

HFMA Career Center

HFMA CHFP Certification Series

Article 4 - Internal Controls

The fourth module in the certification preparation materials is *Internal Controls*. This area comprises 15%-19% of the exam and has the following functional focus:

- Segregation of duties
- Safeguarding of assets
- Safeguarding of data
- Regulatory compliance
- Billing compliance
- IT systems validation

Internal control is most effective when controls are built into the entity's infrastructure and are an essential element of the enterprise. Management is ultimately responsible for an organization's system of internal controls. Key exam focus: regulatory compliance. This focus is supported by HFMA Principles and Practice Board Issue Analysis 98-1: Compliance with laws and regulations for healthcare organizations. This statement provides guidance to healthcare financial managers to help them understand their responsibility in implementing and maintaining an effective internal control system that ensures compliance with laws and regulations.

The Corporate Compliance Function is closely aligned with Internal Control. The proliferation of corporate compliance programs in healthcare began in the late 1980s and was the result of regulatory change and governmental investigations. The healthcare industry is vulnerable to compliance issues, in large part due to the complexity of the statutes and regulations pertaining to Medicare and Medicaid.

Healthcare is governed by many regulations and standards. Health Information Management (HIM) department in particular contends with many of the regulations, standards and regulatory entities. HIM must ensure:

- Patient information is protected from unauthorized access, safeguarded against destruction and tampering
- The integrity of the data
- Timely access to authorized individuals
- Information is released in accordance with governmental and organization policies and procedures (internal control system)

The question is Why internal controls? A variety of circumstances disruptive of business may come together including:

- Natural disasters where information may be destroyed;
- External competitors. Another organization may value your financial information and fee structures;
- Conflicting internal interests. Employees at a variety of levels may be interested in seeing salary and bonus information for colleagues to assist in their negotiations.

Remember, internal controls are designed to provide reasonable assurance regarding the achievement of multiple business objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations