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The Power of the Positive Audit— Part II

BY PAT ALEXANDER

Editor's Note: This is a two-part article based on Pat's presentation at HIGH-TECC 2008. The first part covered the three signs of a miserable job. In Part II, Pat provides an example of an agency that has a positive culture and has implemented an audit process and real solutions.

I want to tell you the story of the “Perfect Agency.” This story is based on an actual agency that I audited for their E&O carrier several years ago. The E&O carrier instructed the auditors to find holes in the agency's processes that might lead to E&O claims. The agency was required to have its own internal audit process in place and to provide auditors with the results of those audits. If the agency showed the auditor that they had issues that were being corrected, the E&O carrier thought it was not necessary for the carrier's auditor to perform any file audits during the visit. However, if the agency said there were no issues, auditors were required to audit a prescribed number of files and processes.

The perfect agency

The Perfect Agency was an early adopter of document imaging. They had implemented a third-party document management system to be a companion to their agency management system. This was prior to agency management systems having attachment features that are available today.

The agency's audit summary report indicated only five issues with files that had been audited in the past year. I advised the agency's manager that I needed a list of commercial lines accounts so I could select 10 accounts to audit. I retired to the conference room with a computer and the list of accounts from which I would select which

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policies to audit. After auditing 10 files, I had deducted five points on one account because the account manager had used the incorrect policy checking form when she checked the policy. Try as I might, this was the only deduction I could find in 10 files handled and processed by 10 individuals. I had to know the secret to their success!

Seven secrets of success

The agency manager told me that they had been having difficulty with compliance and proper usage of the agency management system. When they originally added document management, the problem became worse. They knew they had to do something—so this is what they did:

1. Reviewed and updated all standards, procedures, and workflows to make sure they were in line with the expectations they had of their staff.
2. Defined what the agency would be monitoring/auditing, who would audit, and when.
3. Conducted training classes focused on the standards, procedures, and workflows and proper usage of all systems.
4. Advised staff after each training session that they were to begin the re-defined process immediately and advised them that the agency would begin monitoring 30 days from the training date.
5. Set forth the agency's expectations, consequences, and rewards. Also, advised staff that the results from monitoring would become part of their annual review results and would have a direct effect on salary increases and bonuses.
6. Followed through with the monitoring process and working with each staff member to review their results.
7. Terminated staff who didn't comply and rewarded staff who did.

The key to this agency's success is that they actually performed all of these steps. When a staff member didn't comply, he or she was put on probation. If additional training and attention to issues didn't resolve the problem, the staff member was terminated. The rules were applied equally to all staff members. And yes, even a long-term employee who didn't want to change and accept the new systems and processes was terminated. When that happened, it was as if a loud boom had sounded

throughout the entire agency. On the flip side, compliant staff members are nicely rewarded during the annual review period.

By the way, when I first entered the agency and talked with various staff members, I noticed that they truly liked this firm, their jobs, and their entire work experience. Ever since, I have measured the success of other agencies against this one.

Set expectations

To achieve measurement you must set expectations. The first step is to create appropriate, well-defined job descriptions for each position. I also suggest that each employee have a career path plan and goals that support that path. This can change as the employee grows—it should be regularly maintained and updated. The agency must have well defined and implemented standards, procedures, and workflows. With all of this in place, measurement becomes relatively easy. If an employee gets to a 90-day, six-month, or annual review and the manager has negative things to say about the employee's performance, then the manager has not been doing his or her job. Managers must monitor, coach, teach, train, and correct course on a continual basis.

An employee who is not doing his or her job correctly costs the agency money and

possibly causes E&O problems. If the manager does not monitor and point out errors and make corrections, the manager is costing the company money and is ignoring possible E&O problems. Remember, the employee must know where they stand for job satisfaction.

Hiring and training a new employee costs at least two and one-half times their annual salary. It might cost you far more if that employee is not well trained and monitored. Any agency can be the Perfect Agency. The seven steps listed in this article are the keys to your success.

In short, properly define processes, train people, set expectations, monitor, and follow through when there is non-compliance. And be sure to reward compliance. A positive audit produces empowered employees. They will know where they stand, their importance to the organization and its clients, and will grow their own self worth. ☐

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