



Richmond City Council

The Voice of the People.

Richmond, Virginia

OFFICE OF THE CITY AUDITOR

REPORT # 2012-06

AUDIT

Of the

Richmond Ambulance Authority

January 2012

OFFICIAL GOVERNMENT REPORT

Richmond City Council

OFFICE OF THE CITY AUDITOR

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*Committed to increasing government efficiency, effectiveness,
and accountability on behalf of the Citizens of Richmond.*

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Office of the City Auditor

Executive Summary

The City Auditor's Office has completed an audit of the Richmond Ambulance Authority (RAA) for the 12 - month period that ended June 30, 2011. The auditors conducted this audit in accordance with generally accepted government auditing standards.

Salient Findings

1. One other area reviewed by the auditors was the City's First Responder function. Both the Richmond Fire Department (RFD) and RAA respond to emergency medical service (EMS) calls. Based on audit analysis, it appears that there is a potential duplication of efforts with the First Responder function, since having the presence of both RAA and the RFD may not be necessary. The duplication, if existed, is very costly as there are significant resources invested in personnel, training the employees in both agencies, and the cost of fuel and fleet maintenance. There is a need for a comprehensive evaluation of the EMS functions provided by RAA and RFD in order to eliminate or minimize the duplication of efforts.
2. Based on the results of the audit procedures employed, auditors concluded that:
 - Internal controls in place are generally adequate;
 - Expenditures incurred were appropriate and in compliance with internal policies and procedures; and
 - Proper segregation of duties exists in the procurement and billing functions.
3. The only exception to the above findings is that auditors noted the controls over delinquent accounts collections were not adequate. As of June 30, 2011, the total amount at collection agencies for RAA's delinquent accounts was \$9.6 million. This amount represents an accumulated balance over several years. RAA informed the auditors that only approximately 2% of the delinquent accounts referred to the collection agencies are ultimately collected. Therefore, it appears that most of the \$9.6 million receivable

balance is unlikely to be collected. The uncollectible balance must be written off in a timely manner.

4. RAA is efficient and effective in performing their duties. During this evaluation, auditors determined that:
 - Billing and patient information was properly updated and coded to patient accounts based on actual services rendered;
 - Payments received were posted accurately and in a timely manner;
 - Staffing was adequate based on forecasted and actual demand for services;
 - Adequate performance measures exist and management is properly monitoring and tracking actual performance against these measures;
 - Management reporting was adequate and appropriate data and metrics exist to assist management in making sound business decisions; and
 - RAA managed its fleet maintenance program adequately.

The City Auditor's Office appreciates the strong cooperation received from RAA and the RFD. Data requests were provided timely by staff. Please contact me for questions and comments on this report.



Umesh Dalal, CPA, CIA, CIG
City Auditor

Cc: Mr. Byron C. Marshall, CAO

#	<i>COMPREHENSIVE LIST OF RECOMMENDATIONS</i>	<i>PAGE</i>
1	Develop written policies and procedures for the collection of delinquent accounts and communicate them to all applicable staff.	5
2	Periodically monitor staff compliance with the above procedures.	5
3	Analyze the accounts receivable balance and determine a more realistic annual allowance for doubtful accounts.	5
4	Require the City Administration to comprehensively evaluate the EMS functions provided by RAA and RFD in order to eliminate or minimize the duplication of efforts. (This analysis could potentially be performed as part of the current consultant's study of RFD's operations.)	9

Overview

Introduction and Scope

The City Auditor's Office has completed an audit of the Richmond Ambulance Authority (RAA) for the 12 - month period that ended June 30, 2011. The objectives of this audit were to:

- Determine the existence and effectiveness of internal controls;
- Evaluate the efficiency and effectiveness of operations; and
- Verify compliance with applicable laws, regulations, and policies.

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

Management Responsibility

The management of the RAA is responsible for ensuring resources are managed properly and used in compliance with applicable laws and regulations. Management is also responsible for ensuring City programs are achieving their objectives, and services are being provided efficiently, economically, and effectively.

Methodology

Auditors employed the following procedures to complete this audit:

- Reviewed relevant records, policies and regulations;
- Performed various tests;
- Conducted interviews; and
- Performed other audit procedures, as deemed necessary.

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Background

The RAA was created in 1991 to implement an innovative system design that would provide unified provision of emergency medical services (EMS) for the City. These services include, but are not limited to, transporting sick or injured persons within the Richmond metropolitan area. According to RAA, their goal is to provide the community with clinical excellence, while ensuring response time reliability and fiscal responsibility.

RAA employs a total of 95 field paramedics and emergency medical technicians (EMT), of which 86 are full-time employees. According to the Coalition of Advanced Emergency Medical Services, RAA has the highest call volume per capita in the United States and they respond to over 50,000 calls annually. RAA is also one of only 11 EMS agencies in the United States accredited by both the Commission on Accreditation of Ambulance Services and the National Academies of Emergency Dispatch.

Observations and Recommendations

Internal Controls

According to Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance.

Based on the results of the audit procedures employed, auditors concluded that:

- Internal controls in place are generally adequate;
- Expenditures incurred were appropriate and in compliance with internal policies and procedures; and
- Proper segregation of duties exists in the procurement and billing functions.

There was one control process found ineffective during the testing period. Adequate controls over the collection of funds from delinquent accounts were not in place. Written policies and procedures over the collection of delinquent accounts did not exist. Two employees from the billing department were able to articulate the process for collecting delinquent accounts, but could not provide formal, written procedures to the auditors. Lack of written policies and procedures may lead to unclear job duties and inconsistent job performance by employees.

As of June 30, 2011, the total amount at collection agencies for RAA's delinquent accounts was \$9,637,972. This amount represents an

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accumulated balance over several years. The table below details the age of the receivables:

Number of Days	Balance
0 - 120 days	\$ -
121 - 240 days	\$ 1,416,387
241 - 365 days	\$ 1,711,952
> 365 days	\$ 6,508,967
Total	\$ 9,637,306

Source: RAA

In addition, RAA has receivables totaling \$1,539,989 that has not been sent to outside collection agencies. The age of these receivables ranges from zero to more than four years.

Auditors reviewed a sample of 10 delinquent accounts to determine compliance with the delinquent account procedures, as described by RAA staff. Exceptions to the policies were noted for all 10 accounts reviewed. The sample was not expanded since management agreed that the collections process was not being adequately monitored. Auditors' testing revealed the following:

Procedure	Auditors' Testing Results
"Final Notice" letter should be mailed to the client 28 days after the second invoice is sent	"Final Notice" letters were mailed to the client 34 - 116 days after the second invoice was sent
Account goes to in-house collection after 10 days	Accounts went to in-house collection after 19 - 481 days
Account is transferred from one collection agency to a second agency after 18 months	Accounts were transferred from one collection agency to a second agency after 27 - 46 months

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RAA informed the auditors that only approximately 2% of the delinquent accounts referred to the collection agencies are ultimately collected. Therefore, it appears that most of the \$9.6 million receivable balance is unlikely to be collected. Recently, the City's external auditors recommended that RAA write off \$3.5 million of the outstanding delinquent accounts. RAA management further needs to conduct a thorough analysis of the remaining balance and write off the portion of accounts receivable deemed to be uncollectible.

Since management was aware that delinquent accounts were not being collected in a timely manner, they implemented a new billing system in FY 12. Auditors did not test the new system due to the lack of data and since the implementation date was outside the scope of the audit. According to management, the new system automates the collection process and monitors account activity to ensure that funds are collected in a timely manner. It is critical that delinquent accounts are properly monitored to ensure that accounts receivable are collected timely, which enables those funds to be invested or used for other services.

Recommendation

- 1. Develop written policies and procedures for the collection of delinquent accounts and communicate them to all applicable staff.*
- 2. Periodically monitor staff compliance with the above procedures.*
- 3. Analyze the accounts receivable balance and determine a more realistic annual allowance for doubtful accounts.*

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Efficiency and Effectiveness of Operations

Each aspect of RAA's operation is system driven, starting in the Computer Aided Dispatch call center where all calls are received from the Division of Emergency Communications (DEC). Calls are dispatched to RAA fleet based on priority and zone. Ambulances are stationed throughout the City based on historical data that predicts where and when calls will come from. As calls are responded to, other ambulances in the City rotate positions to ensure the optimal placement of vehicles. This process enables RAA to maximize their ability to respond to future calls in a timely manner. RAA is a well managed operation. Management tracks and analyzes adequate data to ensure resources are managed efficiently.

RAA has performance goals that outline expected response times based on the priority of the call. For example, RAA has a goal that 90% of Priority 1 calls (life threatening emergency) are responded to within nine minutes. Auditors determined that in FY 11, RAA met this performance goal by responding to 96% of Priority 1 calls within nine minutes. Auditors evaluated other areas of RAA's operations and determined they were efficient and effective in performing their duties. During this evaluation, auditors determined that:

- Billing and patient information was properly updated and coded to patient accounts based on actual services rendered;
- Payments received were posted accurately and in a timely manner;
- Staffing was adequate based on forecasted and actual demand for services;

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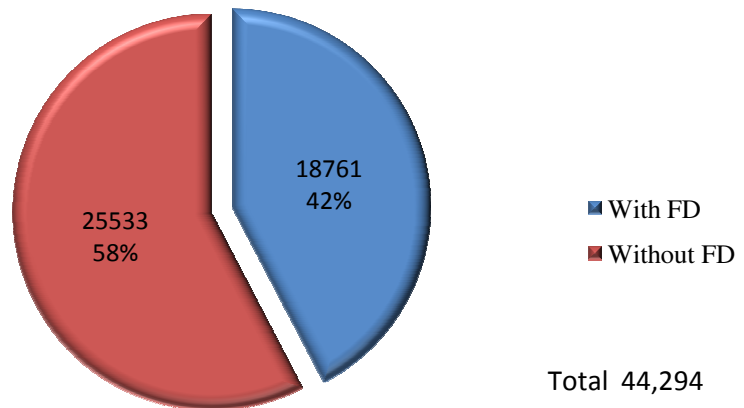
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- Adequate performance measures exist and management is properly monitoring and tracking actual performance against these measures;
- Management reporting was adequate and provided appropriate data and metrics to assist management in making sound business decisions; and
- RAA's fleet maintenance program was adequately managed.

Possible Duplication of Efforts

One other area reviewed by the auditors was the City's First Responder function. Both the Richmond Fire Department (RFD) and RAA respond to EMS calls. The auditors reviewed calendar year 2010 call data. The data revealed that there were a total of 44,294 calls. RAA arrived at the scene without the RFD for 58% of the calls, while both agencies arrived at the scene for the remaining 42% of the calls, as depicted in the chart below:

Total EMS Calls From DEC



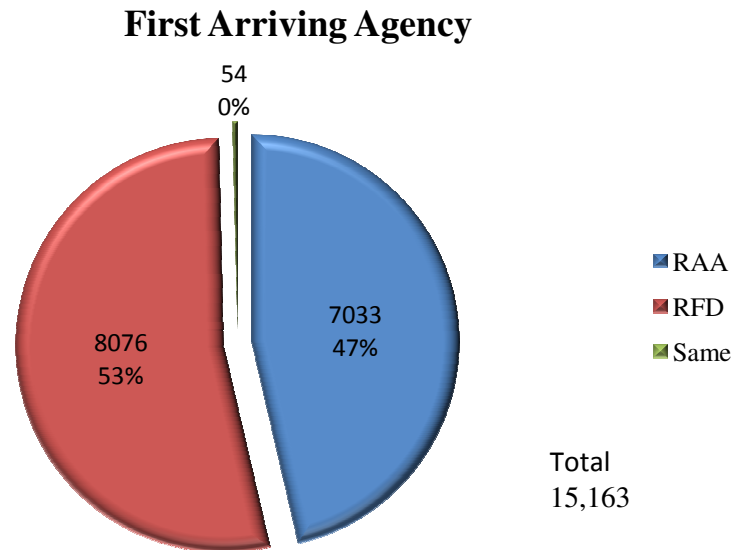
Further analysis (see chart below) revealed that the RFD arrived at the scene first for 53% of the calls when both agencies were notified of the

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incident at the same time. The data also indicated that the RFD left scene within three minutes of their arrival for 19% of the calls they responded to.



RAA provides significant training to their employees, who are capable of handling medical emergencies and transporting patients to medical facilities. At times, RAA needs assistance from the RFD to handle certain emergencies. It appears that there is a potential for duplication of efforts with the First Responder function, since having both RAA and the RFD dispatched may not be necessary. The duplication, if existed, is very costly as there are significant resources invested in personnel, training the employees in both agencies, and the cost of fuel and fleet maintenance. The City Auditor's Office does not have the expertise to properly evaluate this issue. Upon inquiry, the RFD informed the auditors of a current, comprehensive study in process that is expected to study this issue. The auditors read the RFP and it

appears that it does not have specific requirements to evaluate the EMS function performed by both agencies comprehensively. There appears to be a need for such a comprehensive evaluation in order to utilize City resources in the most efficient manner.

Recommendation

4. *Require the City Administration to comprehensively evaluate the EMS functions provided by RAA and RFD in order to eliminate or minimize the duplication of efforts. (This analysis could potentially be performed as part of the current consultant's study of RFD's operations.)*

***Compliance
with Laws,
Regulations,
and Policies***

The RAA has established policies and procedures to ensure compliance with applicable laws and regulations. The auditors obtained documentation related to:

- Client record retention
- EMT and paramedic certifications
- Employee training on the Health Insurance Portability and Privacy Act (HIPPA)

Auditors reviewed a sample of this documentation and determined that:

- RAA complied with record retention policies
- EMT's and paramedics were properly certified
- HIPPA training was properly completed.

Based on the results of the auditor's testing, it appears that RAA established effective policies and procedures to ensure compliance with laws and regulations.

MANAGEMENT RESPONSE FORM
Richmond Ambulance Authority

Appendix A

#	RECOMMENDATION	CONCURREN	ACTION STEPS
1	<i>Develop written policies and procedures for the collection of delinquent accounts and communicate them to all applicable staff.</i>	Y	
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Reimbursement		
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			A written procedure for delinquent accounts was developed as part of the implementation of the new billing system that was activated on July 1, 2011 and staff were trained on the new procedure as part of that implementation.
#	RECOMMENDATION	CONCURREN	ACTION STEPS
2	<i>Periodically monitor staff compliance with the above procedures.</i>	Y	
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Reimbursement		
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			The new billing system that was implemented on July 1, 2011 has schedules and filters to move accounts through the collection process. It also has a reporting module that maintains a dashboard and reports that can be run to review compliance. The Reimbursement Department management team uses the dashboard and reports to monitor staff compliance with the procedures.
#	RECOMMENDATION	CONCURREN	ACTION STEPS
3	<i>Analyze the accounts receivable balance and determine a more realistic annual allowance for doubtful accounts.</i>	Y	
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			For fiscal year 2011, RAA had followed the recommendation of their previous audit firm for the formula for determining the amount of allowance for doubtful accounts. At the end of FY2011, the audit firm of Cherry, Baekert and Holland was engaged for the annual audit and they recommended a different formula. Use of that formula resulted in a large write-off at the end of FY2011, but is expected to give a more accurate net receivables amount going forward. The RAA Finance Department continues to enhance the formula by analyzing the receivable balances monthly, both on a payor basis and on an aging basis, based on the previous quarter's collection rates in each of the categories. Monthly adjustments are made to the Allowance for Bad Debt account and quarterly write-offs to the General Ledger are made for accounts deemed to be uncollectible.

#	RECOMMENDATION	CONCUR Y: N	ACTION STEPS
4	<i>Require the City Administration to comprehensively evaluate the EMS functions provided by RAA and RFD in order to eliminate or minimize the duplication of efforts. (This analysis could potentially be performed as part of the current consultant's study of RFD's operations.)</i>	Y	The City of Richmond Fire Department currently has a consultant performing a Richmond Fire & Emergency Services Comprehensive Master Plan. As a part of the service deliverables they are to analyze the feasibility and methodology for RFES to adopt a fire-based EMS Model, including EMS Transport. Also, they will provide recommendations for alternative models, including staffing and deployment considerations, management oversight, opportunities and challenges that should be considered in adopting such a model. (Comprehensive Master Plan, Scope of Work, Item #6). In addition to this, they will also be looking at a Front Loaded (RRV) model for RAA to assume all First Response activities. By analyzing several different models, the City of Richmond will be able to implement the most effective, efficient and fiscally sound model that will ensure little or no duplication.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Richmond Fire Chief		1-May-12
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION