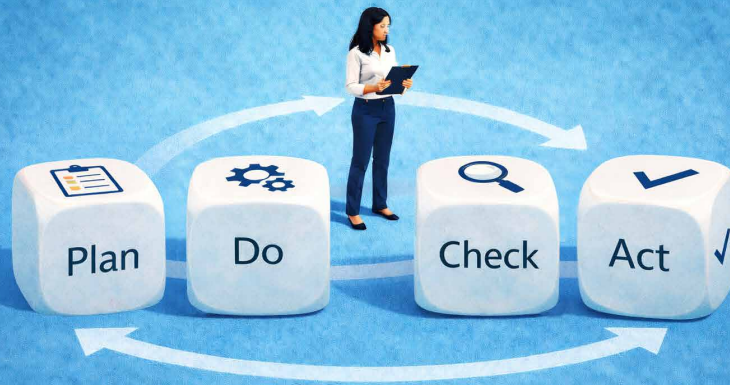
Insights

Several leaders commented that follow-up is “the most important part of the audit,” but nearly everyone was dissatisfied with their follow-up processes and results. Reasons for dissatisfaction included the following:

- Not enough change resulting from closed management action plans
- Change not sticking—in fact, one organization does another round of testing six months after follow-up is concluded, and that round of testing often resurfaces the same problems as the original audit.
- The follow-up process isn't popular with auditors or audit clients.

Although he was not a respondent to our interviews, we even found that [Richard Chambers](#), who served for over a decade as the president and CEO of the IIA, suffered similar dissatisfaction back in his auditing days. He recalled that “Issuing a new audit report was cause for celebration. But nothing was more demoralizing than when I would invariably undertake the required follow-up audit only to discover that my carefully crafted recommendations or management action plans were never implemented. After all, management had agreed to the proposed corrective actions...So why did they fail so often to follow through? There were always plenty of excuses from management when the follow-up audits disclosed that ‘problems had not been corrected’:

- We underestimated the complexity of the action we agreed to take.
- Guess what? Your recommendations were not feasible!
- We didn't realize how long it would take to implement the promised actions.
- Circumstances changed, and the actions we agreed on are no longer valid.
- It turned out we didn't have the resources to correct the problems.



Despite common dissatisfiers, some positives were noted in our interview results. At least occasionally, audit clients are energized by corrective actions and finally see the point of the audit.

Every organization agreed that open communication is critical to the process, both with management, who is responsible for remediating issues, and with the board or committee receiving audit status updates.

Because the follow-up process is important AND not satisfying, this is an area for focused improvement by nearly all internal audit functions. Universally, auditors were hesitant to share their processes because they felt that they needed to be improved.

Logistics

The Standards don't specify exactly how or when internal audit functions must follow up, as shown in Exhibit 1, but most interviewed internal audit leaders organized their department's follow-up around management's action plans. The following questions identified other commonalities.

Who does follow-up?

The auditor who did the audit follow up with the audit client is usually the one who determines action plan status. However, some organizations have a separate team in internal audit focused on follow-up. One internal audit function did not conduct its own follow-up and delegated that process to another compliance control and risk management group within the organization.

- Advantages of having the auditor who is already involved act as the point of contact for follow-up: The auditor can continue to build trust and expand the relationship. The auditor already understands the audit issue and

corrective actions, so the process should be more efficient. Management's favorite auditor was "the last one" (they prefer people they already know).

- Advantages of someone else: A new person can bring new perspectives, and their involvement enforces independence and objectivity.

How are implementation dates set?

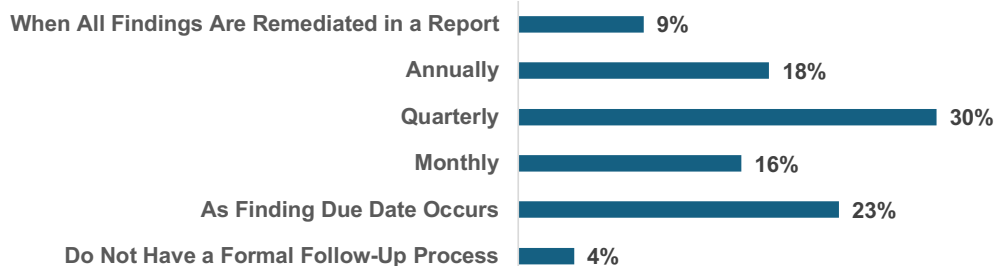
Most internal audit teams let management pick their implementation dates if they are reasonable and realistic. One organization had standard due dates based on the risk rating of the observations (e.g., clients have 12 months to remediate medium risk, six months for high risk).

How frequent is communication?

Most internal audit teams communicated monthly with the audit client to determine the status of open action items. The least frequent communication timeline is whenever the action plan due date comes around. Many teams report quarterly or similar, aligned with audit committee meetings.

Protiviti and the Association of Healthcare Internal Auditors (AHIA) partner to conduct an annual study examining internal audit functions across a wide range of healthcare provider, payer and integrated delivery systems. The internal audit department benchmarking data from that study is summarized in "Evolving Risk Landscape Refocuses Healthcare Audit Priorities Part 2 – Internal Audit Benchmarks," which you can find in *New Perspectives* Volume 44, Issue 4. From that article, Exhibit 19 is reproduced here.

Frequency of following up on outstanding action plans



From Exhibit 19 of "Evolving Risk Landscape Refocuses Healthcare Audit Priorities Part 2 – Internal Audit Benchmarks," *New Perspectives* Volume 44, Issue 4

Who is action plan status and closure reported to?

Everyone interviewed reported back to action plan owners (i.e., management) when they agree that an action plan can be closed. Nearly all internal audit functions reported to senior leadership and the audit committee. However, the level of reporting detail varies. Each group emphasized that past-due and problematic items are of main concern to everyone involved. Most organizations report the total number of open, closed, and extended or past-due action plans to both senior leadership and the audit committee.

Is process technology enabled?

Everyone interviewed used their electronic workpaper system to capture and track open items. However, nobody used pre-populated tables for reporting to senior leaders or the audit committee. Instead, manual presentation slides or reports are created by the internal audit or another follow-up group.

Exhibit 1

The Global Internal Audit Standards published January 9, 2024

Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

Requirements

Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:

- Inquiring about progress on the implementation.
- Performing follow-up assessments using a risk-based approach.
- Updating the status of management's actions in a tracking system.

The extent of these procedures must consider the significance of the finding.

If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the

issue with the chief audit executive. The chief audit executive is responsible for determining whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance.

Considerations for implementation

Internal auditors may use a software program, spreadsheet, or system to track whether management's action plans are implemented according to the established timelines. The tracking system indicates whether action plans remain open or are past due and provides a useful tool for internal auditors to communicate with the board and senior management. In addition, a program or system may automate the workflow from risk assessment to action plan completion. For example, the workflow may include automated emails that notify the appropriate parties regarding action plans that are nearing their target completion dates.

The methodology for confirming the implementation of management's action plans should include criteria for determining when to perform follow-up assessments to confirm that management's action plans have effectively addressed findings. Follow-up assessments may be performed for completed action plans selectively, depending on the risk's significance. Under certain circumstances, regulators may require reporting on management's action plans.

If management decides on an alternative action plan and internal auditors agree that the alternative plan is satisfactory or better than the original action plan, then progress on the alternative plan should be tracked until completion.

Examples of evidence of conformance

- A routinely updated tracking system (for example, a spreadsheet, database, or other tool) that contains the finding, associated corrective action plan, status, and internal audit's confirmation.
- Corrective action status reports prepared for the board and senior management.

Leading practices

Based on our interviews, we identified the following leading practices for consideration as you, like everyone else, are likely working to improve your follow-up processes.

Who should follow up?

The person following up should generally be the person with the client relationship and background knowledge. This facilitates collaboration and relationship-building with the client. Additionally, the auditor has background knowledge to ensure that the risk has been mitigated appropriately.

When should internal audit begin the follow-up process?

Consider the due dates first to develop a follow-up methodology. Here are various practices to choose from as they best suit your organization:

- Allow management to select the expected implementation date, within reason.
 - Pros: Management feels they can pick the best date for them. Management has some control over the timing of their response.
 - Cons: Internal audit may be continually following up on action items.
- Suggest predetermined due dates close to management's proposed date, based on reporting requirements by internal audit (e.g., audit committee meeting or elevation to executive leadership).
 - Pros: Internal audit staff can plan dedicated follow-up time and consider it while scheduling audit engagements. Additionally, meetings/communication with action plan owners can be pre-scheduled.
 - Cons: Timeframe may not work for management.
- More complicated management action plans may require an extended implementation date. In this case, consider setting milestone dates to ensure that management is making progress.

How should internal audit's follow-up process work?

Standardize as much as possible!

- Consider developing consistent communication for follow-up.

- Use the same language/format for each action plan to reduce confusion and frustration from audit clients.
- Have internal audit consolidate communications and meetings if multiple action items are open for multiple engagements.
- Consider the use of a liaison (this requires executive leadership buy-in). This provides a single point of contact for internal audit to elevate obstacles. This also provides accountability for action plan owners, knowing that senior leadership, or a designee, is aware of the status of action items.
- Internal audit should have criteria to follow so they know when and how to close out follow-up items, specifically what information is needed to determine that an action item is closed. Determine if the criteria change is based on the significance of the observation. For example:
 - Low significance may require only verbal confirmation from the client that the action plan was completed.
 - Moderate significance may require internal audit to ask for supporting documentation showing implementation.
 - High significance may require internal audit to reperform testing to evaluate whether risk is appropriately mitigated.
- Consider what is needed to extend management action plans. For example, does an extension need to be approved by senior leadership? What are reasonable reasons for extension?
- Decide if there is a limit to how many times an action plan implementation date can be extended and determine what escalation procedures should be followed.

Other professional opinions

Two globally recognized thought leaders in internal audit have shared their staunch opinions on certain follow-up processes.

[Richard Chambers](#), former president and CEO of the IIA, commented on the IIA's earlier (but similar) version of the follow-up process standard – *The chief audit executive*

Shift the focus of follow-up from outputs to outcomes.

Critically assess your action plan development processes.

must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. He wrote that complete follow-up audits are a waste of time, and progress is better monitored by shifting the focus from outputs (follow-up audits) to outcomes (appropriate disposition of audit findings and action plans). His comments generally coincide with the approaches taken by our interview respondents.

He also recommended that internal audit functions critically assess their action plan development processes. "If, after careful assessment, follow-up audits often seem justified, you might want to ask yourself why your organization's implementation plans keep going astray. Were your recommendations vague? Were you unpersuasive? Did you fail to listen to management or to take their objections seriously? Are recommendations or management action plans unclear or nonspecific? Is there a culture of noncompliance within the organization?"

[Norman Marks](#), a member of the IIA's Hall of Distinguished Practitioners, took things a step further when he objected strongly to Standard 15.2 because he believes "all we can do as internal auditors is tell the board what management has told us. They need to hear directly from management when significant action items have not been completed as agreed!" He recommends the following follow-up process:

1. Agree with the board and top management that completing agreed action items, including periodic monitoring and reporting their status to top management and the board/audit committee, is a management responsibility.
2. Work with management to ensure they have an effective process for doing that.
3. Periodically, based on risk, audit and report on the effectiveness of that process.
4. Consider the above an improvement on conformance to the Standard.

He summarized, "In other words, teach management how and help them to fish, then audit their fishing processes."

Summary

Each organization will have different requirements and preferences for tracking and reporting action plan follow-up based on:

- Organizational structure
- Resource availability
- Leadership and audit committee involvement
- Risk appetite

By carefully considering your processes and their impact, you can certainly improve your follow-up processes. Improvement is a journey. Instead of pursuing the theoretical ultimate solution, consider what small change you can make to improve. **NP**



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"Life is really simple, but we insist on making it complicated." - Confucius