

Quick-Hitting Survey Sarbanes Oxley Programs

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Executive Summary

Methodology

In January 2020, The Health Management Academy conducted a quick-hitting survey of Leading Health Systems to better understand health system implementation of Sarbanes Oxley (SOX) programs. The 9 responding Senior Finance Executives and Chief Financial Officers (CFO) represent health systems with an average Total Revenue of \$4.2 billion that own or operate 128 hospitals and have approximately 1.4 million admissions per annum.

Key Findings

- The majority of health systems (78%) have some form of Sarbanes Oxley internal controls documentation and testing program, with 56% having a modified “light” program and 22% having a full program.
- The greatest proportion of health systems (39%) responded that an insourced internal audit function is responsible for carrying out documentation and testing for the program.
- Half of responding health systems (50%) have an annual rotational cycle for documenting and testing each of the key internal controls identified by operations and the auditor.

Results

Though SOX programs are not required for not-for-profit organizations, some health systems voluntarily carry out a full formal program with an external auditor opinion, while others may have a less formal or modified assessment program in place.

Of responding health systems, most (78%) have some version of a SOX program, either a full SOX program with external audit opinion on the adequacy of internal controls over financial reporting (22%), or a modified “light” program (56%) (Figure 1). Those with a modified program may include documentation and testing carried out on a rotational basis but less frequent than required by SOX, or exclude formal opinions on adequacy of internal controls over financial reporting from external auditors in place.

Responsibility for these programs varies across health systems. Internal audit is the most common function responsible for carrying out documentation and testing for the SOX program, with more health systems leveraging an insourced function (39%) than outsourcing this function (12%) (Figure 2). “Other” functions with these responsibilities included accounting and external audit.

One executive specified, **“The Controller is responsible for the program and oversees the documentation and control monitoring activities quarterly. Operational leaders own their control processes. Internal audit tests annually.”** (Finance Executive)

Figure 1. Does your organization currently have a version of Sarbanes Oxley internal controls documentation and testing program?

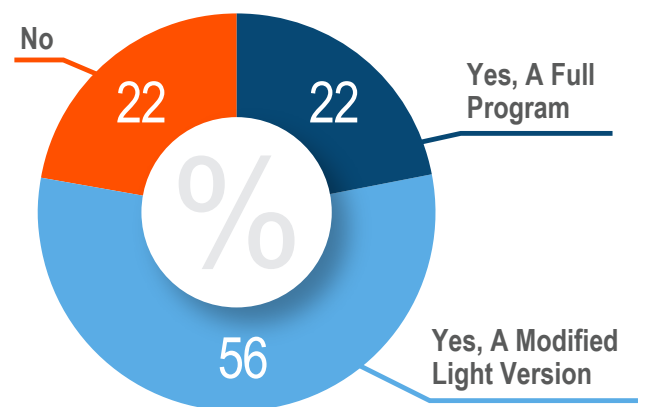


Figure 2. Who is responsible for carrying out the documentation and testing for your program?

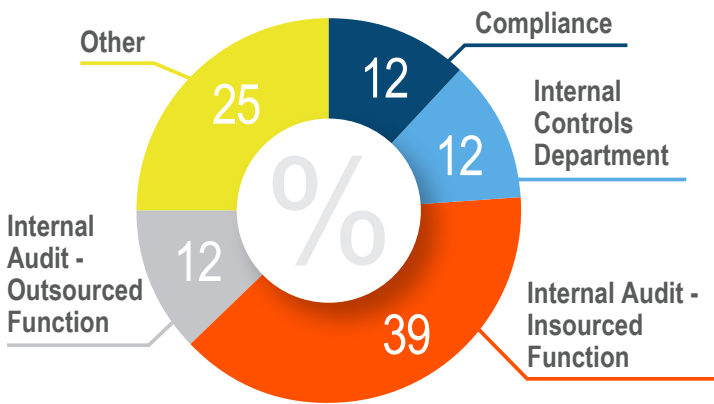
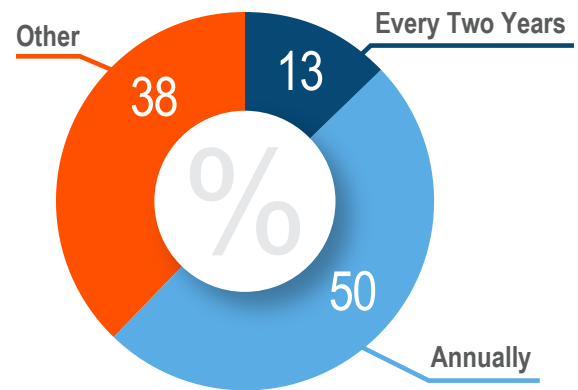


Figure 3. What is your rotational cycle for documenting and testing each of the key internal controls identified by operations and the auditor?



Note: Totals may not equal 100% due to rounding.

Half of responding health systems (50%) cycle their documentation and testing of key internal controls identified by operations and the auditor annually (Figure 3). Health systems choosing “Other” (38%) report the rotational cycle varies depending on risk (Figure 3).

The majority of health systems (75%) report their results to internal management and Board-level committee(s) (e.g., Audit Committee), while 25% of health systems report to internal management only (Figure 4)

Figure 4. Where are results reported to?

