[Date]

[Name of Management Official]
[Title]
[Organization Name]
[Address]

RE: Management Advisory Letter - Review of Patient Financial Services and HIPAA Controls

Dear [Name],

The purpose of this letter is to communicate the results of our recent advisory review concerning the internal controls within the Patient Financial Services (PFS) department and the associated Health Insurance Portability and Accountability Act (HIPAA) compliance protocols.

Objective and Scope

The objective of this engagement was to evaluate the effectiveness of controls over patient billing, collections, and the protection of Protected Health Information (PHI). Our scope included a review of revenue cycle workflows, system access permissions, and data privacy safeguards.

Observations and Recommendations

1. Segregation of Duties in Billing and Collections

Observation: We noted that certain employees have the administrative rights to both initiate billing adjustments and issue refunds without secondary authorization.

Recommendation: Implement a formal approval workflow where adjustments over a specific dollar threshold require management sign-off to mitigate the risk of misappropriation of funds.

2. HIPAA User Access Reviews

Observation: User access logs for the Patient Accounting System are not reviewed regularly. We identified active accounts for three former employees.

Recommendation: Establish a monthly user access reconciliation process to ensure that access is terminated immediately upon employee departure and that permissions remain aligned with current job responsibilities.

3. Encryption and Data Transmission

Observation: During the review, we found that certain patient statements containing PHI were being transmitted to third-party collection agencies via unencrypted email attachments.

Recommendation: Require the use of Secure File Transfer Protocol (SFTP) or encrypted portals for all external transmissions of patient data to comply with HIPAA Security Rule requirements.

4. Patient Credit Balance Management

Observation: There is a significant backlog of patient credit balances that have not been resolved or escheated in accordance with state regulations.

Recommendation: Dedicate resources to clear the existing backlog and implement a quarterly reporting mechanism to monitor aging credit balances.

Conclusion

While the department demonstrates a strong commitment to operational efficiency, addressing the control gaps identified above will significantly strengthen the organization's compliance posture and financial integrity.

We would like to thank the Patient Financial Services staff for their cooperation during this review. We are available to discuss these findings in further detail at your convenience.

Sincerely,

[Your Name/Signature]
[Your Title]
[Audit/Consulting Department]