

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
OFFICE OF SUPPORT SERVICES
DIVISION OF GRANTS MONITORING
222 THIRD AVENUE NORTH, SUITE 601
NASHVILLE, TENNESSEE 37201

March 6, 2003

Deputy Chief Steven Meador
Nashville Fire Department
Emergency Medical Services Division
63 Hermitage Avenue
Nashville, TN 37201

Dear Chief Meador:

Please find attached the final Monitoring Report of the Nashville Fire Department, Emergency Medical Services Division, relating to the patient billing and fiscal reporting processes. The Division of Grants Monitoring conducted the review from October 1 through November 8, 2002. The Nashville Fire Department, Emergency Medical Services Division reviewed and responded to the findings identified in the preliminary report issued February 13th, 2003. The responses have been incorporated into this final report.

We appreciate the assistance provided by your agency during the review. We hope you find the results useful for improving the processes of the Emergency Medical Services Division. If you have any questions, please call me at (615) 862-6170.

Sincerely,

Fred Adom, CPA
Director

cc: Stephen Halford, Director-Chief of Nashville Fire Department
Drusilla Martin, Fiscal Director, Nashville Fire Department
David Manning, Director of Finance
Nancy Whittemore, Assistant Director of Finance
Mitzi Martin, Division of Accounts
Kevin Brown, Division of Grants Monitoring



Metropolitan Government of Nashville and Davidson County

222 3rd Ave. N.
Suite 650
Nashville, TN 37201

615-862-6170 office
615-862-6175 fax

www.nashville.gov/finance

◆ Monitoring Report of ◆

Nashville Fire Department
Emergency Medical Services Division

Issued by



Office of Support Services
Division of Grants Monitoring

March 6, 2003

Our Vision: To be excellent and proficient in monitoring and management services.

Fred Adom, CPA
Director

Auditors:
Kevin Brown
LaShawn Barber
Mae Booker

**MONITORING REPORT
FOR THE
NASHVILLE FIRE DEPARTMENT
EMERGENCY MEDICAL SERVICES DIVISION**

TABLE OF CONTENTS

Objectives, Scope, and Methodology.....	3
Executive Summary.....	4
Findings, Recommendations, and Management’s Comments.....	5

OBJECTIVES, SCOPE AND METHODOLOGY

The Division of Grants Monitoring (hereinafter referred to as “DGM”) has completed a special monitoring review of the patient billing and fiscal reporting process for the Nashville Fire Department, Emergency Medical Services Division (hereinafter referred to as “EMS”). The review was performed in accordance with the Generally Accepted Government Auditing Standards and in compliance with the Office of Management and Budget (OMB) Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments.”

A monitoring review is substantially less in scope than an audit. The DGM did not audit the Nashville Fire Department financial statements and, accordingly, does not express an opinion or provide any assurances regarding the financial statements of the Nashville Fire Department or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). The DGM is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements, and non-profit organizations that receive appropriations from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the DGM.

The overall objectives for this special monitoring review were as follows:

- To evaluate the adequacy of EMS’s current fiscal processes.
- To ensure adequate segregation of duties.
- To determine the accuracy of EMS’s fiscal reports.
- To ensure the proper authorization for write-offs and changes in account balances.
- To evaluate the adequacy of EMS’s billing software.

The scope of our work was limited to EMS’s fiscal operations, including billings, collections, and adjustments, and the division’s reports of financial activity. The DGM reviewed the specific processes by which EMS initiates patient bills, records and processes payments, and adjusts patient accounts with write offs or other payment adjustments. The DGM did **not**, however, assess the overall economy and efficiency of the functions of the EMS Division.

The methodology adopted by the DGM encompassed various interviews and an objective review of the patient billing system and accounting records, including:

- Financial transactions and supporting documentation,
- Contract agreements and related amendments,
- Daily, mid-month, and monthly reports.

For testing, the DGM randomly selected two months from fiscal year 2002, April and June. The auditors reviewed transactions for random dates within the sample months, tracing these transactions from financial reports and supporting documentation to EMS’ billing system.

EXECUTIVE SUMMARY

The EMS Division of the Nashville Fire Department is responsible for emergency medical transportation for Nashville and Davidson County. The EMS began providing emergency services for Nashville and Davidson County in November 1974 after Nashville area funeral homes could no longer provide ambulance service for the city. Nashville officials determined the Nashville Fire Department was best suited to handle emergency medical calls.

EMS is the largest ambulance service in Nashville area and is the only ambulance service that responds to 911 emergency calls in Nashville and Davidson County. EMS averages more than three thousand (3,000+) emergency medical calls each month. The average response time for EMS for the month of September 2002 was under eleven (11) minutes, including the call processing time.

The Customer Service area of the EMS, which is responsible for fiscal processes, employs four (4) people and two (2) temporary employees. In addition to these individuals, one (1) paramedic that is off-duty with injuries assists with day-to-day operations. This staff performs data entry, filing, payment processing, and patient and insurance inquiries.

Our monitoring review covered EMS' current processes for billings, collections, account write offs and adjustments, and detailed financial reports. Overall, the DGM found that EMS has adequately performed its primary functions, but improvements are needed. See the "Findings, Recommendations, and Management Comments" Section on page 6 for more detailed information regarding this issue. Overall, the DGM reports the following seven significant findings as a result of our review:

Overall Findings and Major Review Highlights

1. Current billing and collection processes need improvement.
2. Accounting records did not always agree with FASTnet.
3. EMS failed to follow its written policies and procedures.
4. The EMS does not always maintain adequate supporting documentation for write offs.
5. The EMS failed to ensure a contractor's adherence to contract provisions.
6. Duties of the Administrative Assistant are not adequately segregated.
7. The EMS does not recoup costs for services provided to the Sheriff's Office.

The "Findings, Recommendations, and Management Comments" section that follows provides more detailed information for each of the above findings. As is normal for a monitoring review, management is given an opportunity to provide a response to each finding, which is included in the final copy of the report.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

1. Current billing and collection processes need improvement.

Manual Process

The DGM identified several potential problems with the process for initiating and generating the patient bills. The current billing process initiates with the field personnel preparing a run ticket with the patient's information. The District Chiefs of the Fire Department then submit the run tickets to EMS Customer service. The DGM found that run tickets selected for testing were, at times, not available. These tickets, according to EMS staff, were either lost or misplaced or were never submitted to EMS Customer Service. As a result, the billing system never generated a patient bill, which denied EMS the opportunity to recoup its medical and transportation costs. After the District Chiefs submit run tickets to EMS Customer Service, the staff manually enters the patient information into the billing system, thereby duplicating the work that was already performed by the field personnel. Currently, EMS Customer Service staff has four (4) full time employees responsible for data entry of thousands of run tickets each day. Manual data entry could delay the time between the actual service date and the date a patient invoice is generated. More likely, manual data entry could result in keying errors, which would lead to incorrect patient bills, causing returned mail and unnecessary research time. EMS Customer Service also faces the possibility of less patient and insurance collections. Insurance companies deny claims when patient coverage cannot be verified and when the billing agency exceeds the maximum time limit for billing purposes, which for example, is one hundred twenty (120) days for a TennCare patient.

The DGM noted that, at one time, EMS field personnel used notebook computers to record patient information at each emergency call. The data was later downloaded to the system, which significantly reduced the workload of Customer Service staff and provided for more efficient billing. According to EMS staff, this process ended when computers began to be stolen, lost, and field personnel began to avoid using the notebook computers. Use of electronic equipment for recording and processing patient information would, as in the past, significantly benefit the EMS Customer Service division overall through cost cutting, elimination of duplications, improved billing collection rates, minimized delays, and enhanced patient care.

Billing System and Software

EMS is not using its billing system in the most efficient and effective manner. We found that EMS is not using a newer version of the overall billing system, which it has already purchased, nor is the division using a collections software package for the current billing system.

The current Billing system is outdated and can only maintain few "companies" without dramatically affecting the performance of the entire computer system. A company consists of each month's new accounts and the accounts from previous months that have not been deleted from the system. The DGM noted that, some time ago, EMS purchased a newer version of the software package with greater capabilities; however EMS has not installed the new version to EMS workstations, primarily because Metro Information Technology Services Division must switch EMS to another server. The new version includes drop-down features that could reduce the time necessary to enter information from the run tickets.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Currently, EMS completely deletes old accounts from the billing system and records payments received for the old accounts in a "dummy" account. EMS attaches a memo to the payment to identify the related account. The billing software package includes a collection package that would allow EMS to move outstanding accounts from the main software package instead of having to delete old accounts completely. The collection package will also allow EMS to record payments that they may receive to the correct account instead of recording the payments into a dummy account number.

Better business practices dictate the use of technology to its fullest capabilities, where available, to reduce or eliminate duplication of effort for various work processes. Since EMS is not using its system and/or software to its fullest capabilities, the division has, in essence, lessened the effectiveness and efficiency of the work performed.

Recommendations

EMS should inquire into other possible technology that would enhance its services and improve the efficiency of its operations; a system that would enable paramedics or other field personnel to obtain patient information and transmit such information to EMS Customer Service computer, hospitals, and other similar devices electronically.

Further, EMS should take the necessary measures to install the newer version of its billing system and the collection package immediately.

Management's Comments (To this specific

"The DGM noted that, at one time, EMS field personnel used notebook computers to record patient information at each emergency call. The data was later downloaded to the system, which significantly reduced the workload of Customer Service staff and provided for more efficient billing. According to EMS staff, this process ended when computers began to be stolen, lost, and field personnel began to avoid using the notebook computers."

We concur in part.

The previous laptop computers were not lost or stolen. The field personnel did avoid using them due to both software and hardware failures. The time required to complete the electronic version was longer than it took to hand write the run report.

We fully concur that the current system is cumbersome. We continue to use a paper system with several layers of personnel being required to handle the documents prior to them reaching the Customer Service Area. Additionally, these documents are gathered from all parts of Davidson County and then brought to one central location.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

“EMS is not using its billing system in the most efficient and effective manner. We found that EMS is not using a newer version of the overall billing system, which it has already purchased, nor is the division using a collections software package for the current billing system.”

A 'windows' version of EMS Billing was sent to us. There was a problem installing the new software onto our old computers. As newer computers were made available another attempt was made to convert to the new software, however we then faced issues with the EMS server.

We have followed the advice of previous auditors in regards to using only one software product rather than two different versions or packages. The “dummy” account and the “bad debt recovery” accounts were set up as well on the advise of the previous auditor.

Auditors' Rebuttal

Regarding the previous laptops, we reported our findings based on information obtained from EMS staff. We have also confirmed that two laptops were reported missing to the Police, one in 1997 and the other on May 10, 2000.

EMS should exercise its option to install and/or implement both the software and hardware necessary to maximize efficiency, particularly for bad debt accounting. It seems the most immediate solution to this problem is to install the Windows version of the current software package, however, the EMS should explore other possible technologies that would streamline the entire billing and collections process, adding efficiency and ensuring accuracy across the division, as indicated in our recommendation.

2. Accounting records did not always agree with FASTnet.

Finding

Our review of a random sample of the EMS' accounting records revealed instances whereby EMS' records did not agree with the general ledger in FASTnet, Metro's accounting system. EMS' account in FASTnet includes four (4) sub-accounts, or object codes, in which the agency records its receipts, depending on the source. These object codes and their respective revenue source are as follows:

- 406210: Medicaid
- 406310: TennCare
- 406320: Medicare
- 407748: Private Pay and/or Commercial Insurance

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Our review revealed receipts in the amount of \$31,243.76 that were recorded in the wrong object code in FASTnet. These receipts should have been recorded in the Medicare object code account, but were actually recorded in the TennCare and Private Pay object code accounts for \$1,986.48 and \$29,257.28 respectively.

The DGM also noted instances where transactions in EMS' accounting records and FASTnet did not agree. For April 28, 2002, EMS includes receipts that were recorded in FASTnet in March 8, 2002. Similarly, EMS includes receipts on June 5, 2002 that were recorded in FASTnet in late May. Although both receipts were Medicare payments that the Division of Accounts receives electronically, the delay in recording the receipts should not have exceeded one day. Likewise, the DGM also found two (2) receipts that were recorded in FASTnet, but were **never** included in EMS's transaction reports for the same period. These transactions, \$16,059.94 for April and \$32,978.31 for June, could not be traced to the appropriate EMS accounting reports.

Finally, our tests revealed a duplicate recording for \$5,249.16 in FASTnet. The same amount was recorded on June 20 and June 28, 2002, resulting in an inaccurate statement of revenues for the EMS.

An accounting system should meet the provide assurance that the financial data would be consistently recorded in a systematic manner that will facilitate the preparation of financial reports; data should be recorded on consistent basis; and that records will be adequately supported by documentation.

Recommendations

EMS should ensure the accuracy and timeliness of its accounts on a continuing basis. Specifically, the EMS should implement procedures to ensure:

- **all receipts are recorded in its proper accounting period.**
- **internal records of receipts recorded are reconciled to FASTnet general ledger.**

Management's Comments

"Our review revealed receipts in the amount of \$31,243.76 that were recorded in the wrong object code in FASTnet."

We concur in part.

These deposits were Direct Deposits and the Division of Accounts put them in the wrong object code. The amount of \$31,243.76 – Was it put in wrong by FASTnet or did Customer Service use the wrong object code? If Customer Service used the wrong object code it should have been corrected by the Division of Accounts. This mistake has happened only once that we are aware of. Could you please verify whose mistake this might have been.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

“ . . . Although both receipts were Medicare payments that the Division of Accounts receives electronically, the delay in recording the receipts should not have exceeded one day. . . .”

We do not concur.

When Medicare makes Direct Deposits to Metro, Customer Service must wait for the Medicare Explanation of Benefits in order to post the accounts. Sometimes this can take several days before they are received. There are times we have the Deposit from the Treasury but we still must telephone Medicare and request the Explanation of Benefits. The date of the deposit and the posting date for direct deposits are never the same.

The two receipts that were recorded in FASTnet but never in EMS is a surprise to us as well. We respectfully request to know to which object codes they are assigned? Are there receivable warrants from Treasury? Were the two transactions Direct Deposits?

The deposit totals of \$16,059.94 and \$32,978.31 were posted to the Accounts Receivable in Customer Service because they were notified by the Treasurer's Office of the Direct Deposit. However the Division of Accounts never sent Customer Service a receipt. We have had problems in the past in this area.

“Finally, our tests revealed a duplicate recording for \$5,249.16 in FASTnet. The same amount was recorded on June 20 and June 28, 2002, resulting in an inaccurate statement of revenues for the EMS.”

We concur in part.

The duplicate recording of \$5,249.16 was due to two receivable warrants being sent to the Treasury. However, only one of the two had a Bank Deposit slip attached. The error was discovered and when notified we learned that two Receivable Warrants for the same total had been filled out however on one deposit was made for \$5,249.16. We should have some way of verifying our deposits to FASTnet.

Auditors' Rebuttal

The improper recording of receipts in FASTnet was not a one-time error. Based on our tests of two selected sample months, the \$31,243.76 improperly recorded is comprised of direct deposits from Medicare on seven (7) different dates in April 2002. As the responsible agency, EMS should take the lead in monitoring its accounting records in FASTnet to ensure appropriate recording for its revenues. The following table details the date, amount deposited, the object code in which the deposit was recorded, and the object code to which it should have been recorded.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Date	Amount	Recorded Obj. Code	Correct Obj. Code
4/19/02	\$1,986.48	406310	406320
4/09/02	\$820.84	407748	406320
4/10/02	\$7,599.09	407748	406320
4/11/02	\$6,845.02	407748	406320
4/12/02	\$3,378.33	407748	406320
4/15/02	\$5,370.82	407748	406320
4/08/02	\$5,243.18	407748	406320
TOTAL	\$31,243.76		

The finding mentions two receipts that were recorded in FASTnet, but not in EMS's transaction reports. The transaction reports to which the finding refers are the internal worksheets that itemize the receipts for each day. These worksheets are included in the EMS's monthly reporting to both Fire and Finance Department management. By omitting any receipts in these monthly reports, the agency does not accurately reflect the departmental revenues. Upon further review, we found that these two receipts, \$32,978.31 for April and \$16,059.94 in June, were comprised of several individual transactions for each month, as shown in the following table:

Date	Amount	Object Code
4/26/02	\$7,844.72	406320
4/29/02	\$4,264.72	406320
4/30/02	\$74.64	406320
5/01/02	\$13,482.01	406320
5/02/02	\$7,312.20	406320
Total for April	\$32,978.29	
6/27/02	\$7,290.83	406320
6/28/02	\$8,768.81	406320
Total for June	\$16,059.64	

Regarding the duplicate recording in FASTnet, the EMS has the responsibility of ensuring that duplicate receivable warrants are not forwarded for processing. Further, as indicated in our recommendation, procedures should be implemented to ensure all internal records are reconciled to FASTnet general ledger.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

3. EMS failed to follow its written policies and procedures.

Finding

The DGM noted various discrepancies with supporting documentation for payments received through the mail. According to the "Fire/EMS Customer Service Payment Collection Process," EMS should copy all checks received without an attached stub and the copy should be maintained as supporting documentation for the payment. Our tests of sample payments received through the mail revealed that EMS did not always maintain copies of payments received from patients.

Our tests also revealed discrepancies with the supporting documentation for patient invoices. The DGM found that 10 of 63 (16%) run tickets selected for testing lacked patient signatures or a note explaining the patient's inability to sign. The Billing/Collection Procedure Manual written policies and procedures requires field personnel to obtain the patient signature. If the patient is unable to sign the run ticket, the EMTs should write, "PUTS," which indicates Patient Unable To Sign, where the patient would normally sign the run ticket. Without the patient's signature or PUTS to indicate the patient's inability to sign, the run ticket is incomplete. Additionally, we found that 25 of 63 (40%) run tickets tested lacked charge sheets. The charge sheet, which itemizes the medicine and medical supplies used while transporting and treating the patient, is also a part of the run ticket. The run ticket should be complete, with a patient signature and completed charge sheet, because they serve as the source for patient invoices.

The Billing/Collection Procedure manual also states "all forms, paperwork and records must be filled out completely and accurately, as may be required, for each patient that the employees come in contact with in the performance of their duties." Without complete source documentation for patient billings, the EMS has inadequate assurance that patients have been billed appropriately or have authorized medical treatment.

The DGM also noted that EMS does not always adhere to its policy for write offs. Our tests for a sample of write off transactions revealed that the EMS did not always maintain a death certificate as supporting documentation for write offs for deceased patients. We found instead that EMS maintains letters from family members as the source for a write off for deceased patients. The EMS Billing/Collection Policy states, "Deceased patients with no heirs, insurance, or estate will be written off as a bad debt provided we have proof of death (i.e., death certificate)."

Recommendations

The EMS should ensure that all supporting documentation is consistent, verifiable, and credible. Further, the EMS should ensure that its employees are properly and sufficiently trained on its requirements for supporting documentation.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Management Comments

“The DGM noted various discrepancies with supporting documentation for payments received through the mail. According to the “Fire/EMS Customer Service Payment Collection Process,” EMS should copy all checks received without an attached stub and the copy should be maintained as supporting documentation for the payment. Our tests of sample payments received through the mail revealed that EMS did not always maintain copies of payments received from patients.”

We do not concur.

Customer Service discontinued making copies of all checks received without a stub because the check validator copies all checks made for each deposit. Making additional copies of the checks is very time consuming for the small staff we have available. Each envelope is noted of the amount received and the patient code or account number.

“The DGM also noted that EMS does not always adhere to its policy for write offs. Our tests for a sample of write off transactions revealed that the EMS did not always maintain a death certificate as supporting documentation for write offs for deceased patients. We found instead that EMS maintains letters from family members as the source for a write off for deceased patients. The EMS Billing/Collection Policy states, “Deceased patients with no heirs, insurance, or estate will be written off as a bad debt provided we have proof of death (i.e., death certificate).”

We concur in part.

Whenever it has been possible, Customer Service attempts to obtain death certificates to write deceased accounts off. We do use the letter from the families to check the Nashville Record and probate files to verify the death.

“Additionally, we found that 25 of 63 (40%) run tickets tested lacked charge sheets. The charge sheet, which itemizes the medicine and medical supplies used while transporting and treating the patient, is also a part of the run ticket. The run ticket should be complete, with a patient signature and completed charge sheet, because they serve as the source for patient invoices.”

We concur in part.

20 of the run tickets identified were for \$280.00. This is our base charge. Our policy is that if the patient did not receive any advanced level care that no charge sheet needs to be completed. The remaining 5 tickets should have had a charge sheet attached. 5 of 63 (8%) of the run tickets tested lacked the charge sheets.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Auditors' Rebuttal

The EMS's written policies and procedures on "Payment Collection Process" provided during our review state specifically in Step 2, "An employee opens the mail, separates the payments, writes the amount received on the envelope, and makes copies of checks sent back without a stub." If this is no longer the actual process, the written policies and procedures should be updated to reflect such. All actual procedures of the agency should be documented in their internal policies and procedures. Regarding the comment that each envelope notes the amount received and patient code/account number, we found that these handwritten notes were not always on the envelopes. This is a potential problem, considering the EMS often receives cash payments through the mail. By following the actual policy of copying the check, the EMS will provide adequate documentation of the check payments.

As indicated in the finding, the EMS's Billing/Collection Policy states, "Deceased patients with no heirs, insurance, or estate will be written off as Bad Debt provided we have proof of death (i.e. death certificate)." The death certificate is the most reliable proof of death, rather than letters from families, and the EMS should make every effort to obtain this information. Otherwise, the agency should update its policies to identify any other documentation that can be maintained for proof of death. In Finding #4, we highlighted this problem again by noting that the EMS does not always maintain adequate supporting documentation for write offs for deceased patients, to which the EMS concurred.

Finally, the EMS written Policies and Procedures on "Billing Collection Process" provided during our review specifically state in step 4, "The charge sheet should be attached and should reflect care given to insure proper reimbursement for supplies used. If an EMT/Paramedic does not fill out a charge sheet you must fill one out." We note here that by attaching the charge sheets to run tickets, even where a base rate of \$280.00 is charged, the EMS can verify that there are no other charges that should be included on the client's bill. If, in fact, it is EMS's policy to disregard all run tickets with the \$280 base charge, this should be documented in writing, however other controls will likely be necessary to ensure accurate and complete billings.

4. The EMS does not always maintain adequate supporting documentation for write offs.

Finding

Based on tests performed, the DGM found that the EMS does not always maintain adequate supporting documentation for write offs for deceased patients, trauma patients, and bankruptcy cases. Our tests revealed the following:

- Deceased patients: As explained in Finding #3, the EMS does not always maintain a death certificate for write offs for deceased patients. In addition to this, we found that, although EMS staff indicates whether the deceased patient lacked an estate or probate case with a written note on the patient invoice, it appears the verifying EMS staff does not

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

always sign off on this written note. Good business practices generally dictate that individuals sign off on information verifications and/or authorizations.

- **Trauma:** Because of the urgency of trauma situations, the EMS does not routinely obtain patient information on the run ticket. EMS solicits these patients' information from Vanderbilt University Medical Center, to whom the EMS transports trauma patients; however EMS does not maintain the listing that is returned from Vanderbilt, whether or not the patient's information is provided.
- **Bankruptcy cases:** Although the EMS maintains a file of copies of bankruptcy orders and other official documentation from courts, the DGM found that this documentation was not available for 3 of 8 (38%) bankruptcy write offs tested. The EMS did include a note regarding the bankruptcy on the billing system, but no actual written documentation from the court was available for our review.

Better business practices dictate adequate supporting documentation for all financial transactions. This would ensure adequate control for financial reports.

Recommendations

The EMS should ensure all staff maintains adequate documentation to support all write off transactions. In addition, the EMS should ensure all staff is aware of the appropriate documentation necessary to support write off transactions.

Management Comments

We concur.

As of today all staff will ask for death certificates for deceased patients. In the past the families that haven't sent us death certificates have complained about the cost of the death certificates. We will start maintaining a file for the Vanderbilt patients. We will also attempt to obtain bankruptcy letters.

5. The EMS failed to ensure a contractor's adherence to the contract provisions.

Finding

During the course of the review, testing revealed that EMS did not take appropriate measures to ensure its collections contractor's adherence to the contract provisions. Metro has contracted with Professional Adjustment Services, Inc. (PAS) for all its collection services. Our tests revealed PAS initiated litigation against various patients for recovery of ambulance costs for EMS, with assistance from Metro Legal. The DGM also noted that PAS includes court costs in each billing to EMS until all costs are recovered from the patients. Although PAS does not receive commission

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

for these court costs once collected from the patients, the EMS absorbs the court costs from PAS if they are not recouped from patients.

According to the Metro contract, PAS is entitled to 18% commission on all bed debt collections on behalf of EMS. The contract does not entitle PAS to any additional fees from Metro, including court costs. The contract also does not provide the authority for PAS to represent Metro in any litigation; however PAS can serve as a witness, should Metro initiate litigation for recovery of charges for its services. According to PAS it was orally authorized to initiate litigation on Metro's behalf, which is contrary to the contract provisions.

Failing to ensure compliance with the Metro contract regarding litigation could potentially jeopardize Metro's liability. It was apparent that EMS does not vigorously review PAS.

Recommendations

The EMS should ensure all billings from PAS comply with the contractual agreement by establishing reporting requirements for PAS.

EMS should implement a process by which the costs reported by PAS are validated and thoroughly reviewed.

Management Comments

We concur in part.

However we feel Metro Legal may need to review this issue. We do not feel as though contract enforcement is part of our immediate duty. PAS does send EMS reports such as new business acknowledgement and monthly production analysis. Each monthly statement is calculated by the contract fee and validated.

Auditors' Rebuttal

As the lead agency responsible for the oversight of revenue from this contract, the EMS should embrace the contract with PAS and assume the responsibility of enforcing contract adherence. EMS should solicit the assistance of others, including Metro Legal, to ensure enforcement of the contract. The additional fees absorbed by the EMS as a result of PAS' litigation could have a long-term affect on the overall revenues of the agency and the cost-benefit of the contractual relationship. At a minimum, the agency should communicate with Metro Legal to initiate discussion as to the current contractor's compliance and any future collections contract(s).

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

6. Duties of the Administrative Assistant are not adequately segregated

Finding

Based on our review, it appears the Administrative Assistant for the EMS possesses various job responsibilities that should be segregated. In fact, many of the duties for the Administrative Assistant include several areas that present a conflict of interest. According to the job description for the Administrative Assistant I, the responsibilities include:

- Record receipt of cash and checks in the mail
- Prepare bank deposits
- Ensure that deposits are made with Treasurer
- Prepare all daily, mid month and monthly reports.
- Maintain Account Receivable Ledgers
- Write off bad debt
- Handle recovery of bad debt
- File insurance claims
- Handle customer complaints

The individual responsible for writing-off debt should not also be responsible for the recovery bad debt. Similarly, the same individual should not be responsible for both recording cash receipts and preparing bank deposits or maintaining the account receivable ledger.

Better business practices dictate that tasks, particularly fiscal duties, should be properly segregated to ensure that no one person has complete control.

Recommendations

EMS should establish, implement and communicate policies that govern the billing and revenue collection processes.

EMS should take the necessary steps to ensure its operations are properly segregated to prevent or allow for timely detection of unauthorized transactions or loss of assets.

Management's Comments

We concur in part.

Some responsibilities have been assigned to other employees. We now have two employees preparing the bank deposits and ensuring that the deposits are made with the Treasury.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Auditors' Rebuttal

The DGM encourages the EMS to review each Customer Service division employee's role, including the Administrative Assistant, and their individual responsibilities to ensure that operations are properly segregated. More specifically, the EMS should ensure that key accounting functions such as billing and payment processing, write-offs, and routine financial reporting are separate and routinely reviewed by management.

7. The EMS does not recoup costs for services provided to Sheriff's Office.

Finding

According to the EMS staff, EMS does not charge the Davidson County Sheriff's Office (DCSO) for emergency medical transportation costs for DCSO inmates. EMS automatically writes off these costs, once DCSO staff verifies the inmates' incarceration. The DGM obtained no documentation to authorize the dismissal of these costs to DCSO. According to the EMS staff, the State of Tennessee provides payment to the EMS for transportation costs for state prison inmates.

It appears reasonable that EMS receive reimbursements for similar costs for DCSO inmates. Our review of the EMS's accounting records revealed \$210,493.68 in write-offs for DCSO inmates. The following table represents the total costs written off from 1998 through 2002:

Davidson County Sheriff's Office Write offs: 1998-2001

FISCAL YEAR	WRITE OFF AMOUNT
1998	\$47,031.58
1999	\$36,400.28
2000	\$32,046.66
2001	\$38,694.03
2002	\$56,321.13
TOTAL	\$210,493.68

The EMS incurs medical costs for transporting civilians in Nashville and Davidson County just as it does for transporting DCSO inmates. Although both the EMS and the DCSO are a part of Metro government, failing to recoup costs for the DCSO inmates' transportation does not provide for accurate reflection of revenues and expenditures for both departments. As an enterprise fund, EMS should operate with the intent that the costs of providing the services on a continuing basis would be financed or recovered through user charges. Users including internal governmental units should pay for the use of the service. Failure to recognize and recoup such earned revenues understates EMS revenues and understates Sheriff's Office's costs.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Recommendation

The EMS should take the necessary steps to request and insist on payments for services provided to the Sheriff's Office effective immediately.

EMS should take the appropriate measures to claim reimbursements for services rendered to the Sheriff's Office to-date in the current fiscal year.

Management Comments

We concur.

Over several years and previous administrations we have attempted to recoup money from the Sheriff's Office. We have been told that by getting payment from one Metro Office to another was compared to changing money from one pocket to the next. We would welcome any assistance with this matter if it is so desired.