Audit of Milwaukee Fire Department – Advanced Life Services Billings

City Comptroller's Office
City of Milwaukee, Wisconsin

April 2012

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City of Milwaukee

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April 4, 2012

To the Honorable
The Common Council
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of the Fire Department's billings and services for Advanced Life Services by the Emergency Medical Services of the Department. The objectives of the audit were to evaluate the accuracy of the receivables as stated per the third party vendor (Intermedix), evaluate the accuracy and timeliness of billings, evaluate the reasonableness of the amount of refunds occurring to payees, and finally to determine if ALS receivables should be recorded on the City's general ledger.

The audit determined that there are changes to be made in the operating controls and processes both in the Fire Department as well as the third party vendor. The third party, Intermedix, has significant deficiencies that need to be addressed promptly to ensure timeliness, accuracy and contract compliance. Simultaneously, the Fire Department needs to make some procedural changes in order to monitor all the financial activities of the third party sufficiently.

Audit findings are discussed in the Audit Conclusions and Recommendations section of this report, which is followed by the Fire Department's response.

Appreciation is expressed for the cooperation extended to the auditors by the staff of the Fire Department.

Sincerely,

Michael J. Daun
Deputy Comptroller

AFSCME UNION LABEL

Room 404, City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202 – 3566 Phone: (414) 286-3321, Fax: (414) 286-3281

I Audit Scope and Objectives

The audit examined billings and receivables for Emergency Medical Services of the Milwaukee Fire Department primarily through the third party vendor conducting billings and collections. The audit also examined controls and procedures utilized at the Milwaukee Fire Department.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The Office of the Comptroller believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

Audit procedures for this report were conducted through the fall of 2011 and early 2012. The calendar year of 2011 was audited for testing purposes. The audit consisted of extensive detailed testing of billings, receivables, refunds, and credit balances of accounts. The audit also consisted of walkthroughs with the Fire Department as well as the third party vendor, Intermedix, Inc. The audit utilized reports from the Intermedix system for data analysis and sample size selection purposes.

The objectives of the audit were to:

- Evaluate the accuracy of the receivables stated per Intermedix
- Evaluate the accuracy and timeliness of the billings sent to third parties and patients
- Evaluate the reasonableness of the total amount of refunds occurring and the number of refund checks being issued
- Determine if ALS receivables should be recorded on the City's general ledger

II Organizational and Fiscal Impact

The Milwaukee Fire Department's mission statement reads, "committed to protecting the people and property within our city. We will be responsive to the needs of our citizens by providing rapid, professional, humanitarian services essential to the health, safety, and well-being of the city." Within the Milwaukee Fire Department, this audit specifically focuses on the Emergency Medical Services. The Emergency Medical Services provides basic and advanced life support service with over 900 Emergency Medical Technicians – Basic and over 130 EMT-Paramedics. These EMT basics cover the 37 engines and 16 ladder trucks. The 130 paramedics cover the 12

ambulance (MED) units. Per the Milwaukee Fire Department, over 80 percent of all 911 dispatch responses by the Fire Department are actually for emergency medical services.

The Milwaukee Fire Department Emergency Medical Services bills for the following services it provides: Advanced Life Support, Treatment no Transport, and Patient First Response. For these emergency medical services, in 2011, there were between 11,660 and 12,539 Advanced Life Service runs. The exact number is unknown and will be further explained in the report.

In 2011, the total runs billed by the third party vendor, Intermedix, Inc., was $11,692,394. As of December 31, 2011, the outstanding receivables net of credit balances are $12,061,204, which is over one year of billings. An acceptable level of accounts receivable should not exceed two to three months of billings. This number has been increasing since accounts have been uncollectible after Milwaukee County has turned over billing responsibilities to individual municipalities. The Fire Department is currently looking into options in order to increase revenues and cash flow.

III Audit Conclusions and Recommendations

It is difficult to make a concrete concluding statement in regards to the billings, receivables, collections and refunds mainly processed and handled by the third party vendor of the City. The audit found that there are controls within the third party vendor's organization; however, it does not seem that they are consistently adhered to. Many significant deficiencies were found when specific documents and billings were inspected during the testing phase of the audit.

There are two sets of recommendations made for this audit. The first section includes recommendations that the Fire Department should have in place in order to monitor and control the third party's billings, payments, and collections. The second set of recommendations is for Intermedix. These recommendations are to make the company aware of their weaknesses in terms of billing and collections for the City as well as compliance issues with the contract. It is critical that these improvements are made to the billing and collections processes if these Fire Department accounts receivable are to be reduced to an acceptable level.

A. Fire Department

The Fire Department took over the billings and collections for Emergency Medical Services

when Milwaukee County relinquished it back in 2007. This transfer of responsibilities required each individual municipality to handle and then sign their own contract with a third party billing company. As a result, the City contracted with Intermedix. With this contract, the City utilizes all of the hardware and software of the third party. The paramedics use tablets to enter all accident/run information to send over to Intermedix for billing.

After walkthroughs and surveys were conducted, the following were identified as deficiencies in the Fire Department's operations.

- The Department does not maintain separate records of billable ALS runs
- No reconciliations between billings, received payments, and outstanding accounts are currently being performed by the Business Finance section of the Department.
- A clear write-off policy does not exist

Recommendation 1: Maintain a separate system of all billable runs performed by the Department

The Fire Department currently uses the Computer Aided Dispatch (CAD) system. This system tracks all 911 calls and who, what, where and when for runs that are made. However, it does not track if a run is billed for or not. The Department is currently relying on Intermedix's system for this information. Additionally, these two systems do not reconcile in terms of the number of Advanced Life Services runs. Thus, the Fire Department needs to either enhance their own system or find a different independent system in order to accurately conduct reconciliations and be able to track the vendor's billings.

Recommendation 2: Perform monthly reconciliations among reports provided by Intermedix

At a minimum, the Fire Department should be conducting monthly reconciliations between reports of received payments and monthly reports of all billings, received payments, and outstanding receivables sent by Intermedix. This is imperative in order to ensure that the third party is accurately accounting for payments received on behalf of the City. Reconciliations between two monthly reports would also validate the accuracy of reporting performed by Intermedix.

Recommendation 3: Reconcile between Fire Department's separate system and Intermedix' system

This recommendation can only be implemented once the Fire Department implements Recommendation 1 from above. The total number of and dollar amount of billable runs from the Fire Department's system should be reconciled against Intermedix's total number and dollar amount of billable runs. This reconciliation would allow the Fire Department to determine if the third party has billed for runs correctly and accurately on a regular basis.

Recommendation 4: Develop and enforce a formal policy for handling transfer of and write-off of receivables

A formal policy for how receivables are handled should be developed for the Fire Department. This is essential as the Fire Department needs to have decisions made on how long they will retain a receivable and for what dollar amount as a minimum or maximum. Once this is formalized, this can be utilized to manage revenue, billings, and receivables in a routine and effective manner. Once the policy is formalized, ensure that the third party billing company and collections agency are both adhering to the Department's policies.

B. Third Party Vendor (Intermedix)

The audit conducted four detailed tests to support and make conclusions for the following objectives:

- Evaluate the accuracy of the receivables as stated per Intermedix
- Evaluate the accuracy and timeliness of billings sent to patients and payees
- Evaluate the reasonableness of refunds occurring

There are significant findings that have come from this detailed testing. One other finding was noted through review of the contract stipulations when planning the detailed testing portion of the audit.

The following are the specific findings from the audit:

- Monthly reporting sent to the City is missing key fields for the Business Finance Manager to perform monitoring activities
- Billings are not always sent out timely to patients and/or third parties as stipulated by the contract

- Unsubstantiated adjustments were made to account balances after audit requested items for testing
- Refund requests for some accounts were sent to the Fire Department after audit requested documentation
- Some accounts tested with a credit balance is unknown if it is really a credit balance
- A contract stipulation for reporting has never been implemented/ sent to the Fire Department since the inception of the contract: the City is owed four reports to date

Recommendation 5: Intermedix and the Department should determine all of the pertinent information that the Department needs for Intermedix to provide on a regular basis

During the walkthroughs of the audit, the Fire Department had determined some additional information that would be useful on the monthly reports in order to accurately account for information on their side. The additional information reported from Intermedix will aid in the Fire Department's reconciliation and monitoring activities.

Recommendation 6: Send bills within the 30 day time limit

The audit testing found that there were some bills that were not sent out timely. This is in violation of contract stipulations. Intermedix should proactively monitor patient care reports to send out bills accurately and timely.

Recommendation 7: Monitor all outstanding accounts regularly

The audit found through testing that Intermedix made unsubstantiated adjustments on account balances. This was found repeatedly in several of the different tests. These were found on accounts where no activity had occurred for at least a year. Untimely monitoring on the third party's behalf shows improper controls and inaccurate account balances as a result. These adjustments also do not support an accurate accounts receivable balance for patients.

Recommendation 8: Provide a detailed report of aged accounts receivable with credit balances

The Fire Department should receive a report consisting of account history for aged accounts receivable with credit balances. There should be no reason that accounts from more than one year ago are outstanding with a credit balance without any recent monitoring activity. This detail should be sent to the Fire Department as the total credit balance on aged accounts receivable is

significant.

Recommendation 9: Intermedix needs to produce the required annual report as stipulated in the contract

The contract between Intermedix and the City states that at the end of each year Intermedix needs to hire an independent CPA to report on all PCR's, related billings, payments received, and the payments deposited with the City. This is clearly stated in the contract and has not been prepared by Intermedix for any of the years dating back to the inception of the contract in 2007. Intermedix and the Fire Department should agree on a timeframe for Intermedix to have this review completed and the reports submitted.

C. Recording Accounts Receivable

The final objective of the audit was to determine if the accounts receivable for the ambulance runs should be recorded on the City's financial statements. As is reported in the above sections, there were many significant findings when documents were examined to test billings and receivables processed by Intermedix. An accurate accounts receivable balance for these emergency medical services could not be determined or verified during the course of the audit. As stated in accounting standards, receivables can be recorded on the financial statements if an accurate estimate can be made for an Allowance for Doubtful Accounts. However, a reasonable estimate could not be determined for this amount as of the completion of this audit. As a result, Advanced Life Services receivables will not be recorded on the financial statements for the present time being. This on-going issue will be examined by the Comptroller's office again in the following year when deemed appropriate as the third party improves its billings and collection activities and a collections agency is contracted with by the Fire Department to collect on outstanding accounts.

City of Milwaukee

Fire Department

Mark Rohlfing
Chief

Gerard Washington
Assistant Chief
Michael Payne
Assistant Chief
Paul Conway
Assistant Chief

April 3, 2012

Michael J. Daun
Deputy Comptroller
City Hall, Room 404
Milwaukee, WI 53202

RE: Response to Audit of Milwaukee Fire Department Paramedic Billing

Dear Mr. Daun,

Recommendation 1: Maintain a separate system of all billable runs performed by the department.
The Milwaukee Fire Department (MFD) currently uses the Computer Aided Dispatch (CAD) system. This system tracks all 911 calls including who, what, where, and when of responses. It does not however track if a run is or is not billed. The department is currently relying on Intermedix for this information. These two systems do not reconcile in terms of the number of advanced life services runs. Thus, the MFD needs to either enhance their own system or find a different independent system in order to accurately conduct reconciliations and be able to track the vendor's billings.
Response 1: The Milwaukee Fire Department agrees with recommendation #1. Our EMS Division is currently working with our Technical Services Division to develop a system that can track all billable transports. The current software does not have the ability to track "treatment - no transport" situations. The pending implantation of new dispatch software may provide the ability to track these incidents but this system may take some extended time to develop.

Recommendation 2: Perform monthly reconciliations among reports provided by Intermedix
At a minimum, the MFD should be conducting monthly reconciliations between reports of received payments and monthly reports of all billings, received payments, and outstanding receivables sent by Intermedix. This is imperative in order to ensure that the third party is accurately accounting for payments received on behalf of the City. Reconciliations between two monthly reports would also validate the accuracy of reporting performed by Intermedix.

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Response 2: The Milwaukee Fire Department agrees with recommendation #2. The Business Finance Manager is currently working with Intermedix to develop a report which allows the reconciliations between billing, received payments, and outstanding reports. Intermedix has been responsive to the satisfaction of our Business Finance Manager to this point.

Recommendation 3: Reconcile between Fire Department and Intermedix systems.
This recommendation can only be implemented once the MFD implements Recommendation #1 from above. The total number of, and dollar amount of, MFD billable runs should be reconciled against the total number of, and dollar amount of Intermedix billable runs. This reconciliation would allow the MFD to determine if the third party has billed for runs correctly and accurately on a regular basis.
Response 3: The Milwaukee Fire Department agrees with recommendation #3. Upon the completion of a system which tracks all billable runs in recommendation #1, the MFD will be able to reconcile billable runs with actual bills generated by Intermedix. However, without the use of separate billing software, hardware, and additional personnel to monitor and reconcile runs, the MFD would not be able to track or reconcile the actual dollar amount of the billable runs independently as recommended. It will be possible to conduct random scheduled checks on a monthly basis to test the accuracy of the billing from Intermedix which we will incorporate into our processes.

Recommendation 4: Develop and enforce a formal policy for handling transfer of, and write-off of, receivables.
A formal policy for how receivables are handled should be developed for the Fire Department. This is essential as the MFD needs to have decisions made on how long they will retain a receivable and for what dollar amount as a minimum or maximum. Once this is formalized, this can be utilized to manage revenue, billings, and receivables in a routine and effective manner. Once the policy is formalized, ensure that the third party billing company and collections agency are both adhering to the MFD's policies.
Response 4: The Milwaukee Fire Department agrees with recommendation #4. The EMS Division of the MFD, working with the city's Budget Office has released a Request for Proposal (RFP) for an EMS collections agency. The MFD will work with the collections agency that is awarded the contract to develop a formal write-off of receivables policy that will be tied to TRIP (Tax Refund Intercept Program). Once formalized, this will enable the MFD to manage revenue, billings, and receivable in a more productive manner.

Sincerely,

MARK ROHLFING
Chief

MR/cf
Letters & Memos\Comptroller – Para Billing Audit Responses

intermedix

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April 3, 2012

City of Milwaukee – Comptroller's Office
200 E. Wells St. Room 404
Milwaukee, WI

Attn: Aycha Sirvanci, CPA

In the table below, please find Intermedix's responses to the 2011 Milwaukee audit...

Audit Finding #1:	Intermedix does not supply enough information on payments collected reported sent to MFD
Audit Condition:	Intermedix provides spreadsheets summarizing payments collected with the check#. However, they do not indicate the incident number or any other identifier that can be used by MFD business/finance staff to reconcile payments to actual accounts.
Audit Recommendation:	1. Intermedix should improve its reporting to include these numbers in order to enhance their reporting and further enable MFD to their job.
Intermedix Response:	Intermedix has supplied the following three separate payment reports to Milwaukee since 2009... 1. Deposit Log - Weekly log of checks received listing payer, check number and amount. 2. Cash Log - Monthly summary of daily deposits listing weekly deposits and EFT. 3. End of Month Report - Monthly report which reflects both a summary of payments collected and detail of each payment listing account#, incident#, date of service, level of service, primary insurance type, and payment amount.
Intermedix Resolution:	Intermedix has developed a Business Object report that reflects the following... 1. MTD Deposit Summary 2. Daily Deposit Total by Payer Type 3. Detail Payment Report listing by deposit date the account#, incident#, date of service, patient name, insurance type, check# and amount. This report has been placed in Emma Stamps' Business Objects inbox to run on-demand as needed.

Audit Finding #2:	Intermedix is not always timely billing patients or third parties for the services rendered by Milwaukee Fire Department
Audit Condition:	Per detailed testing conducted, it was found that Intermedix was not always sending out the first bill within the 30 days required by the contract.
Audit Recommendation:	2. Intermedix should strive to send out all bills either electronically or by paper to the appropriate party within 30 days of service when appropriate information is known in order to send out the bill.
Intermedix Response:	Information was provided to MFD regarding the billing process and statement/cycle times. Based off of this information, the average billed age from date of service to first invoice (excluding Auto and Worker Compensation claims) is 16.2 days. Intermedix bills electronically to any and all carriers who are set up to accept electronic claims, others are billed hardcopy. In addition the 10-Day letter was discussed with MFD and how it is utilized to collect insurance information from patients when Intermedix front-end processes are unable to obtain.
Intermedix Resolution:	Intermedix will continue to monitor all non-billable claims, and report to the client issues such as invalid signatures, not medically necessary, and bad demographics to help educate the medics and improve the data capture.
Audit Finding #3:	Intermedix made adjustment to account balances after audit requested items.
Audit Condition:	It is apparent that Intermedix made adjustments when the Internal Auditor requested documentation for accounts that have been in receivables for many years, accounts with credit balances, and other outstanding accounts as well.
Audit Recommendation:	3. The most logical recommendation from this observation is that Intermedix should be keeping up with all accounts on a timely basis. 4. Make appropriate adjustments on a timely basis.
Intermedix Response:	The credit balance report ran for the audit only included the active credit balances that were on the IMX system at the time of request, not of active <u>and</u> previously processed credit balances. From this credit balance report, a sampling was obtained, which was forwarded to our Operations for a status of the account. As a status was given and provided, the account was also worked by Operations since it had been identified as outstanding.
Intermedix Resolution:	Intermedix ran a report of all outstanding credit balances and completed processing in March 2012. Going forward, the credit balances will be worked on a weekly basis with the refund requests sent to the client monthly.

Audit Finding #4:	Intermedix did not send refund requests to Milwaukee Fire Department until audit requested to look at credit balance accounts.
Account Condition:	There were outstanding refund requests that needed to be sent to Milwaukee Fire Department for approval that were not sent until many months or years later until audit requested documentation as part of testing.
Audit Recommendation:	5. The same recommendation as above. Intermedix should be tracking all of its accounts on a timely basis and making the necessary adjustments and requests to ensure that account balances are kept up accurately.
Intermedix Response:	(Same as #3)
Intermedix Resolution:	(Same as #3)
Audit Finding #5:	It is unknown if the credit balance on an account is correct and if a refund is really needed to the third party.
Audit Condition:	There were instances where there was no documentation supporting the credit balance such as refund request documentation. There were also too many instances in receivables and credit balance testing where unsubstantiated adjustments were made to change the balance on the account.
Audit Recommendation:	6. Intermedix should be monitoring its accounts closely in order to ensure that accounts' balances are correct.
Intermedix Response:	On each IMX account there are transactions for every activity occurring on the account whether it is automated by IMX or manual by User. There are scanned documents such as Explanation of Benefits showing payments/adjustments/denials from insurance carriers, copy of checks, and refund requests documents once processed. In addition, each account has a "Comment/Note" section that stores all historical changes and additional comments that can be manually entered by User.
Intermedix Resolution:	The client currently has access to view the account activity via IMX access, but Intermedix is working with MFD to help them understand the different transactions/usage with additional IMX training.
Audit Finding #6:	Intermedix is not in compliance with the contract.
Audit Condition:	Intermedix has not provided the required annual report to the Fire Department since the inception of the contract even though the requirements state that it is an annual report to the City.
Audit Recommendation:	7. Intermedix needs to be providing this annual report on a timely basis. 8. They should produce reports from the last four years that no reports were provided for.
Intermedix Response:	An EOM IMX report is provided on a monthly basis to the client, with the December report reflecting YTD billing and collections information.
Intermedix Resolution:	Intermedix will supply MFD a Billing and Collection 2011 summary. If acceptable, Intermedix will produce this report for each prior year.

Thank you,

Intermedix, Inc.

Cc: Chief Sean Slowey
Captain Kathleen Bruss