



*Strengthening Oklahoma's Safety Net,
One Community At A Time*

Board Bulletin

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Y2K and Corporate Compliance: Lessons Learned

Much energy was spent in the 1990's to avert impending global computer failure. Corporations were extremely attuned to the potential disaster of the Y2K bug. Ironically, it was the highly publicized people failure revealed in October 2001 (Enron) that shifted attention from potential machine malfunction to making sure human behavior is in check. Monumental time and resources have been spent the past decade to ensure that the public interest is safe with organizations – profit and non-profit, large and small. Legislators enacted the Sarbanes-Oxley Act of 2002 for corporate America, also admonishing non-profits to take heed. Regulatory agencies have instituted measures to restore public trust by holding organizations accountable. “Token” boards are no longer acceptable; instead, the proverbial buck truly stops with boards when it comes to corporate compliance.

Corporate Compliance Defined

Boards are required to exercise “duty of care” - using the same level of judgment that any other competent and prudent person would in a similar situation. Corporate compliance means that boards must make necessary inquiries to obtain information for oversight and decision-making purposes, proactively create strong policies that management can implement, develop systems to identify issues and have a framework in place to address problems quickly. “To err is human.” Corporate compliance does not mean all problems will be eliminated. Mistakes will be made. Boards must demonstrate good faith effort in minimizing risks by having mechanisms in place that ensure effective oversight and facilitate timely correction of wrongs. Due diligence can only be shown if boards are actively seeking information to ensure compliance with applicable law and regulations. Because Y2K had little impact on most, some say the potential problems were blown out of proportion. In reality, glitches did occur but were rectified quickly because of the intense Y2K preparation. Organizations must use the Y2K approach when addressing corporate compliance. Realizing the potential for disaster, boards must dedicate resources to develop a compliance plan and be committed to its implementation and adherence. When glitches arise, health centers must have a system in place that yields a timely, effective response.

Under the Microscope

Corporate compliance makes sense for organizational well-being. If this alone does not spur action, perhaps knowing many eyes are watching (including the general public) will motivate meaningful corporate compliance.

- **OIG** – The Office of the Inspector General (OIG) issued *Corporate Responsibility and Health Care Quality: A Resource for Health Care Board of Directors* in September 2007 which states, “health care organization boards have distinct responsibilities in this area because promoting quality of care and preserving patient safety are at the core of the health care industry and the reputation of each health care organization.” Within the past year, OIG embarked on a nationwide series of community health center (CHC) audits. It is not a matter of *if* your CHC will be audited, but *when*. OIG audit reports, which can be accessed publicly via the web, reveal findings related to financial management, procurement practices, weak policies, etc. The OIG then makes recommendations as to whether federal funding should continue.
- **IRS** – The Internal Review Service (IRS), spurred by Congress to ensure nonprofit compliance, revamped reporting to enhance transparency. IRS Form 990 now requires tax-exempt organizations to demonstrate governance best practices around mission, whistleblower policy, document retention/destruction, conflict of interest policy, executive compensation processes, and proof of board review of 990 before filing.
- **Funding Agencies** – Additional CHC funding requires additional scrutiny. The American Recovery and Reinvestment Act (ARRA) requires intense reporting that is available to all via www.recovery.gov. Health center quarterly reports (HCQRs) are also in place so that the Health Resources and Services Administration (HRSA) can effectively monitor and ensure CHC project compliance. HRSA recently instituted a Progressive Action process to readily identify and rectify CHC compliance issues. Continued funding is contingent upon compliance with applicable law and 330 regulations. Clearly, compliance is not optional.

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