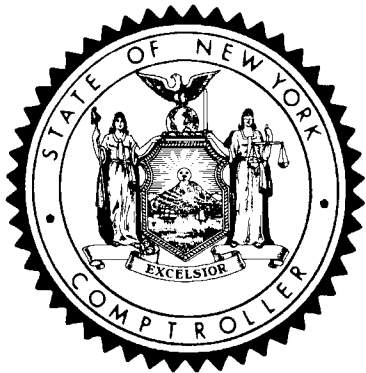


***State of New York***  
***Office of the State Comptroller***  
***Division of Management Audit***  
***and State Financial Services***

**FIRE DEPARTMENT OF THE CITY OF  
NEW YORK**

**BILLING AND COLLECTION OF  
EMERGENCY MEDICAL SERVICES  
FEES**

**REPORT 99-N-9**



***H. Carl McCall***  
*Comptroller*



# State of New York Office of the State Comptroller

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## **Division of Management Audit and State Financial Services**

### **Report 99-N-9**

Mr. Thomas Von Essen  
Commissioner  
Fire Department of the City of New York  
9 MetroTech  
Brooklyn, NY 11201

Dear Mr. Von Essen:

The following is our report on the practices of the Fire Department of the City of New York regarding the billing and collection of Emergency Medical Services Fees.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller  
Division of Management Audit  
and State Financial Services*

August 31, 2000

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## Executive Summary

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# Fire Department of the City of New York Billing and Collection of Emergency Medical Services Fees

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### Scope of Audit

The Fire Department of the City of New York (FDNY) receives more than one million calls for medical assistance annually. Over 3,000 emergency medical personnel respond to these calls received through the 911 telephone system. FDNY ambulances make almost 600,000 transports to hospitals annually.

A January 19, 1996 Memorandum Of Understanding (MOU) transferred the operation of New York City's Emergency Medical Services (EMS) from the New York City Health and Hospitals Corporation (HHC) to the FDNY. As a result, the FDNY Revenue Management Unit (Revenue Unit) became responsible for the billing and collection of revenues for ambulance transportation services provided, except those for Medicaid patients who are admitted to HHC hospitals. HHC used the services and computer system of Shared Medical Systems (SMS) to support its billing activities. Since the transfer of authority, FDNY has continued to use the SMS computer system, as adapted, to support billing and collection of ambulance revenues. For the fiscal year ended June 30, 1999, the FDNY reported \$22.1 million in revenue collected for EMS transport services, including \$8.4 million from Medicare, \$10.7 million from commercial insurance companies, and \$3 million from self-pay patients.

Our audit addressed the following question relating to the billing and collection of EMS fees?

- ! Does the FDNY Revenue Unit have adequate control over the billing and collection of EMS fees?

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### Audit Observations and Conclusions

We found that the Revenue Unit does not have an adequate system of control over the billing and collection of fees. Our audit shows that there are several significant weaknesses in the utilization and capability of the present SMS computer system as well as in the controls, policies and procedures for the billing and collection activities for EMS transports. These weaknesses diminish management's assurance that revenues are maximized, patient accounts receivable are adequately maintained and certain requirements of the New York City Comptroller's Office are met.

We found that the Revenue Unit's billing system either lacks many essential data processing and data reporting capabilities, does not adequately accomplish them, or is not properly utilized by the Revenue Unit. Officials of the Revenue Unit could not readily obtain, from the SMS system, various reports

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on billing activity that would be essential to the proper monitoring and control of the billing and collection function. We also noted inconsistent reporting of certain billing and collection data. For the short term, we recommend that FDNY determine and implement computer system enhancements and staff training to address the weaknesses that our audit identifies. For the long term, FDNY needs to establish a strategic plan setting forth the direction, goals and activities that most effectively meet the FDNY's technology and training needs in support of its newly acquired billing and collection activities for EMS transports. (See pp. 5-7)

We found that the Revenue Unit has not established written policies and procedures with respect to the billing process. Moreover, we found that significant elapsed time and several control weaknesses exist in the billing processes for transport services with resultant risks to revenue collection and maximization. For example, we found that bills returned because of undeliverable addresses were not followed up. This precluded the billing of an estimated \$3.8 million in transport services annually. (See pp. 7-9)

We also believe that the Revenue Unit is at risk of revenue shortfalls as a result of the weaknesses we identified with collection efforts. For example, the New York City Comptroller's Directive Number 21 requires that agencies use effective, vigorous and well documented internal control collection procedures to pursue debts owed to New York City. If these efforts are not successful, the agencies are to send overdue accounts receivable to the New York City Law Department for litigation or to an outside agency for collection. Directive Number 21 also specifies that agency accounts receivable are to be reconciled to billing records on a monthly basis and sets forth the basis for writing off uncollectible accounts. We found that the Revenue Unit did not comply with these requirements. We also noted that significant amounts of accounts receivable are routinely written off by the system without direct authorization or prior review of their collectible status. (See pp. 10-12)

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## **Comments of FDNY Officials**

FDNY officials agree with most of our audit report recommendations and indicate that initiatives corresponding with the recommendations have been or are being taken.

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Major Contributors to This Report

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Comments of the Fire Department of the City of New York Officials

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# Introduction

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## Background

The Fire Department of the City of New York (FDNY) receives more than one million calls for medical assistance annually. Over 3,000 emergency medical personnel respond to these calls received through the 911 telephone system. FDNY ambulances make approximately 600,000 transports to hospitals annually.

A January 19, 1996 Memorandum Of Understanding (MOU) transferred the operation of New York City's Emergency Medical Services (EMS) from the New York City Health and Hospitals Corporation (HHC) to the FDNY. As a result, the FDNY Revenue Management Unit (Revenue Unit) is responsible for the billing and collection of revenues for ambulance transportation services provided, except those for Medicaid patients who are admitted to HHC hospitals. The Revenue Unit has 48 staff, including supervisors. The MOU described the method for HHC to recover certain of its EMS operating costs out of EMS revenues.

HHC used the services and computer system of Shared Medical Systems (SMS) to support its billing activities. Since the transfer of authority, FDNY has continued to use the SMS computer system, as adapted, to support billing and collection of ambulance revenues. In April 1999, FDNY also contracted with another vendor, Jansen Image Information Management Company, to implement imaging of its Ambulance Call Reports (ACRs) for easier storage and retrieval. The ACRs account for the ambulance services provided to the public. FDNY receives anywhere from 2,000 to 6,000 ACRs every week.

The steps in the billing process are as follows:

- ! Pre-numbered ACRs are distributed to all ambulance field personnel. When a call is answered, the ambulance personnel fill out this report.
  - ! The ACRs are collected from the ambulance personnel, forwarded to one of 18 field stations, and reviewed for completeness.
  - ! After review, the field stations forward ACRs to the Revenue Unit.
  - ! The Revenue Unit receives ACRs and determines if a billable service was provided. (Informal FDNY policy dictates that billings will not be made when emergency services are provided but no patient transport is made, transport is made for victims of violent crime, and transport is made but the patient expired by the time of arrival at the hospital.)
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- ! The Revenue Unit packs ACRs into boxes of approximately 2,000 documents and sends them to a vendor for electronic scanning onto compact disks (imaging).
  - ! The vendor returns the compact disks with a back-up copy to the Revenue Unit.
  - ! Working from compact disks, the Revenue Unit registers the ACRs into the SMS billing system (registration date), using the ACR number as the patient account number.
  - ! The list of registered ACRs is sent to the Medical Review Unit. The Medical Review Unit, with a staff of 36 medical coders and registered nurses, medically codes and reviews each ACR to verify its medical appropriateness and compliance with various Medicare requirements and other regulations.
  - ! The ACRs are returned to the Revenue Unit to set up the charges and generate the billing statements to the responsible parties for payment.

After these steps are completed, the Revenue Unit sends bills to Medicare when patients are over 65 years old or the insurance provider when this information is known. If neither of these situations apply, the patient is individually billed, known as self-pay. The same standard fees, based on the services provided, are billed to all three parties as follows:

<b>FDNY AMBULANCE POSTED CHARGES</b>			
Item	Time of Day	Service Provided	Amount
Basic Life Support	Day	Transport	\$330.00
Basic Life Support	Night	Transport	\$350.00
Advanced Life Support	Day	Transport	\$415.00
Advanced Life Support	Night	Transport	\$450.00
Oxygen for Basic Life Support Only	All	Oxygen	\$50.00
Basic life Support	All	Mileage	\$4.00
Advanced Life Support	All	Mileage	\$4.00

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Collection on Medicare billings for EMS transports occurs through electronic journal transfers to the NYC Commissioner of Finance, while collection for Medicaid billings for these services is included in Medicaid reimbursements to HHC. Collections from insurance companies and self-pay patients for EMS transport is accomplished through a bank lock box. For lock box collections, HHC transmits the revenues to the NYC Commissioner of Finance after making deductions for certain of its expenses, such as payment to SMS for the billing and collection system used by the FDNY. The bank forwards to the FDNY Revenue Unit an advice of collections so that this information can be reflected on the SMS computer system as credits to patient accounts. For the fiscal year ended June 30, 1999, the FDNY reported \$22.1 million in revenue collected for EMS transport services, including \$8.4 million from Medicare, \$10.7 million from commercial insurance companies, and \$3 million from self-pay patients. For the five months ended November 30, 1999, collections totaled \$2.2 million, including \$300,000 from Medicare, \$1.4 million from commercial insurance companies and \$500,000 from self-pay patients. Budgeted costs for total EMS operations for the 1998-99 fiscal year were \$156.5 million, \$139 million in personal service costs and \$17.5 million in other than personal service costs.

EMS ambulance billing for Medicare was suspended for approximately two calendar years, in 1997 and 1998, as a result of a Medicare lawsuit charging improper billing. The suit was settled in October 1998, and New York City and FDNY entered into a billing compliance agreement with Medicare for the subsequent five year period. The Revenue Unit has been working to eliminate the considerable backlog of Medicare billings that resulted from the suspension. Due to the fact that the Revenue Unit had concentrated almost exclusively on the Medicare backlogs, as of December 1999 it was faced with a new backlog comprised of billing for ambulance transports dated after January 31, 1999.

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## **Audit Scope, Objectives and Methodology**

The scope of our audit included the FDNY Revenue Unit's practices and controls for the billing and collection of ambulance revenue for the period July 1, 1996 through December 31, 1999. We reviewed billing and collection transactions for ambulance transports, where the responsible parties were either commercial insurance companies or self-pay patients. We did not review Medicaid billing and reimbursements for ambulance services, as this was included as an allocation of the inpatient Medicaid rate payments to HHC. Neither did we review the billing and reimbursement from Medicare, due to a Medicare lawsuit against New York City, the subsequent two years suspension of billing for ambulance services, and the January 1999 implementation of the Medicare compliance procedure.

The objectives of our performance audit were to assess the adequacy of the Revenue Unit's controls and practices for billing and collecting ambulance



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fees from commercial insurance companies and self-pay patients. To accomplish these objectives, we interviewed FDNY, other New York City agency and HHC officials, and observed ACR processing steps. We also made observations and inquiries regarding the Revenue Unit's use of the SMS billing and collection system. We reviewed a sample of commercial insurance reimbursements, as well as self-pay patients' remittances, received in June 1999, to determine the timeliness of processing steps. We also referred to the Revenue Unit's unofficial procedures for billing and collection as a source of guidance for evaluating the timeliness of the process.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of the FDNY included in our audit scope. Further, these standards require that we understand the FDNY's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations identified through our preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, we devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

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## **Response of FDNY Officials to Audit**

A draft copy of this report was provided to FDNY officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix B.

Within 90 days after final release of this report, we request the Commissioner of the FDNY to report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

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# Billing and Collection for EMS Transport

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To effectively manage billing and collection activities for EMS transports, the computer systems that the Revenue Unit uses to support these activities must be sufficiently reliable. In addition, effective management of these activities depends on adequate internal controls, policies and procedures. Our audit shows that there are several significant weaknesses in the utilization and capability of the present SMS computer system as well as in the controls, policies and procedures for the billing and collection activities for EMS transports. These weaknesses diminish the Revenue Unit management's assurance that revenues are maximized, patient accounts receivable are adequately maintained and certain requirements of the New York City Comptroller's Office are met. These weaknesses indicate that Revenue Unit management has not established an adequate system of control over the billing and collection activities for EMS transports.

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## Computer System

Among the essential elements that a billing and collection computer system must properly do to be sufficiently reliable are the following:

- ! accurately and completely report on both total billings for any given period of time and the amount of accounts receivable as of a given date,
- ! fully identify all transactions that must be billed and any collections that cannot be matched with accounts receivable,
- ! age all accounts receivable upon demand,
- ! demonstrate consistent reporting of common data from report to report, and
- ! provide sufficient user accessibility to data and processing functions.

Our audit shows that the SMS billing and collection computer system for FDNY's EMS transport either lacks many of the processing and data reporting capabilities, does not adequately accomplish them, or is not properly utilized by the Revenue Unit. For example, officials of the Revenue Unit could not obtain, from the SMS, reports showing the billing activity for the period of January 31, 1999 through November 30, 1999. Similarly, the officials could not obtain, from the SMS, reports showing ACRs that had not yet been billed or the amount of collections that were unmatched with accounts receivable records. When we requested a June 30, 1999 report aging the accounts receivable, officials were able to provide from the SMS an aging for only commercial insurance accounts, and this report took many weeks to produce, rather than being routinely available from the system.

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Also unavailable from the SMS were reports showing the weekly transactions processed into the SMS by the Revenue Unit.

We also noted inconsistent system reporting of SMS activities. For example, for ACRs registered in May 1999, a hard copy list shows 4,343 ACRs awaiting coding while data on disk shows 4,428 ACRs in this status; an unexplained difference of 85 ACRs.

The Monthly Ambulance Revenue report for July 1999 through November 1999 shows total revenue of \$2,203,435, but the Accounts Receivable report for the same period shows \$2,437,728; an unexplained difference of \$234,293. When we looked at the Medicare Billing report for the November 7, 1999 through November 13, 1999 period we noted that it showed 4,514 transports whereas the HHC report for November 15, 1999 showed 6,123 Medicare transports; a discrepancy of 1,609.

In April 1999, the Revenue Unit started using a vendor to scan the ACRs onto compact disks. These imaged results were to improve the processing of patient account information into the SMS database, provide easier handling and increased accessibility to patient account information, and decrease storage requirements. Using the imaging process, the turnaround time for the scanning procedures was to be no more than three weeks. However, the SMS system is not attaining certain of these goals. We reviewed three compact disks that contained the imaged results of approximately 2,000 ACRs. These three disks were shipped to the vendor on June 3, June 10, and October 20, 1999, respectively. However, we found that turnaround time was about 14 weeks, 13 weeks and 4 weeks, respectively, for the three disks. In addition, access to the imaged results on the disks is obtained through a computer terminal connected to a compact disk tower which can hold up to 600 disks. However, the tower only affords access to six users at any particular time even though upwards of 48 staff need frequent access to ACRs to do their assigned tasks. Moreover, we noted that the ACR billing process was halted on several occasions due to downtime for tower access.

The SMS computer system had been designed in 1992 for HHC hospital patient billing and is, therefore, not specifically designed for the functional requirements of EMS transport billings and collections. While changes have been made over the years to make the system more functional, these changes have not achieved the goal of processing data rapidly and accurately. For the short term, we recommend that FDNY obtain SMS enhancements and staff training on SMS system capabilities to address the weaknesses that this report identifies. For the long term, FDNY needs to establish a strategic plan setting forth the direction, goals and activities that most effectively meet the FDNY's technology and training needs in support of its newly acquired billing and collection activities for EMS transports.

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(In response to our audit report, FDNY officials indicate that the FDNY is advancing a comprehensive approach to automating and expediting the registration, medical review, and billing process. Officials also indicated that the deficiencies noted are valid and the FDNY is working to improve the process by documenting the appropriate controls and procedures in the procedures manual, training individuals on accounting and SMS reporting procedures, and improving internal oversight reporting.)

### **Recommendations**

1. Determine a strategic approach for establishing necessary information systems capability and related staffing expertise to support EMS billing and collections.
2. While establishing a strategic approach for system capability and staff training, investigate the computer system and related problems cited in this report and determine and implement necessary and appropriate steps to rectify the problems.

(FDNY officials generally agree with recommendation number 1 and with recommendation number 2. They indicated that initiatives were being undertaken to correspond with these recommendations.)

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## **Billing Process**

Using standard fees, the Revenue Unit bills Medicare for transport services to patients that are over 65 years old, bills insurance providers for transport services to patients that are covered by private insurance, and bills patients directly for transport services when they are less than 65 years old or lack private insurance coverage. (As mentioned previously, HHC handles the claiming for transport services to Medicaid eligible patients.) Under any of these billing scenarios, the timeliness of the billing process is a critical concern. For example, commercial insurance companies have established deadlines for providers to submit claims (bills) for reimbursement for services provided. One such company, United HealthCare, requires all calendar year 1999 claims to be submitted by March 31, 2000. If these deadlines are missed, shortfalls in revenue can be expected. Also, delays in direct billing to patients present the risk that the patients have moved and must be located at their new address in order to be sent a bill.

To ensure the timeliness and the accuracy of the billing process and, therefore, maximum collections for services provided, the Revenue Unit should specify in written policies and procedures the steps and related benchmark due dates for completing the process for generating and issuing

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bills. In addition, such expectations provide a framework to enable management to monitor the effectiveness of billing operations and to be aware of when corrective actions may be needed. We found that the Revenue Unit has not established such written policies and procedures with respect to the billing process. Moreover, our audit finds significant elapsed time and several control weaknesses exist in the billing of transport services. As a result, there is a significant opportunity for improvements that can better ensure revenue maximization. The following are our observations:

- ! For 4,428 ACRs recorded (registered) on SMS for May 1999, we found that the time between the recording and the date of the ambulance service was on average 102 days (3.4 months). In a separate test in November 1999 we observed that ACRs were being recorded up to eight months after the transport service.
- ! We sampled 31 payments received as a result of direct billing to patients and noted that an average of 165 days (5.5 months) elapsed between the date of transport service and the date of the issuance of the related bills. The actual average time between the recording of a service on the system and the date of ambulance service for these same items was 2.3 months.
- ! While the ACR, the source document needed to generate transport billing, is pre-numbered for control purposes, there are no established practices to monitor the use and return of the ACRs issued to the ambulance staff. For example, it is not determined if ACR sequences are unaccounted for over long periods of time. Such an occurrence could indicate that records of services rendered have been lost or misplaced with resultant delayed or missed billing opportunities. In addition, when incomplete ACRs are returned by the Revenue Unit to the field for correction, no one follows up to determine that the ACRs are subsequently resubmitted in a timely manner. Also, no accountability is established to verify that all the ACRs sent to the vendor for imaging were in fact placed on the compact disk returned to the Revenue Unit for processing and related billing.
- ! Although the FDNY experienced about a five percent rate of undeliverable addresses for its self-pay bills (about 400 bills every week), there was no subsequent monitoring and follow up on these items prior to November 1999, and they were simply discarded. Starting in November 1999, these returned items were logged in, but no other actions were taken, such as obtaining change of address information from the U.S. Postal Service. We calculated that the average self-pay bill was \$184. This would amount to approximately \$3.8 million in lost billings per year ( $\$184 \times 400 \text{ bills per week} \times 52$

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weeks). This condition had previously been reported to us through an anonymous complaint.

(In response to our audit report, FDNY officials indicate that the FDNY is developing an updated procedures manual, has established time frames for each phase of the claim development process, and is exploring options to improve the monitoring and control of ACRs. They stated that, as the FDNY transports under emergency conditions, often accurate insurance, address and billing information cannot be garnered. FDNY officials indicate, however, that data sharing initiatives are expected to greatly reduce the volume of return mail.)

### **Recommendations**

3. Establish formal, written procedures for the billing process.
4. Take measures to ensure that billing is done timely by establishing time frames for each of the various events in the billing process. Monitor and report on the adherence to these time frames.
5. Establish proper monitoring and controls over the receipt, return and processing of the ACRs at all stages of processing.

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### **Recommendations (Cont'd)**

6. Initiate a system to further process bills that are returned for incorrect address, as well as investigate the possibility of obtaining the change of address information provided by the U.S. Postal Service.

(FDNY officials generally agree with recommendations number 3 through number 6. They indicated that initiatives have been or were being taken to correspond with these recommendations.)

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## **Collection Process**

As of November 30, 1999, the Revenue Unit reported \$39 million owed for its outstanding accounts. As with billing, the collection process must be supported with adequate procedures and practices to maximize revenues due. In this regard, the New York City Comptroller's Directive Number 21 requires that agencies use effective, vigorous and well documented internal control collection procedures to pursue debts owed to New York City. If these efforts are not successful, the agencies are to send overdue accounts receivable to the New York City Law Department for litigation or to an outside agency for collection. Directive Number 21 also specifies that agency accounts receivable are to be reconciled to billing records on a monthly basis. The Directive also sets forth the basis for writing off uncollectible accounts. For example, depending on the actual amount owed, write-offs may take place in intervals ranging from one to five years after payments are due.

We found that the Revenue Unit does not have written policies and procedures clearly setting forth expectations, controls and practices for the collection of amounts owed for EMS services. In the absence of formal policies and procedures, FDNY's collection process has not complied with Directive Number 21. Moreover, certain existing collection processes diminish accountability for collections and risk revenue losses. Our findings are more fully explained in the paragraphs that follow.

The Revenue Unit's informal procedures require a dunning letter be sent to patients if there is no remittance 45 days after the original bill has been sent. If the bill remains unpaid 45 days after the first letter, another letter is to be sent. However, no additional efforts are made beyond these dunning letters. Fees that remain uncollected are not pursued by the Revenue Unit, and no referrals to the New York City Law Department or to an outside collection agency take place as required by Directive Number 21. Moreover, copies of the dunning letters that have reportedly been sent are neither maintained

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in hard copy nor are they verifiable from SMS computer files. Therefore, management cannot be adequately assured that this collection effort occurred.

As mentioned previously, the Revenue Unit does not generate reports of outstanding accounts receivable on a regular basis. Thus, reconciliations between accounts receivable and billing records, as required by Directive Number 21, are not routinely made.

When the Revenue Unit is unable to match a collection with a related patient account, the amount of the collection is placed into the Account Recovery Account (ARA) until a match can be made and the appropriate patient account can be credited. For example, our review of June 1999 collections showed \$98,000 could not be matched with accounts receivable and was suspended in the ARA. However, as of October 1999, the unmatched \$98,000 was still unresolved and remained in the ARA. Further review showed that the Revenue Unit does not take any specific steps to resolve items in the ARA and has not totaled the number and amounts of the items in the ARA. We noted that certain unmatched items in the ARA go back as far as 1993. These conditions are not consistent with the Directive Number 21 for the timely reconciliation of billing and receivable records and tend to risk overstatement of accounts receivable since some of the patient accounts listed as receivable are likely to have been paid.

Over the first five months of the 1999-2000 fiscal year, July 1999 through November 1999, a system report showed over \$15 million in self-pay accounts receivable had been written off as "bad debt." Revenue Unit personnel stated that if no reimbursement is received from the various insurers, the patient is billed and thus all delinquent accounts are self-pay. Personnel further explained that the computer program automatically writes off delinquent accounts with no collection activity for 187 days from the statement date. Contrary to Directive 21, no one either first directly authorizes that these receivables be written off or reviews their status as uncollectible.

Since April 1999, the Revenue Unit is solely responsible for the administrative function of billing and collecting fees for emergency ambulance services provided. However, remittances are deposited to an FDNY bank lock box and are transferred by HHC to the NYC Commissioner of Finance. HHC withholds a portion of the receipts which are reportedly used to reimburse HHC for EMS related expenses. The Revenue Unit has not established independent procedures for reviewing the accuracy and the propriety of the HHC deduction. For the fiscal years of 1996-97, 1997-98 and 1998-99, HHC reported \$3.8 million, \$1.3 million and \$1.3 million, respectively, in deductions from the EMS revenues it collected and subsequently deposited. These included over \$430,000 in the 1998-99 fiscal year for SMS related costs, a process that is now apparently under the control of the FDNY.



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Since the entire billing and collection process has gradually been transferred to the FDNY, HHC services apparently are no longer necessary. Section V, paragraph 22 of the Memorandum of Understanding with the HHC allows for amendments to the agreement. FDNY should consider removing HHC from the collection function and collecting the funds directly into a FDNY bank lock box and bank account.

(In response to our audit report, FDNY officials reaffirmed that accounts are retained as active for 187 days before they become inactive and are eventually written-off the system. In addition, officials stated that the FDNY has retained the services of a firm to provide insurance information to facilitate billing, and the FDNY is exploring the possibility of engaging a collection agency to follow-up delinquent accounts. Officials further stated that a concerted effort is being made to improve the posting and collection process, and that SMS reports of accounts receivable, new charges, payments, allowances and write-offs are being generated and reviewed on a monthly basis. Provisions have been made for reports of the write-off activity to be duly authorized by Budget and Finance and filed with the Compliance Officer.)

### **Recommendations**

7. Establish formal, written procedures for the fee collection process.
8. Establish procedures to vigorously pursue and collect overdue accounts receivable, and adequately document accounts receivable collection efforts.
9. Establish a systematic method that tracks accounts receivables outstanding and ensures that the receivables are reconciled to the billing records monthly.

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### **Recommendations (Cont'd)**

10. Establish formal, written policies for the timely aging and writing-off of accounts receivable, including adequately justifying and documenting that they are uncollectible.

(FDNY officials generally agree with recommendations number 7 through number 10. They indicated that initiatives have been or were being taken to correspond with these recommendations.)

11. Establish procedures to verify the accuracy of EMS fees reported as collected by HHC and the propriety of HHC reported reimbursed expenses.

(In response to recommendation number 11, FDNY officials stated that procedures were in place to review collections and HHC reported reimbursed expenses and that no further actions were required.)

Auditors' Comments: During our audit, FDNY officials explained that the Office of Management and Budget reviews the propriety of the HHC reported reimbursed expenses. However, FDNY did not have documentation available to support the results of this review or the computation of reimbursable expenses. We continue to maintain that the FDNY's responsibility for billing and collection of EMS services warrants its independent verification of HHC reimbursed expenses.

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### **Recommendations (Cont'd)**

12. Consider removing HHC from the collection function and collecting the funds directly into a FDNY bank account and lock box.

(In response to recommendation number 12, FDNY officials stated that they have reviewed the issue and have determined that no further action is planned. They stated that ambulance transport funds are deposited into a dedicated lock box of the FDNY and are transferred to a HHC general fund.)

Auditors' Comments: We acknowledge the FDNY's review and determination in this matter. However, we also point out that, since the FDNY is responsible for the billing and collection of EMS revenue, a higher degree of control may be achieved by having the FDNY also be responsible for all accounts related to this revenue.

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# Major Contributors to This Report

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Ronald Gerstein  
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# FIRE DEPARTMENT

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**KAY WOODS ELLIS**  
CHIEF COMPLIANCE OFFICER

July 30, 2000

Mr. Jerry Barber  
Audit Director  
State of New York - Office of the State Comptroller  
Division of Management Audit  
123 William Street - 21<sup>st</sup> floor  
New York New York 10038-3804

Dear Mr. Barber:

The attached Agency Implementation Plan (AIP) is submitted in response to your memo of June 27<sup>th</sup> transmitting the draft report on the billing and collection of ambulance transport fees. The Department has been advancing a program to upgrade and automate the ambulance transport billing process and has made significant progress. The initiatives being advanced correspond to each of the recommendations cited in the report, except recommendation 12. The Department had reviewed the lock box protocols with HHC and OMB, when the FDNY merged with EMS. The current lock box is dedicated to ambulance transport funds and is adequately monitored and maintained. There are no plans to revise this procedure.

We appreciate the efforts of your staff and the time and dedication devoted to the development of this report. If you wish to discuss this report in further detail, my number is 718-999-2033.

Sincerely,

KAY WOODS ELLIS

Enc.

C: THOMAS VON ESSEN, COMMISSIONER  
WILLIAM FEEHAN, FIRST DEPUTY COMMISSIONER  
THOMAS FITZPATRICK, DC ADMINISTRATION  
STEPHEN RUSH, AC BUDGET & FINANCE  
LEWIS WEISSMAN, DIRECTOR, REVENUE  
THOMAS TRYPUK, AUDIT MANAGER

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## *Agency Implementation Plan*

**AUDIT #:**

**99-N-9**

**AUDIT REPORT ISSUED:**

**AUDIT NAME**     *Ambulance Transport Billing and Collection*

<b>RECOM #</b>	<b>RECOMMENDATION</b>	<b>FDNY RESPONSE</b>
01	Determine a strategic approach for establishing necessary information systems capability and related staffing expertise to support EMS billing and collections.	The Department is advancing a comprehensive approach to automating and expediting the registration, medical review, and billing process. This program entails scanning and indexing the ACR form and utilizing the indexed file to facilitate registration in the SMS system. The scanned document is utilized for medical necessity, coding and record retention. The coding and medical necessity determination information is also entered into the SMS system, completing the claim.
02	While establishing a strategic approach for system capability and staff training, investigate the computer system and related problems cited in this report and determine and implement necessary and appropriate steps to rectify the problems.	The deficiencies noted are valid and the Department is working to improve the process by documenting the appropriate controls and procedures in the procedures manual, adequately documenting and training individuals on accounting and SMS reporting procedures, and improving internal oversight reporting. Additional computer support and data warehousing functions are being transferred to BMISR.
03	Establish formal, written procedures for the billing process.	An updated procedures manual is in development; a comprehensive manual, incorporating all the process changes will be issued by December 2000.
04	Take measures to ensure that billing is done timely by establishing time frames for each of the various events in the billing process. Monitor and report on the adherence to these time frames.	The Department's goal is to generate a bill, or file an insurance claim within 60 days of service being rendered. Time frames have been established for each phase of the claim development process: ACR collection and processing (2 weeks); Registration (1 week); medical necessity and coding (2 weeks); claim release (1 week). An account is active for three billing cycles or a maximum of 187 days. Postings are expected to be made within the billing cycle they are received, with unpostable items being researched within the quarter. There are currently no collection procedures in place, but they are being explored.

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*Monday, July 31, 2000*

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05	Establish proper monitoring and controls over the receipt, return and processing of the ACR's at all stages of processing.	The Department is exploring options to improve the monitoring and controls of ACRs from the field personnel. One avenue being pursued is having the ACR number corresponding to transports or assists entered into the Computer Aided Dispatch (CAD) System. The Department currently sends 25 batches of 100 ACRs to the vendor for scanning and indexing. We recognize that the monitoring and reconciliation to ensure these images were appropriately scanned is weak and efforts to improve the oversight are being explored.
06	Initiate a system to further process bills that are returned for incorrect address, as well as investigate the possibility of obtaining the change of address information provided by the U.S. Postal Service.	All return mail is sorted and logged by reason for return. The Department is currently working on an "Open-link" with the hospitals which will enable data sharing. As the FDNY transports under emergency conditions, we all too often cannot garner accurate insurance, address and billing information. The hospital is able to obtain and verify this information. This data sharing initiative is expected to greatly reduce the volume of return mail.
07	Establish formal, written procedures for the fee collection process.	As indicated previously, the Department retains accounts as active for 3 billing cycles or 187 days. These accounts then become inactive and eventually "write-off" the system. The Department has retained the services of a firm, HDX, to research and provide insurance information to facilitate billing. We are currently exploring the possibility of engaging a collection agency to follow-up on delinquent accounts.
08	Establish procedures to vigorously pursue and collect overdue accounts receivable, and adequately document accounts receivable collection efforts.	The Revenue Unit is making a concerted effort to improve the posting and collection process.
09	Establish a systematic method that tracks accounts receivables outstanding and ensures that the receivables are reconciled to the billing records monthly.	The Department acknowledges that the posting and accounts receivable activities require improvement and we are working to improve and document appropriate protocols. Bank statements are reconciled on a monthly basis. The SMS Signature application generates monthly accounts receivable reports that reflect all new charges, payments, allowances, write-offs, etc. These reports will be reviewed on a monthly basis.
10	Establish formal, written policies for the timely aging and writing-off of accounts receivable, including adequately justifying and documenting that they are uncollectible.	Monthly reports of write off activity will be generated and authorized by the AC for Budget and Finance. Copies of these reports will be provided to the Compliance Officer. Improved system controls and accountability are being implemented.
11	Establish procedures to verify the accuracy of EMS fees reported as collected by HHC and the propriety of HHC reported reimbursed expenses.	There are procedures in place to review the collections and HHC reported reimbursed expenses. No further action is required.

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Consider removing HHC from the collection function and collecting the funds directly into a FDNY bank account and lock box.

This issue has been reviewed and no action is planned. The ambulance transport funds are deposited into a dedicated lock box which then is transferred to a HHC general fund.