



Performance Audit

Emergency Medical Services Billing, Collections, and Cash Handling

Durham County Internal Audit Department

September 19, 2014



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September 19, 2014

Wendell Davis,
County Manager

Dear Mr. Davis:

The Internal Audit Department has completed its audit of the Emergency Medical Service's (EMS) billing, collections, and cash handling processes. The audit focused on determining if sufficient internal controls exist to ensure that (1) EMS customers are being billed for services rendered (2) EMS Billing Department is using all available resources to collect from its customers, and (3) procedures for accounting, safeguarding, and depositing cash are adequate to mitigate the inherent risk of cash handling.

Although we identified a discrepancy regarding billing applications, we did not identify significant findings in any of the focus areas. However, EMS controls for billing and collecting would benefit from several minor enhancements. To enhance controls we are making recommendations that include (1) better definition of responsibilities, (2) updating and keeping policies and procedures current (3) implementing a periodic supervisor review process to assure that all aspects of policy and procedures are followed, and (4) earlier emphasis on payment due date. The EMS Director concurs with the audit report findings and recommendations. Their response is attached as appendix I.

Melanie Burke, Senior Internal Auditor, was the Auditor-In-Charge of this assignment. We appreciate EMS Billing Department's leadership team and staff for their cooperation during the conduct of the audit engagement.

Sincerely,

Richard Edwards,
Internal Audit Director

CC: Skip Kirkwood, Director of EMS
Lee Worsley, Deputy County Manager
Audit Oversight Committee
BOCC

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INTRODUCTION

The Audit Oversight Committee approved this audit in the fiscal year 2015 Annual Audit Plan. The audit reviews controls over the billing, collections, and cash handling processes of the Emergency Medical Services Department (EMS). The EMS Department has implemented a significant organizational change in the past year. The department has taken over control of the EMS functions that were previously conducted by Volunteer Fire Departments under contract with the County's EMS department. The new arrangement has created additional burdens for billing and collecting for EMS services.

We conducted this audit in accordance with generally accepted government auditing standards. The standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. I believe the evidence obtained provides a reasonable basis for the findings and conclusions based upon the audit objectives.

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.¹

AUDIT OBJECTIVES

Fieldwork for the audit engagement was conducted between July 3, 2014, and August 12, 2014. The objectives of our audit were to determine if control systems are in place to reasonably assure:

1. Customers of EMS are being billed for dispatched services.
2. EMS Billing Department is using all available resources to collect from customers billed for services.
3. Management controls for accounting, safeguarding, and depositing cash are adequate to mitigate the inherent risks of cash.

SCOPE AND METHODOLOGY

To answer our objectives, we reviewed emergency calls dispatched by the City 911 center for the one year period of June 1, 2013 to May 31, 2014 and reviewed cash handling procedures in place during the time of the audit. Specific audit steps included:

1. Obtaining and reviewing copies of written policies and procedures for customer billing, collection, and cash handling processes.
2. Conducting walkthroughs and gaining an understanding of the billing process from the point a 911 call is made to the completion of the collections process.

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington D.C: U.S. Governmental Accountability Office, 2011, p.17.

3. Selecting a statically relevant random sample of 911 emergency calls for testing.
4. Testing the selected sample to determine if (1) dispatched call is billable (2) billable call was entered into the EMS billing system (3) billed items are in the correct stage of the collections process.
5. Conducting a walkthrough of the cash handling process to determine (1) who is involved in the cash collections process (2) if there is an acceptable level of segregation of duties based on cash handling best practices and (3) if cash is appropriately safeguarded.
6. Interviewing various EMS personnel to gain an understanding of office processes and procedures.

BACKGROUND

The mission of EMS, as the principal provider of emergency medical services for the County of Durham, is to be committed to providing excellent emergency medical and related care, in a safe, compassionate, and timely manner, to all of those that they serve.

EMS services are conducted in response to the City of Durham's 911 operations. Upon receiving a call, 911 operators dispatch EMS technicians to where their emergency services are needed. EMS serves the entire population of Durham County estimated to be approximately 276,000 currently and a service area of 299 square miles. The department is divided into four divisions – Operations, Clinical Affairs, Finance and Administration, and Support Services. 911 ambulance service is provided from six locations within the city limits and six locations in unincorporated areas. EMS stations are located at:

- EMS Station #1: 402 Stadium Drive
- EMS Station #2 615 Old Fayetteville Street
- EMS Station #3: 2400 Pratt Street, Duke Parking Garage III
- EMS Station #4: 2725 Holloway Street
- EMS Station #5: 2212 Chapel Hill Road
- EMS Station #6: 226 Milton Road
- EMS Station #10: Bahama Volunteer Fire Department, 1814 Bahama Road
- EMS Station #11: Redwood Volunteer Fire Department, 4901 Cheek Road
- EMS Station #12: Durham County Fire Rescue (formerly Bethesda VFD), 1724 South Miami Boulevard
- EMS Station #13: Parkwood Volunteer Fire Department Station 1409 Seaton Road
- EMS Station #14: Parkwood Volunteer Fire Department Station, 4200 Farrington Road
- EMS Station #15: Parkwood Volunteer Fire Department Station, 4716 Old Page Road

EMS has three primary sources of revenue. These revenue sources are (1) Duke Health Trust Fund (through the Duke/county agreements), (2) Patient payments, and (3) Medicaid payments. Below, Exhibit 1, shows revenue distribution from all sources for fiscal years 2013 and 2014.

Exhibit 1
EMS revenues for fiscal years 2013 and 2014

Account Name	FY 2013	FY 2014
Duke-County Agreement	\$2,222,513.00	\$2,345,072.00
Patient Payments	5,325,577.00	5,775,446.00
Medicaid Payments	450,299.00	509,107.00
TOTALS	\$7,998,389.00	\$8,629,625.00

Service fees, updated in July, 1, 2013, are tiered to meet the service requirement plus a cost for mileage. Patients are charged if the service results in transporting the patient or requires more care than a baseline assessment. Exhibit 2 shows the current rate structure.

Exhibit 2
Current EMS rate structure

Service	Fee
Advanced Life Support 1	\$660.00
Advanced Life Support 2	\$685.00
Basic Life Support	\$575.00
No Transport with Services	\$250.00
Special Event	\$200/hr. (min 3 hr.)
Mileage	\$10.00/mile

FINDINGS AND CONCLUSIONS

EMS collections and cash handling processes are generally adequate, however, controls over billing procedures would benefit from enhancements. Policies and procedures need to be updated and the roles of billing staff need to be clarified in those policies and procedures. Lack of clarity in regards to the roles and responsibilities of staff resulted in some services not being billed timely.

Although the amount of unbilled services were insignificant in relation to the amount billed, we believe controls should be tightened. This report recommends control enhancements in the affected processes. The EMS Director concurs with the audit report findings and recommendations. Their response is attached as appendix I.

SOME CUSTOMERS WERE NOT BILLED FOR SERVICES

Between January 1, 2014 and July 31, 2014, EMS did not bill 41 customers for services it provided. The average amount for the individual services was approximately \$667 for a total of about \$27,347. This is an insignificant amount when compared to \$9 million, the amount billed during the same period. However, all services should be appropriately invoiced and bills should be processed and presented timely to customers for payment.

Unbilled cases occurred in instances in which reconciliations between the 911 call system, and the EMS billing system interface were not completed. In our review of sample cases we identified one case that was not billed. As a result of the audit discovery, EMS officials instructed its staff to look for other examples. That effort resulted in EMS identifying an additional 40 unbilled cases.

According to an EMS official, the employee responsible for conducting reconciliations did not conduct them in accordance with the employee's work plan. Because 40 of the 41 instances of non-billing was discovered after the auditor identified the issue, we inquired about supervision practices regarding this issue. The EMS official said there had been turnover in the supervising staff and the incoming supervisory staff was not aware of the reconciliation process, thus the supervisory effort lacked effectiveness in this process.

We believe limited supervision over this process was a contributing factor the unbilled services. This report recommends supervisors review of the process to assure that reconciliations are taking place and all services are billed.

POLICIES AND PROCEDURES HAVE NOT BEEN UPDATED REGULARY

We noted several differences in current procedures to those in the procedures manuals during our walkthroughs. For example, the current version of the procedures manual includes procedures related to the manual preparation of hard copy trip tickets and their entry into the billing system. This process is now electronic and no longer exists. Additionally there are new processes such as the reconciliation between the 911 call system and the EMS billing interface that are not documented.

Written policies and procedures are an industry standard that define how organizations deal with everyday operational items to comply with regulations and codes. Procedures explain how to perform tasks, who is responsible, and how often a task should be completed, as well as promote stability and continuity in an organization. Failure to keep policies and procedures current can lead to department inefficiencies and confusion. We believe the lack of current policies contributed to the failure to process invoices and bills in the twenty-one cases mentioned above. This report recommends that EMS update and revise its policies and procedures manual and maintain them in a current status. EMS's Director recognizes this is a priority for the department.

EMS USES AVAILABLE RESOURCES TO COLLECT FROM CUSTOMERS.

EMS collects approximately 66 percent of the amount it bills. To make these collections, it uses all available resources to collect unpaid bills. EMS bills patients immediately after services are rendered. It then sends the customer payment notices at 30, 60, and 90 days if a balance is due. When a bill has not been paid 90 days after service is provided, State Statutes gives EMS several options for attempts to collect depending upon the circumstances. EMS reviews its overdue accounts on a monthly basis to determine the appropriate course of action. The collection methods available are:

- Garnishment – If EMS determines that the patient has a valid Social Security number, the debt is more than \$50, and the patient is employed, EMS can initiate an action that will garnish the amount due, in monthly payments, from the patient's wages.
- Debt Setoff – Process that assists North Carolina local governments with the recovery of any delinquent debts by offsetting debtors' North Carolina state tax refunds and Education lottery winnings. As long as EMS has a valid Social Security number, debt is \$50 or more, and has been delinquent 60 days the process can begin.
- Collections² – If no Social Security number is known and the patient is not employed then the delinquent account will be turned over to one of two collection agencies to help with recovery.

Our review of sample cases resulted in identifying 78 fully paid accounts, 51 accounts in collections and/or debt offset programs, 12 in were current status, and one in garnishment.

EMS files Medicare, Medicaid, and private insurance providers directly on behalf of patients if that information is immediately available. EMS bills patients directly in cases for which Medicaid or Medicare information is not available. Patients can provide the necessary information at any time during the process. Medicare and Medicaid reimburses the County directly while private insurance providers mail payments to the patient who then remits payment to EMS. If a balance remains on a bill paid by a third party-payer, EMS bills the patient and sends notices at 30, 60, and 90 in accordance with its usual practice.

² Action outside of the ordinary process of to collect on an unpaid account. This can include actions such as garnishment or transfer of the account to an outside agency.

Initial Invoice Notice May Influence Payment Urgency. For self-paying EMS customers, the urgency to pay EMS bills may be influenced by the initial invoice. The invoice includes a statement informing patients that they have 90 days to pay the bill. Along with the statement allowing 90 days to pay, the bill or invoice cites NC General Statute 44-51-1 which authorizes attachment and garnishment proceedings if the debt is not paid within 90 days after services are recorded.

The statute states that...”Whenever ambulance services are provided by a county, by a county-franchised ambulance service supplemented by county funds, or by a municipally owned and operated ambulance service or by an ambulance service supplemented by municipal funds and a recipient of such ambulance services or one legally responsible for the support of a recipient of such services fails to pay charges fixed for such services for a period of 90 days after the rendering of such services, the county or municipality providing the ambulance services, or providing financial support to the ambulance service, may treat the amount due for such services as if it were a tax due to the county or municipality and may proceed to collect the amount due through the use of attachment and garnishment proceedings as set out in G.S. 105-368. (1969, c. 708, s. 1; 1973, c. 1366, s. 1; 1975, c. 595, s. 2; 1991, c. 595.)”

This report recommends that EMS revise its initial notice to delete the reference to 90 days to one that emphasizes that the bill is due and payable at the time the service is recorded. EMS’ collection rate is approximately 66 percent. Considering that only about 69.6 percent of debts delinquent at 90 days will be collected, according to the Commercial Law League of America, EMS may benefit from emphasizing the bill is due and payable at the time service is provided.

CASH HANDLING CONTROLS ARE APPROPRIATE

Internal controls around accounting, safeguarding, and depositing cash are adequate in order to mitigate the inherent risk of cash handling. Inherent risk in cash handling is fraud, theft, errors, omissions, and other abuses. Cash, including coin, currency, checks, money order, and credit card transactions is collected daily during normal business hours of the EMS billing department. Payments are accepted via mail, in person, or on-line via PayGov.us. We did not find any instance in which cash handling was inappropriate or not in accordance with best practices or not in accordance with internal policies and procedures.

We reviewed EMS’s policies and procedures related to cash handling and noted cash handling policies and procedures clearly identified roles of all participants and established methods for (1) safeguarding and securing cash, (2) making deposits, (3) reconciling daily cash receipts, (4) general ledger entries, and (5) reporting to the County Finance Department. From our observations and conversations with EMS Billing Department staff involved in the cash handling process, we observed that segregation of duties, an established best practice for cash handling, are present with respect to the custody, recording, and reconciliation of cash within the EMS Billing Department.

RECOMMENDATIONS

The following recommendations identify improvements that will enhance controls over billing, clarify billing terms, and improve office processes and accountability. The specific recommendations are:

1. Better define billing responsibilities for all billing functions,
2. Update policies and procedures manuals and keep them current,
3. Develop consistent supervisor review processes to assure that all aspects of policy and procedures are followed.
4. Revise billing statements to emphasize early in the billing process that payments are due and payable



Appendix 1: Official Comments

**Emergency
Medical Services**

402 Stadium Drive
Durham, NC 27704
(919) 560-8285

Skip Kirkwood, M.S., J.D., EMT-P
Director • Chief Paramedic

September 18, 2014

Wendell Davis, County Manager
Durham County, North Carolina
200 E. Main Street, 2nd Floor
Durham, NC 27701

RE: Internal Audit Report dated September 2014

Dear Mr. Davis;

I have reviewed the audit report and concur with its findings and conclusions.

We will be moving forward to comply with recommendations #1-4 as found on page 7 of the report.

I would like to compliment the Internal Audit Department, including County Auditor Richard Edwards and Senior Internal Auditor Melanie Burke. The audit was thorough and conducted without disrupting ongoing department functions.

Please feel free to contact me if you require additional information.

Sincerely yours,

Howard A. Kirkwood, Jr., M.S., J.D., NREMT-P
Director • Chief Paramedic

Copies to:

Lee Worsley, Deputy County Manager
Richard Edwards, County Auditor

Appendix 2: Detailed explanation of methodology

We reviewed a sample of 911 emergency calls for a one-year period of June 1, 2013 through May 31, 2014. During that period Durham County EMS received 29,721 dispatches. We selected a statically significant sample of 196 dispatches for testing.³ Our sample population was reduced by 53 cases because 11 calls were cancelled and 42 did not result in a transport or other billable service. The final review population was 143 cases.

To identify unbilled calls, we reconciled the incident identification number from the CAD report to the AIM billing information system. We were able to determine the result of the dispatch (i.e. cancelled, no transport, transport) based on the information obtained from the Electronic Patient Care Report (ECPR). If a transport or a billable service was noted on the ECPR the patient should have a record in the AIM billing system.

³ A 95% confidence level and 7% confidence interval were used to determine the sample size. A population size of 196 was used for testing.