



Village of Alden

Ambulance Service Billing and Collection

Report of Examination

Period Covered:

June 1, 2013 — July 27, 2016

2016M-321



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2017

Dear Village Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Village Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Village of Alden, entitled Ambulance Service Billing and Collection. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Village of Alden (Village) is located in Erie County, has a population of approximately 2,600 and encompasses almost 2.7 square miles. The Village is governed by an elected Board of Trustees (Board), which is composed of four trustees and the Mayor. The Board is responsible for the general management and control of Village finances. The Village Clerk-Treasurer (Clerk-Treasurer) is the chief fiscal officer and is responsible for maintaining the accounting records and preparing financial reports. The Village budget for the 2016-17 fiscal year is approximately \$2.3 million and is funded primarily with real property taxes, sales tax and State aid.

A squad of volunteer firefighters and emergency medical technicians (EMTs) within the Village Fire Department (Fire Department) operate an ambulance service that provides pre-hospital emergency treatment and transportation for sick or injured individuals to the hospital for treatment. At times, the Fire Department may respond to calls for mutual aid assistance in surrounding areas.

The Village contracts with a third-party billing agent (billing agent), who is paid a specified rate for each case billed for ambulance service pursuant to a written agreement. During our audit period, the Village paid the billing agent approximately \$13,650. The Village also uses a firm (Firm) to perform and enforce the collection of ambulance service billings that remain unpaid more than six months after the date of service, pursuant to a verbal agreement. The Firm bills the Village at a specified rate for hours worked.¹ During our audit period, the Village paid the Firm approximately \$11,850.

The Fire Department provided approximately 130 transports during 2015-16, or two to three calls per week.

Objective

The objective of our audit was to review ambulance service billing and collection procedures. Our audit addressed the following related question:

- Does the Board adequately oversee and monitor ambulance billing and collection to ensure the charges are accurate and the collection process is effective?

¹ During our audit period, the Firm asserted that it charged the Village for only 45 percent of the billable hours worked.

**Scope and
Methodology**

We reviewed ambulance service billing and collection records for the period June 1, 2013 through July 27, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of Village
Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk-Treasurer's office.

Ambulance Service Billing and Collection

The Board should monitor ambulance billing and collection to ensure bills are accurate and amounts due are collected in a timely and effective manner and are accurately accounted for. The Board should monitor the enforcement of unpaid invoices to ensure unpaid and overdue amounts are actively addressed and, upon receipt, properly accounted for and if not, ensure the write off of unpaid accounts is properly approved. One way the Board can monitor ambulance service billing and collection is to routinely review reconciliations of ambulance calls, services provided, amounts billed and collected and any unpaid accounts written off.

The Board did not properly oversee and monitor ambulance billing and collection. Moreover, the Board allowed two third parties to collect Village money.² We identified charges for ambulance services that were inaccurate, unbilled, uncollected, unenforced and unreconciled. As a result, approximately \$13,900 in potential revenue to the Village was not billed (\$6,295), was underbilled (\$5,782) or remained uncollected (\$1,830). This occurred, in part, because the Board had not adopted written policies and procedures for ambulance service billing and collection.

Billing — The Board established billing rates (fees) for ambulance services. There are different fees for basic life support, advanced life support, emergency and non-emergency services and mileage for transportation. Calls for ambulance services are manually logged in the Fire Department's callbook. EMTs complete patient care records (PCRs) for all ambulance service calls and provide copies of the PCRs to the Clerk-Treasurer on a monthly basis. The Clerk-Treasurer forwards the PCRs to the billing agent on a monthly basis. The billing agent creates billing reports, issues billing invoices to patients and collects fees for the services rendered.

We compared the callbook and PCRs to the amounts billed by the billing agent from June 1, 2013 through May 31, 2014, May and June 2015 and January and February 2016 to determine if all services were properly billed and if the amounts billed were accurate. We

² It is our view that, absent express statutory authority, a village may not contract with a third party to perform the clerk-treasurer's function of collecting village money (see e.g., Office of the State Comptroller Opinion 2005-07). General Municipal Law, Section 122-b(2) authorizes municipalities to provide for the collection of ambulance fees by entities furnishing ambulance services under a contract with the municipality, but does not provide similar authority for the collection of such fees by other third parties.

also compared bank statements, the billing agent's payment reports and the Village's accounting system to determine if payments were recorded properly. We identified the following discrepancies:

- Nine transports totaling \$6,295 were not billed. Six of the nine transports totaling \$4,520 were not billed because PCRs were not generated and the other three transports totaling \$1,775 were not billed because PCRs were not forwarded to the billing agent.
- Fourteen transports were underbilled by \$3,590 because the billing agent applied the incorrect rate for basic life support instead of the rate for advanced life support.
- One transport was overbilled by \$400 because the billing agent applied the incorrect rate for advanced life support instead of the rate for basic life support.
- Fifteen transports were underbilled by \$2,192 because the billing agent applied the incorrect rate for mileage under Medicare instead of the rate for mileage approved by the Board.

This occurred because the Village does not reconcile the callbook to PCRs or the PCRs to the billing agent's billing reports to ensure all services are billed in accordance with Board-established rates. The Board should consider assigning a Village employee to handle billing since the volume is small enough not to create a substantial workload. This would save money on contracting costs and make it easier to reconcile PCRs to actual billings. If the Board decides to continue contracting out for this service, it should periodically seek competition.

Collection — The billing agent deposits payments collected into a Village bank account and forwards copies of the deposit tickets to the Clerk-Treasurer, who records the deposited payments in the Village's ambulance fund.³ Invoices that remain unpaid six months after the date of service are transferred from the billing agent to the Firm for collection enforcement. The Firm deposits any receipts from collection enforcement into a trust account, from which the Firm writes checks to the Village. The Firm also makes verbal recommendations to the Board to write off accounts deemed uncollectable. Annually, the Village's external auditor recommends adjustments to the receivables account in the ambulance fund based on the amounts reported as outstanding by the billing agent and the Firm. However, the Board

³ Payments billed to Medicaid and Medicare are deposited directly into a Village bank account.

does not formally approve and document all billing write-offs and adjustments prior to them being made.

Village officials did not reconcile payments collected by the billing agent to the amounts billed or to the accounts that remain unpaid that the billing agent transferred to the Firm. Village officials also did not reconcile amounts paid by the Firm to the Village to the list of unpaid accounts the Firm was responsible to enforce. Additionally, the Village has not entered into a written agreement with the Firm to stipulate the terms and conditions of the services it will provide to the Village and the rate at which the Village will pay for those services. As a result, the Board did not know whether all ambulance services were properly billed, paid, enforced, written off and accounted for.

We reviewed all 13 unpaid accounts that totaled \$7,323 in 2015-16. The Firm indicated three accounts that totaled \$1,830 were outstanding as of July 5, 2016. However, Village officials could not provide documentation to demonstrate whether the remaining 10 accounts that totaled \$5,493 were paid or written off. While the Firm deposited \$3,325 into the Village's account during this period, Village officials could not determine which cases the deposits were made for. As a result, at least \$1,830 remains outstanding and uncollected.

Because the Board does not properly oversee and monitor ambulance billing and collection, potential revenue is not billed, is underbilled or remains uncollected. As a result, the Village is subsidizing the cost of providing ambulance service for patients.

Recommendations

The Board should:

1. Develop and adopt written policies and procedures for ambulance service billing and collection. The procedures should address periodic reconciliations of services rendered, billed and collected and how uncollected accounts are to be handled.
2. Consider assigning a Village employee to prepare billings or, if the service is to be contracted out, the Board should periodically seek competition.
3. Approve and properly document all billing write-offs and adjustments prior to them being made.
4. Consult with the Village Attorney and seek recovery of revenue for individuals not properly billed.
5. Enter into written agreements with vendors that stipulate the

terms and conditions of services it will provide to the Village and the rates at which the Village will pay for those services.

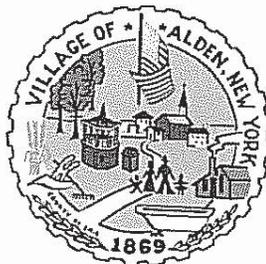
6. Require the Firm to provide itemized documentation to document which transferred accounts are paid or written off.

The Clerk-Treasurer should:

7. Periodically reconcile services rendered, billed, collected, uncollected and Board-approved write-offs and provide these reconciliations to the Board for review.

APPENDIX A
RESPONSE FROM VILLAGE OFFICIALS

The Village officials' response to this audit can be found on the following pages.



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December 12, 2016

Office of the State Controller
Buffalo Regional Office
Att: Jeffrey D. Mazula, Chief Examiner
295 Main St.
Suite 1032
Buffalo, NY 14203-2510

Subject: Audit Response and Corrective Action Plan

Dear Mr. Mazula

On November 22, 2016 Clerk Treasurer Terry Wachowiak and I met with your examiner to review the draft report for Ambulance Service Billing and Collection for the period June 1, 2013 through July 27, 2016. We have shared the results with the Board of Trustees and we acknowledge and agree with the report and its recommendations.

1. We are developing a written policy and procedures for ambulance billing and collection to include reconciliation of services, billing and collections.
2. Billings: The village does not have the expertise to do its own billing and will continue to contract it out. We will seek competitive pricing from other vendors.
3. Billing write offs and adjustments will be documented and approved through board resolution.
4. We will attempt to seek recovery of revenue from individuals not properly billed.
5. We will obtain written agreements from vendors that stipulate terms, conditions and rates for services.
6. We will require our collection agent to provide itemized documentation for accounts paid, written off or for which a judgment has been taken.

Alden "Alive and Growing"

7. As part of our written policy, the Clerk Treasurer will reconcile services rendered, billings, collections and board approved write offs and provide the report to the board for review.

The Board appreciates your assistance in identifying these issues. We will incorporate your recommendations into our written policy.

Sincerely,

Michael G. Manicki
Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective and obtain valid evidence, we performed the following procedures:

- We interviewed Village officials and reviewed Board meeting minutes to gain an understanding of the Village's ambulance service billing, collection, payment enforcement, accounts receivable recording and write-offs.
- We compared the Fire Department's callbook and PCR's to the billing agent's billing reports to assess whether all billable services were properly billed. We judgmentally selected June 1, 2013 through May 31, 2014 because the revenue reported was significantly lower than the revenue reported in 2014-15 and 2015-16. We judgmentally selected all activity in May and June of 2015 because the Board adopted new rates during this time. We judgmentally selected January and February 2016 because they were the most recently completed billing cycles when we began audit testing.
- We compared bank statements and the billing agent's payment reports to the Village's accounting system to assess whether all payments for the samples selected were recorded properly.
- We reviewed year-end accounts receivable adjustments in the ambulance fund to determine whether the adjustments were supported and approved by the Board.
- We reviewed the billing agent's 2015-16 transferred case list to determine whether the cases were properly addressed by the Firm.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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