

**CITY AUDITOR**

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Cecil McConnell, Mayor Pro Tempore  
Members of the City Council  
Roger Lubovich, City Attorney

The City Auditor has completed a review of the Fire Department Emergency Medical Service Revenue Procedures and has issued the attached report. A few recommendations were made.

The assistance provided by Fire Chief Al Duke and Medical Officer Stan Plyler is greatly appreciated.

Please contact me if you have any questions or would like further information.

Sincerely,

Gary W. Nystul

cc: Al Duke, Fire Chief  
Andy Parks, Director of Financial Services

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# **FIRE DEPARTMENT EMERGENCY MEDICAL SERVICE**

## **REVENUE PROCEDURES**

### **Purpose**

The Office of the City Auditor reviews various phases of city operations. This review of the receipting procedures used by the Bremerton Fire Department Emergency Medical Service was scheduled in the 2009 work plan.

### **Scope**

This is a review of the procedures used by the Bremerton Fire Department to record revenues from the transport of patients by the fire department ambulance. Policies and procedures used in 2008 were included.

### **Statement of Auditing Standards**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except Standard 3.50 requiring an external quality control review. Those standards require that the auditor plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

### **Objective**

The objective of this audit was to:

- Review the billing and payment procedures to determine if adequate internal control procedures are in place
- Make suggestions for improvement of effectiveness or efficiency

### **Summary of the Results**

- The service bureau contract should be clarified and updated
- Consideration should be given to continuing a formal agreement with the emergency reporting software company
- The city council should consider a policy to send unpaid accounts to collection

## **BACKGROUND**

The Bremerton Fire Department provides Emergency Medical Service to the citizens of the city and by mutual aid agreement to areas around the city. To provide EMS the department has 3 frontline Advanced Life Support (ALS) ambulances and 3 frontline Basic Life Support (BLS) Engines.

The number of calls requiring a fire department response has steadily increased. As noted in the following table more than 75% of the calls are for EMS.

<b>Year</b>	<b>EMS</b>	<b>Fire</b>	<b>Total</b>
2006	5,460	1,839	7,299
2007	5,822	1,720	7,542
2008	6,107	1,895	8,002

A fire department engine and/or ambulance may respond to a medical emergency. The response is determined initially by CENCOM, the 911 public safety answering point. Fire department shift officers make the final decision of which unit(s) to send based on the information provided.

There is no charge to the patient for EMS unless they are transported by the fire department ambulance. If the fire department responds, but the patient is transported by private ambulance, there is no charge to the patient by the city.

There are different rates for Advanced Life Support ambulance service and Basic Life Support service. In addition, residents of the City of Bremerton are charged a lower rate than non-residents. There is also a charge for each mile the patient is transported from the scene to the hospital.

The city often does not collect the total amount billed. For example, in 2009 Medicare paid 75.9% of the resident ALS charge and 67.3% of the non-resident ALS charge. The city billed the patient for the balance. For Medicaid the payment was 30.6% of the resident ALS and 25.9% of the non-resident ALS fee. For Medicaid patients the city is prohibited from billing for the balance. The result is that for a Medicaid ALS Non-resident transport the city is paid \$168.43 of the \$650 billed. In addition, some insurance companies do not pay the full charge. The balance of these amounts is shown in the financial schedules as "Fee Schedule Adjustment" and the amount is written off.

The following table presents the charges, collections and adjustments of ambulance billing for the last three years.

	2006	2007	2008
<b>Charges</b>			
ALS Resident	\$ 474,300	\$ 527,850	\$ 544,800
ALS Non-resident	248,600	286,550	292,600
BLS Resident	4,500	9,000	4,875
BLS Non-resident	4,950	3,600	2,700
Mileage	44,241	50,904	52,470
Adjustments	972	0	(577)
Total Charges	<u>777,563</u>	<u>877,904</u>	<u>896,868</u>
<b>Collections</b>			
Payments	561,532	576,196	543,088
Less: Refunds	(2,651)	(2,514)	(4,912)
Total Collections	<u>558,881</u>	<u>573,682</u>	<u>538,176</u>
<b>Adjustments</b>			
Fee Schedule Adjustment	(154,313)	(197,820)	(174,921)
Uncollectible	(77,436)	(82,972)	(83,400)
Write off	(676)	0	(3,202)
Adjustments	1,960	104	40
Total Adjustments	<u>(230,465)</u>	<u>(280,688)</u>	<u>(261,483)</u>
Change in Accounts Receivable	<u>(11,783)</u>	<u>23,534</u>	<u>97,209</u>
Accounts Receivable Beginning	<u>118,657</u>	<u>106,874</u>	<u>130,408</u>
Accounts Receivable End of Year	<u>\$ 106,874</u>	<u>\$ 130,408</u>	<u>\$ 227,617</u>

The fire department uses a service bureau (Systems Design in Silverdale) to do the billing and collection for ambulance fees. The firm receives the Medical Incident Reports from the fire department. They then prepare and mail an invoice to the patient, insurance company, or Medicare, etc. Payments from the patient or others are also paid to the service bureau. They are then posted to the accounts and the checks are deposited into the city's bank account.

The service bureau maintains the accounting records for all ambulance billings. They send the invoice to the party that is anticipated to pay such as the patient, insurance company, etc. If the amount is unpaid after the third invoice the patient or responsible party is contacted by telephone. The contact is to determine if there is a problem with the bill and resolve any payment issues. The service bureau has also established a rapport with many of the insurance firms and government agencies, which is helpful in resolving these issues.

If a fourth invoice is necessary, it is noted as "Final Notice". If the patient does not pay or make arrangements for payment, the account is returned to the fire department. The fire department Medical Officer then telephones the patient to see if the service they received was satisfactory and if there is anything the fire department can do to help them get funds to pay the bill. No other contacts are made and the account is written off if payment is not received.

The city's financial records and reports include only the net revenue received. The amount billed, adjustments, write offs, and accounts receivable are not included in the city financial information. The net revenue information comes from the amounts deposited to the bank.

EMS and fire call data is maintained on a web-based, remote access fire and emergency medical services records management system. The vendor is Reporting Systems Inc., doing business as Emergency Reporting and is located in Bellingham. This is a permanent record of each call and includes such information as time dispatched, time on scene, units involved, what was done, etc. for both fire and EMS. This system maintains the data used to prepare the Medical Incident Reports. The fire department can access the system from any of the stations or via a city computer at the hospital.

## **RECOMMENDATIONS**

### **1. The contract with Systems Design should be reviewed**

The contract with the service bureau executed May 18, 2004 lists the company name as Systems Design. An "admdendment" (sic) to the contract dated January 11, 2006 lists the company name as Systems Design NW, Inc. Although the original contract allows for an assignment, there is no approval of assignment by the city in the file. There is also a report that the company was sold in early 2009.

**RECOMMENDATION:** The correct legal name of the service bureau should be determined and any appropriate assignment approvals should be executed by the city and the contractor.

In addition, it should be noted that the term of the contract started upon the execution of the agreement. Since the last signature was on May 18, 2004, the annual automatic extensions commence on this date and not July 15 or December 31, as indicated in some city files.

### **2. Insurance coverage information is not current**

The contract requires the service bureau company to maintain certain limits and types of insurance. The company is required to furnish a Certificate of Insurance to the city evidencing this coverage. The insurance policies on the last certificate

in the city files expired April 16, 2007. In addition, the producer (insurance agent) on this certificate was incorrectly listed as Systems Design who is actually the insured.

RECOMMENDATION: Systems Design should be requested to provide the required "Certificate of Insurance" as soon as possible.

### 3. Consider a contract with Reporting Systems

The city uses a web-based, remote-access fire and emergency medical services records management system. When the record system was initially implemented a formal contract was executed with the vendor. The annual cost now is less than \$4,000 so no contract is required under city purchasing rules. The vendor has also not provided any software license agreement.

RECOMMENDATION: The fire department should consider the risks involved by not having a formal contract or a software license agreement with the company. These would include provisions covering access to city data in the event the vendor ceased business, security of information on their computer system, or their failure to comply with HIPPA and other similar laws and regulations. If the fire department management determines there is sufficient risk, a contract, software license, or other form of agreement should be entered into.

### 4. Consider turning unpaid accounts over to a collection agency

The City Council established a policy to not turn unpaid accounts over to a collection agency. As a result, if the service bureau has not collected the amount due after four invoices the account is returned to the fire department. If, after the department makes one final contact, it is not paid the account is written off. No other collection efforts are made.

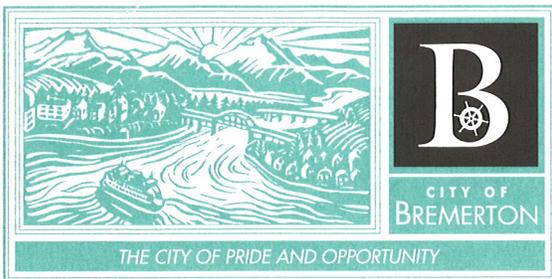
RECOMMENDATION: The fire department should make inquiry of the City Council about their decision not to turn unpaid ambulance accounts over to a collection agency. The understanding is that most clients of the service bureau do turn the unpaid accounts over for some form of additional effort to collect the balances due.

### 5. Consider updating Section 18.06 of the BMC

Chapter 18.06 Bremerton Municipal Code is about Ambulance Services. One section requires the city clerk to devise an ambulance rotation schedule to respond to 911 calls if there is more than one ambulance service in the city. Another provision requires the ambulance services to file a copy of their rates with the city

clerk. It also requires any licensed ambulance company to provide the city with any change in the information on their business license application. This would include notifying the city of receipt of a different ambulance.

**RECOMMENDATION:** Chapter 18.06 of the Bremerton Municipal Code should be considered for revision. The City Clerk should not be devising ambulance rotation schedules as this should be a fire department function. The necessity to have a file of ambulance rates and to track changes to their business license application information should be reviewed.



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June 25, 2009

TO: Members of the Audit Committee  
Gary Nystul, City Auditor

FROM: Allison Duke III, Fire Chief *AD*

SUBJECT: Response to Audit Results

Attached is the written response to the items addressed in the audit. I wish to thank the committee and the auditor for the opportunity to address each issue.

Item # 1 – The contract with Systems Design should be reviewed.

In December of 2008, Systems Design NW, Inc owned by Roger Ziegers was sold to Mark Spice and now is called Systems Design West, LLC. The City of Bremerton legal department is preparing the appropriate assignment and will be executed as soon as completed. In discussions with Mr. Spice the entire contract will be reevaluated by both parties before December 31, 2009.

Item # 2 – Insurance Coverage is not current.

Systems Design West has provided the Certificate of Insurance on June 11, 2009 and it was given to the City Clerk.

Item # 3 – Consider a contract with Reporting Systems, Inc.

The Fire Department along with the City Attorney will evaluate the risk of not having a formal contract or a software license agreement. As far as accessing the data, the Fire Department can and does download data every two weeks.

Item #4 – Consider turning unpaid accounts over to a collection agency.

The Medical Officer is presently gathering information from other local fire departments pertaining to collections. He will evaluate what other agencies do, who do they contract with, how is it working, what do they charge and how much do they collect. When the data is collected the Fire Department will make a presentation to the Public Safety Committee and potentially the Finance Committee to see what direction the Council would like to proceed in.

Items # 5 – Consider updating Section 18.06 of the BMS.

There is no proposed time to update Section 18.06 of the BMC, but this should be accomplished before December 31, 2009. The Fire Department will meet with the City Clerk and the legal department to get their input and rationale for items with this section.