



# Fairfax County Internal Audit Office

**Fire and Rescue Department  
Emergency Medical Service Transport Fees Audit  
Final Report**

**January 2008**

*"promoting efficient & effective local government"*

## Background

Emergency Medical Service (EMS) transport billing began on April 1, 2005, in Fairfax County and since the inception of the program until the end of fiscal year 2007, over twenty-two million dollars in revenue was collected. These billings are processed for the Fire and Rescue Department (FRD) by an outside billing company, Diversified Ambulance Billing, Inc. (DAB) that uses Ortivus Sweet Billing System to manage billing and collection of fees. The billings are sent to insurance companies, as well as Medicare and Medicaid. The charges are for transportation to a hospital, as those patients treated by EMS personnel but not transported are not charged a fee. For Fairfax County residents, payments received from insurance carriers meet all financial obligations, and no further payments are due. For those who live outside the county, additional billings are done for amounts over and above insurance coverage payments (i.e., deductibles and other amounts not covered by insurance). Uninsured patients are also billed, but have the ability to complete a hardship waiver form.

A remaining significant program challenge has been the acquisition and implementation of an Electronic Patient Care Reporting System (ePCRS) – a sophisticated handheld computer system that significantly enhances capturing of patient and response records and data in the field. The system would replace the current manual process used for documentation and billing. Functional requirements for an ePCRS were developed over several years by members of FRD. These requirements were included in the request for proposal for an integrated computer-aided dispatch and records management system (CAD/RMS). Based on all the information obtained, and the review of application functionality, a recommendation was made to proceed with Zoll Data Systems Inc, of Broomfield, Colorado. On July 23, 2007, the Fairfax County Board of Supervisors unanimously authorized the CAD/RMS project team to move forward with the contract with Intergraph and Zoll as a third party vendor. Per the implementation schedule, it is projected that by November 2008, full functionality will be obtained when the entire Public Safety and Transport Operations Center facility will go live. Internal Audit supports FRD's efforts in this direction as the new system is expected to bring about numerous efficiencies in the EMS transport fees billing process.

## Executive Summary

Our audit focused on the billing, cash receipts handling, and accounting functions associated with revenues from EMS transport fees. The EMS Transport Billing staff was very cooperative and responsive in obtaining requested documentation in a timely manner. The results of our audit procedures indicated that overall the internal controls over billing and collection generally appeared to be adequate. However, there were areas that needed to be strengthened. While it is understood that the Board of Supervisors directed the program to be based on a compassionate billing philosophy, we noted that approximately 47% (\$1.84 million out of a total of \$3.91 million) of the accounts receivable was outstanding for more than 180 days, per the July 3, 2007, Aging Summary Report. Patients' liability was \$1.64 million out of the \$1.84 million outstanding. These past due accounts

were separate from the approved hardship waivers. Other areas are summarized as follows:

- We noted that in 28% of transactions tested in our sample, the billing company had not performed timely follow-ups of past due accounts that remained outstanding for more than six months.
- Controls over the hardship waiver process needed improvement in the areas of adequate supporting documentation, hardship waiver form completion and write-off of outstanding waivers after a reasonable period of time.
- The timeliness of transmission of PCRs to the billing company could not be verified in 36% of the sample tested due to lack of proper evidence.
- The agreed upon time frame of 10 days for setting up patient accounts into the billing system subsequent to date of service was exceeded by over five days in 12% of the sample items tested; 4% were due to late transmission of PCRs and 8% were set-up late by DAB even though the PCRs were transmitted by FRD on the same day as the date of service.
- In 33 of 50 instances tested, the time taken to bill was found to be 30 or more days from the date of service.
- Bank deposits were not being posted into FAMIS in a timely manner as required by the county Accounting Technical Bulletin 40070.
- The EMS Transport Billing Section had not obtained an approval for its billing and collection plan from the Department of Finance (DOF).

We also noted areas where either the terms of the contract entered into with DAB were not up-to-date or where additional terms agreed to with DAB were not incorporated into the contract. FRD should review the entire contract and work with DAB to make the necessary updates and amendments. Some examples of areas noted were:

- Per FRD, the time limitations for billing as laid out in the contract were impractical due to the nature of business; however, the contract was never amended to reflect the actual business policy.
- Per DAB's data entry billing process, an understanding that DAB's data entry department would maintain a specific time frame of 10 days for entering calls into the billing system subsequent to date of service was never added to the contract.

## Scope and Objectives

This audit was performed as part of our fiscal year 2007 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of April 1, 2005, through December 31, 2006, for our substantive testing; however, for the purpose of reporting the most current status of past due accounts receivable, we used the Aging Summary Report dated July 3, 2007. The audit objectives were to determine that:

- Billings for EMS Transport fees were accurate

- Timely collection efforts were made on past due amounts
- Billing processes were efficient and effective
- Waiving or charge-off of accounts receivable was proper
- Reporting and aging of accounts receivable were adequate
- Control over the receipt, processing and posting of funds received was adequate
- Patient information necessary to process billing was sufficient.

## Methodology

Our audit approach included interviewing appropriate staff, observing employees' work functions, detailed testing of various samples of transactions, and evaluating the processes for compliance with sound internal controls, county policies, and departmental policies and procedures.

Our audit did not examine the system controls over billing, collections and posting applications. Our transaction testing did rely on these controls; therefore, this was a scope limitation. The potential impact of this circumstance on our findings was that some portion of transaction data may have been erroneous.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We report directly and are accountable to the county executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the county executive and the Board of Supervisors, and reports are available to the public.

## Findings, Recommendations, and Management Response

### 1. Follow-up and Write-Off of Overdue Accounts Receivable

In 14 out of 50 test transactions, follow-up collection procedures for items outstanding more than 180 days were not performed and the accounts were not properly written off. We noted the following:

- a. Seven accounts remained outstanding for a period ranging from seven to 17 months before being closed either by receipt of payment or by transfer to bad debts.
- b. Seven accounts remained outstanding for a period ranging from 12 to 20 months and were still open as of the date of our review.

Additionally, per the July 3, 2007, Aging Summary Report, approximately 47% (\$1.84 million out of a total of \$3.91 million) of the accounts receivable was outstanding for more than 180 days. Patients' liability was \$1.64 million out of the \$1.84 million outstanding. These past due accounts were separate from the approved hardship

waivers.

FRD staff had noted the same problems and had brought it up to DAB management in the form of management letters and meetings, directing them to focus their efforts towards this matter. The collections improved; however, the problem was not completely resolved.

According to Fairfax County Fire and Rescue Department Billing and Collection Plan Amendment to Write-off Policy, Reference: Department of Finance Notice (DFN) 036-1, "Every reasonable effort will be made to collect amounts due the county. Any transport billing receivable that is outstanding for six months, after the appropriate collection measures have been taken, is presumed to be uncollectible unless there is a reasonable chance that the item may be collected." The lack of monitoring overdue accounts receivable weakens accountability for proper follow-up of overdue accounts, which could result in lost revenues and misstatement of collectible receivables.

**Recommendation:** In addition to the steps taken by FRD, we recommend that on a monthly basis FRD randomly select a sample of outstanding claims and request the billing company provide supporting documentation of follow-up measures taken. Unacceptable levels of service should continue to be noted and brought up to DAB management. Furthermore, there should be a proper and timely write-off of all accounts considered uncollectible so as to avoid misstating of accounts receivable. It is also recommended that FRD review its collection policy to determine whether additional steps could be taken to aid in the collection of accounts.

**Management Response:** FRD staff will continue to monitor the collection of claims. Last fiscal year, a large sample of accounts was reviewed. The problems were documented and corrective action outlined for DAB. In addition to this review, a monthly sample of accounts will be reviewed to assure DAB compliance with collection standards. Also, FRD will be investigating the feasibility of additional steps for collections. The anticipated completion date is February 28, 2008.

## 2. Hardship Waivers

Since the start of the EMS Billing Program until December 31, 2006, FRD approved a total of 701 hardship waivers for a total forgiveness of \$275,243.63 (about 33 waivers for \$13,100 per month on an average). The process followed for approval of hardship waivers was based on the current federal Health and Human Services Poverty Guidelines. Patients with household incomes of less than 300% of the federal poverty guidelines had their liability for EMS transport fees waived. Of the 20 approved hardship waivers and the 29 pending hardship waivers tested, we noted the following:

- a. The hardship waiver process did not require obtaining documentation such as tax returns, pay stubs, etc. to justify monthly household gross income as indicated by patient on the hardship waiver form to verify the information provided on the form.

- b. In 50% of the approved hardship waivers tested, the approval date given to the billing company to update patient accounts was left blank on the Hardship Waiver Forms.
- c. FRD had a total of 29 pending hardship waivers waiting for information on patients' monthly household gross income. An analysis performed by IAO revealed that only two of those waivers were outstanding for less than six months and the remaining 27 were outstanding for 8 to 20 months as of the date of our review. In all those instances a letter was initially sent to patients asking for income information; however, no further action was taken.

For sound internal controls, all transactions related to fee waivers should have proper and sufficient supporting documentation. Additionally, according to Fairfax County Fire and Rescue Department Billing and Collection Plan Amendment to Write-off Policy, Reference: Department of Finance Notice (DFN) 036-1, "Any transport billing receivable that is outstanding for six months (including those with pending hardship waivers), after the appropriate collection measures have been taken, is presumed to be uncollectible unless there is a reasonable chance that the item may be collected."

Lack of sufficient supporting documentation to verify information provided on hardship waiver forms increases the risk that it is not reliable and accurate which could lead to erroneous authorization decisions that result in loss of revenues to the county. Further, incomplete or inaccurate documentation does not provide a proper audit trail. Lastly, failure to write off accounts to bad debt in a timely manner results in misstatement of accounts receivable.

**Recommendation:** We recommend that FRD review its hardship waiver process and request additional documentation to verify patients' household gross income for more effective decision making. FRD should be able to show due diligence in trying to collect required patient information and provide written explanations for missing documentation for a proper audit trail. Any pending items outstanding for more than six months should be followed up and reviewed by EMS staff to see if they are collectible or should be written off.

**Management Response:** FRD will revise the procedure and forms to require income documentation. Written explanations will be required for any missing documentation. Pending hardship items outstanding for more than 30 days will be reviewed for collection or write-off. The anticipated completion date is January 31, 2008.

### 3. Controls over Timeliness of Billings

The billing process involved three phases: 1) PCR transmission by FRD 2) Call data entry into the billing system and 3) Actual billings by DAB. We found timeliness concerns in each of the three phases.

- 1) For phase 1, of the 50 patient care reports tested, in 18 instances we could not determine the timeliness of transmission as there was no evidence to indicate when those reports were transmitted to the billing company. Proper

documentation to indicate when PCR's were transmitted to DAB is important to ensure accountability.

- 2) In phase 2, 12% of billing entries in our sample exceeded the verbally agreed upon data entry time frame of 10 days from the date of service. Out of these, 4% of the accounts were set-up between 35 and 40 days late due to PCR's sent to DAB in an untimely manner by FRD; the other 8% were set-up between five and ten days late by DAB after they received the PCR's. Delays in entering calls in the billing system could affect the billing and collection process, adversely affecting county revenues.
- 3) Phase 3 involved sending Notice of Privacy Practices (NPP) statements to patients and billing them upon receipt of NPP. We noted that the first bill was sent out 30 or more days from the date of service in 33 of 50 transactions tested. We could not determine the exact cause of delayed billing because the date that NPP statements were received back from the patients was not documented. Per FRD, the time frame standards set in the contract for initial billing to be sent within three business days of the date the contractor receives documentation from FRD were impractical, so they could not hold DAB accountable to them.

Without the use of contractual compliance as an accountability control, enforcing contractor timeliness becomes difficult. Failure to bill patients in a timely manner increases the risk of lost or delayed receipt of revenues. A timely billing increases the chance of prompt receipt of payment and thus improved cash flows for the county.

**Recommendation:** FRD should take appropriate steps to address the issue of timely set-up of patient accounts with the billing company. Separate records should be kept as to when patient care reports were transmitted and when DAB entered data. The date when DAB receives the NPP statements back from patients should be documented for the purpose of accountability of billings. It is also recommended that FRD management develop detailed written policies and procedures that include time limitation standards at each step of the billing process that apply to FRD as well as the billing company. Furthermore, as stated above, an amendment to the existing contract documenting these standards is recommended. FRD should review the entire contract and work with DAB to ensure that written agreements clearly state reasonable performance standards.

**Management Response:** FRD will retain the records of fax transmission to DAB. These are currently discarded before being filed due to a severe shortage of file space. The date the NPP is received by DAB is now recorded in the DAB system. FRD will work with DAB to ensure the expected performance measures are met. The anticipated completion date is February 28, 2008.

#### 4. Recording of Monetary Receipts into FAMIS

In 45 of the 46 transactions in our sample where cash sheets were done, it was noted that the cash sheet postings into FAMIS were not performed by the next business day following the deposit. The average delay was 10 days.

Fairfax County DOF Accounting Technical Bulletin (ATB) 40070 requires that all monetary receipts be recorded into FAMIS by the next business day to ensure accurate cash forecasting and prevention of loss. Delaying the recording of monetary receipts into FAMIS decreases the accuracy of cash forecasting and weakens the county's efforts to prevent loss of public funds.

**Recommendation:** FRD management should develop and document procedures to ensure timely recording of monetary receipts into FAMIS. If there are factors that prevent FRD from complying with ATB 40070, FRD should consult with DOF and obtain an approval for an alternative plan.

**Management Response:** Previously, FRD staff confirmed the accuracy of deposits to supporting documentation before making the FAMIS entry. However, we will comply with the ATB and post the cash the next business day before we receive the supporting documentation. This will require FRD staff to run a report daily from the Bank of America online system and use the figure to create the cash entry. If the reconciliation reveals differences, FRD staff will then make the proper adjusting entry(s). These new procedures have already been put into place.

## 5. Billing and Collection Plan

The Transport billing section had not obtained approval for its billing and collection plan from the Department of Finance (DOF). According to ATB 036 - Billing and Collection Procedures for Billable Revenues, county agencies that generate billable revenue are required to provide a billing and collection plan to DOF. The billing and collection plan is a means to aid management in assessing that a system is in place that will maximize the timely collection of all revenues. Failure to obtain an approved billing and collection plan increases the risk of ineffective and inefficient collection of funds.

**Recommendation:** FRD should work with DOF to ensure that an approved billing and collection plan is in place.

**Management Response:** The FRD billing and collection plan for EMS transport fees was submitted to DOF on December 10, 2007.