DATE: [Insert Date]

TO: [Name of Executive/Board Member]
FROM: [Name of Auditor/Consultant]
RE: Report on Internal Control Deficiencies in Healthcare Revenue Cycle Operations

Dear [Name],

In connection with our recent audit/review of [Organization Name]'s revenue cycle operations, we identified certain deficiencies in internal controls that require management's attention. Our objective was to evaluate the effectiveness of controls surrounding patient registration, billing, collections, and denial management.

1. Inadequate Verification of Insurance Coverage

Observation: We noted that insurance eligibility is not consistently verified at the point of service or prior to elective procedures.

Risk: This leads to increased claim denials, delayed payments, and a higher volume of bad debt write-offs.

Recommendation: Implement a mandatory automated eligibility verification process within the Electronic Health Record (EHR) system for all patient encounters.

2. Lack of Oversight in Charge Capture

Observation: Clinical departments are not consistently reconciling services rendered with charges entered into the billing system.

Risk: Potential for significant revenue leakage due to unbilled services or non-compliance with regulatory coding requirements.

Recommendation: Establish a daily reconciliation process where department managers compare clinical logs against the charge lag report.

3. Deficiencies in Denial Management and Follow-Up

Observation: There is no formalized process for tracking, categorizing, and appealing payer denials in a timely manner.

Risk: Permanent loss of revenue and failure to identify systemic billing errors or payer behavior trends.

Recommendation: Designate a specialized denial management team and implement a tracking dashboard to monitor appeal deadlines and recovery rates.

4. Insufficient Segregation of Duties in Patient Collections

Observation: The same employees responsible for processing patient payments also have the authority to post adjustments and write off balances.

Risk: Increased risk of misappropriation of funds or unauthorized account adjustments.

Recommendation: Separate the functions of payment posting and adjustment approval. All write-offs above [Insert Dollar Amount] should require management authorization.

We would like to thank your staff for their cooperation during this process. We are available to discuss these findings and assist in developing a corrective action plan.

Sincerely,

[Signature]
[Name and Title]