



Fire Department - Billing Audit Report A2019-05

Issued by the
Internal Audit Office
August 6, 2019

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

EXECUTIVE SUMMARY

The Internal Audit Office has concluded the Fire Department – Billing Audit. Based on the results of the audit, three findings were identified. All three findings are considered significant in nature due to violations of Federal regulations and City procedures.

Listed below is a summary of the findings identified in this report:

1. The El Paso Fire Department does not have a 3rd Party Collection Agency in place to collect accounts that are in default. The Fire Department’s former 3rd Party Collections Agency, Accounts Management Resources (AMR), closed their Texas collection services and stopped accepting accounts on May 1, 2018.
2. The El Paso Fire Department is not checking the U.S. Department of Health & Human Services Office of Inspector General (OIG) List of Excluded Individuals and Entities (LEIE) annually to determine the exclusion status for employees and vendors that provide billing and operation of ambulance transport services.
3. The El Paso Fire Department is not reconciling R1’s Patient Payment Deposit Reports to the City of El Paso’s Wells Fargo account and to R1’s monthly billing invoices to ensure the accuracy of the amounts reported by R1.

For a detailed explanation of the findings, please refer to the individual finding contained in the body of this Audit Report.

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

BACKGROUND

The City of El Paso Fire Department (EPFD) provides Emergency Medical Services (EMS) within the El Paso City and County limits to any person requesting aid. The emergency medical staff transports the individual or individuals to a hospital providing emergency aid and are charged according to the City’s Schedule C Departmental Fee List (see table below). EPFD currently transports approximately 40,000 patients annually.

Fire Department Fee Schedule – Ambulance Fees		
Ambulance Service Revenue Description	FY 2019 Adopted Fees *	Coding guideline:
Base Charge	\$855.00	Base charge for all transports – reimbursement is based on level of care (Basic or Advanced Life Support) and by payer.
Mileage	\$15.00 per mile	Mileage charge from pick-up location to destination.
Response fee	\$143.00	Currently not charged: No charges incurred if an ambulance responds to a 911 call and there is no treatment or transport. (Not all requests for a 911 response are made by the patient, and sometimes there may be several requests for the same incident.)
Scene care	\$65.00	Treatment/No transport: A patient assessment is performed and an expendable item is utilized.
Other – Non-Billable (Not on Schedule C)	\$0	No Treatment/No transport or patient refuses treatment/transport; Patient Assessment/s conducted, but no expendable items are utilized.
Charity Rate (Not on Schedule C)	Varies	If receiving hospital approves a “charity” rate, then R1 RCM reduces billed amount by same percentage.

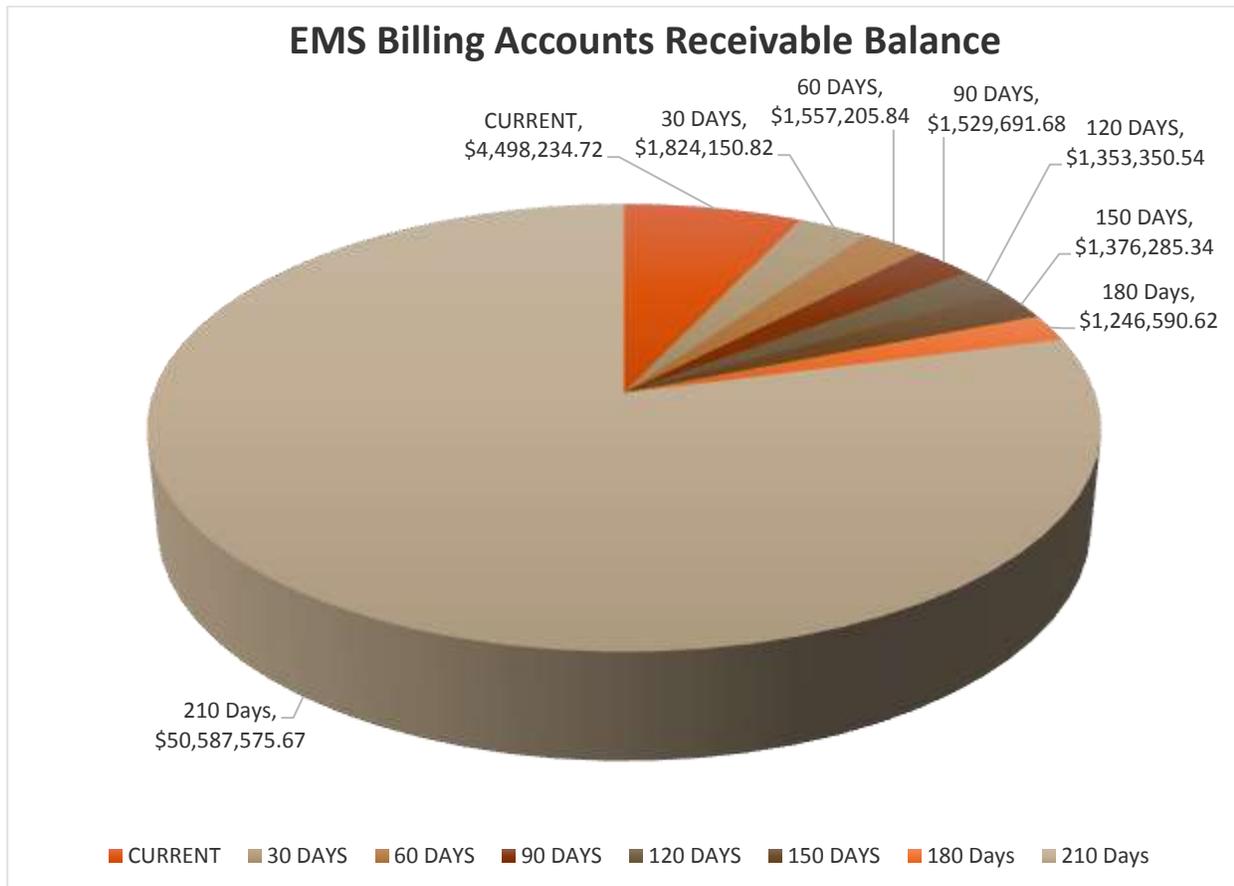
* Only listed fees related to choices available for disposition on an EMS patient care report.

The City of El Paso has partnered with R1 RCM (revenue cycle management) Inc. (formerly Intermedix) for the last eight (8) years to provide a billing and collection system to process, bill, collect and report the current emergency ambulance service fees for transports. R1 is responsible for receiving and translating transport records from EPFD into collectable accounts. This includes locating and billing ambulance service recipients, individual and/or third party clients, filing and collecting from Medicare/Medicaid, private insurance claims and the processing of payments. R1 collects past due and delinquent accounts, resolving fee related inquiries and complaints from ambulance users and reporting all such activity to the City with necessary supporting documents. EPFD is responsible for monitoring the billing, revenue collections, payment processing, compliance and customer services activities related to ambulance transports and the Contractor’s performance.

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

For calendar year 2019, as of 8/19/2019, there have been 28,101 billable incidents with gross charges totaling \$46,856,553.80. As of 7/31/2019, the EMS Billing Accounts Receivable balance processed by R1, the current billing and collection vendor, totaled \$63,973,085.23:

El Paso Fire Department – EMS Billing Accounts Receivable (A/R) Aged Trial Balance as of 7/31/2019		
Age of Account	A/R Balance	Percent A/R
Current	\$ 4,498,234.72	7.03%
30 Days	\$ 1,824,150.82	2.85%
60 Days	\$ 1,557,205.84	2.43%
90 Days	\$ 1,529,691.68	2.39%
120 Days	\$ 1,353,350.54	2.12%
150 Days	\$ 1,376,285.34	2.15%
180 Days	\$ 1,246,590.62	1.95%
210 Days to 5 years (2014)	\$ 50,587,575.67	79.08%
Total:	\$ 63,973,085.23	100%



**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

AUDIT OBJECTIVES

The objectives of the Fire Department – Billing Audit were to:

- Assess the adequacy and performance of designated control activities in place to capture, bill, and collect emergency transportation and related services fees,
- Determine adherence to contract terms and conditions listed in contract 2016-385R between the City of El Paso and Intermedix, applicable laws, regulations, and internal policies and procedures,
- Assess the overall monitoring of EMS billing to include reporting and oversight.

AUDIT SCOPE

The scope of this audit included:

- Reviewing R1 RCM EMS transport billing and reporting activities for Fiscal Year 2019,
- Evaluating the Fire Department’s monitoring of EMS billing for Fiscal Year 2019,
- Reviewing self-pay accounts and non-transport incidents for the month of September 2018,
- Reviewing accounts receivable returned for cancelation for the month of March 2019.

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Obtained an understanding of Contract 2016-385R between the City of El Paso and R1 RCM, El Paso Fire Department Compliance Plan, and El Paso Fire Department Ambulance Billing and Collection Policy dated 9/15/2015,
- Conducted interviews with R1 RCM and Fire Department management and staff,
- Reviewed R1’s and Fire Department’s applicable Policies and Procedures related to:
 - Billing and collection efforts for self-pay accounts and non-transport incidents,
 - OIG exclusion list screening,
 - Charging off uncollectable accounts,
 - Reporting uncollected accounts to the Credit Bureau,
 - Reports and oversight.
- Conducted a review of self-pay EMS transports for the month of September 2018,
- Conducted a review of non-transport incidents for the month of September 2018,
- Conducted a review of a sample of accounts receivable returned to the City of El Paso for cancellation/charged-off in the month of March 2019,
- Evaluated the Fire Department’s reconciliations of EMS Billing Collection deposits and invoices.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

Third Party Collection Agency

City of El Paso Strategic Plan:

- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.13 *Maintain systems integrity, compliance and business continuity.*

El Paso Fire Department Ambulance Billing and Collection Policy dated 9/15/2015

- Section 1.3 *For the purpose of this policy all reference from this point forward to... “3rd Party Collections Agency” shall refer to AMR Collections Agency or the current vendor.*
- Section 1.6.2 *In general, unless there has been evidence of good faith consistent monthly payments, accounts at least 180 days from the date the account has been identified as self pay and no more than two years of date of service the account will be referred to a 3rd Party Collection Agency.*
- Section 1.7 *180 Days to 2 Years El Paso Fire Department will approve the referral of an account to the 3rd Party Collection Agency...Upon referral to Collection Agency accounts will have the additional 21% late fee set forth in City Ordinance assessed to each account. 3rd Party Collections Agency will report uncollected accounts to a Credit Reporting Bureau...*

The El Paso Fire Department does not have a 3rd Party Collection Agency in place to collect accounts that are in default. The Fire Department’s former 3rd Party Collections Agency, Accounts Management Resources (AMR), closed their Texas collection services and stopped accepting accounts on May 1, 2018.

With no 3rd Party Collection Agency in place, accounts in default are not:

- actively collected on past 180 days,
- assessed a 21% late fee as required by City Ordinance,
- reported to a Credit Reporting Bureau as required by policy.

Recommendation

The El Paso Fire Department should have a 3rd Party Collection Agency under contract so that accounts that are in default are:

- actively collected on once they exceed 180 days past due,
- assessed a 21% late fee as required by City Ordinance,
- reported to a Credit Reporting Bureau as required by the *El Paso Fire Department Ambulance Billing and Collection Policy*.

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

Management's Response

The Fire Department submitted the request to Purchasing and Strategic Sourcing in August 2019 to revise the scope of work with the current vendor, R1 Solicitation 2016-385R Transport Medical Billing, Collections & ePCR Service for the removal of Third Party Collections. The Fire Department will work with Purchasing and Strategic Sourcing to procure services for Third Party Collections.

Responsible Party

Deborah Olivas, Public Safety Fiscal Operations Administrator
Terry Kebschull, Assistant Fire Chief

Implementation Date

November 15, 2020

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

Finding 2

OIG Exclusion List Screening

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.13 *Maintain systems integrity, compliance and business continuity.*

El Paso Texas Fire Department Compliance Plan approved on February 4, 2016:

Standards and Procedures: *Specific areas associated with compliance as related to billing and operation of ambulance transport services include, but may not be limited to, the following:*

- *Perform documented OIG Exclusion List pre-employment screening and ongoing checks at intervals of no less than annually for all employees of El Paso Fire Department, City of El Paso personnel having duties related to or associated with the El Paso Fire Department, and vendors contracted with El Paso Fire Department, to assure they are not on the OIG exclusion lists and will employ or contract with only those who are not excluded from participating in federal health care programs.*

Special Advisory Bulletin on the Effect of Exclusion from Participation in Federal Health Care Programs Issued May 8, 2013 by the U.S. Department of Health & Human Services:

- *Exclusion From Federal Health Care Programs: Excluded individuals are prohibited from providing transportation services that are paid for by a Federal health care program, such as those provided by ambulance drivers or ambulance company dispatchers...Excluded persons are prohibited from furnishing administrative and management services that are payable by the Federal health care programs. This prohibition applies even if the administrative and management services are not separately billable. For example, an excluded individual may not serve in an executive or leadership role... an excluded individual may not provide other types of administrative and management services, such as health information technology services and support, strategic planning, billing and accounting, staff training, and human resources, unless wholly unrelated to Federal health care programs.*

The El Paso Fire Department is not conducting annual personnel checks against the U.S. Department of Health & Human Services Office of Inspector General (OIG) List of Excluded Individuals and Entities (LEIE) for individuals that provide services related to the billing and operation of ambulance transport services. The El Paso Fire Department conducts pre-employment screenings against the U.S. Department of Health & Human Services OIG LEIE for new-hire candidates and personnel entering the Paramedic training program.

Annual screenings are not being conducted for:

- all El Paso Fire Department employees,
- City of El Paso personnel having duties related to or associated with the billing and operation of ambulance transport services (e.g., members of the EMS Billing Compliance Committee, ambulance dispatchers, personnel that provide administrative and management services to the Fire Department),
- Vendors that provide services related to the billing and operation of ambulance transport services (e.g., R1 RCM Inc., Fitch & Associates, LLC).

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

Recommendation

The El Paso Fire Department should ensure annual personnel checks are conducted against the U.S. Department of Health & Human Services OIG LEIE for employees and vendors that provide services related to the billing and operation of ambulance transport services.

Management's Response

February 4, 2016 a General Order (GO) was issued which requires employees who are notified by the OIG that they have been placed on the OIG Exclusion list to notify their supervisor immediately. This information is then reported to the Fire Chief through the chain-of-command. This GO has been incorporated in the department's SOPs (Volume 1: Administrative Policies, Section 1: Reporting Responsibilities, paragraph 15).

Fire Human Resources performs a pre-employment screening against the List of Excluded Individuals/Entities (LEIE) for all firefighter applicants. This is documented on their Background Investigation Information Sheet.

All future applicants, including non-uniformed, will be included in the LEIE screening process. Non-uniformed employees screenings will be documented by printing the Exclusions Search Results page and attaching it to their employment file.

All fire department employees and vendors that provide services related to the billing and operation of ambulance transport services will be screened against the LEIE every January. Documentation of these screenings will be kept on the Fire Department's Public drive.

Responsible Party

Terry Kebschull, Assistant Fire Chief

Implementation Date

A General Order has been issued to Fire HR, Finance, and Fire Medical Research effective 10/29/2019. The vendor and Internal Auditor screenings have been completed. The Fire Department employee screening is 80% complete and will be done by November 8, 2019.

All future screenings will be completed annually during the month of January.

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

Finding 3

Reconciliation of EMS Billing Collections

City of El Paso Strategic Plan:

- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.13 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Accounts Payable Policy dated September 2018

- Section 5.4.4 *The document should also be footed and cross-footed to ensure the accuracy of the calculations made by the vendor.*
- Section 5.5 *All invoices should be reviewed for compliance with approved agreement amounts and terms prior to payment. All invoices should follow the PO terms.*
- Section 5.5.1 *The supervisor, or authorized official should review and sign off on the document to ensure that there is compliance with the contract or quoted prices.*

The El Paso Fire Department is not reconciling R1’s Patient Payment Deposit Reports to the City of El Paso’s Wells Fargo account and to R1’s monthly billing invoices to ensure the accuracy of the calculations made by R1. Gross receipts from transport fees are deposited daily into the City of El Paso’s Wells Fargo account. The Fire Department is invoiced a Commission Fee based on collections/deposits for the month.

- There is no reconciliation between the daily deposits reported by R1 to actual deposits posted to the City of El Paso’s Wells Fargo account.
 - Variances are identified by the Fire Department Public Safety Fiscal Operations Administrator, but the cause of the variances are not noted nor communicated to R1 for resolution.
 - Reconciliations are not conducted monthly. For FY2019, the Fire Department only conducted three (3) monthly reconciliations. The following unexplained variances were noted in the three (3) monthly reconciliations provided by the Fire Department:

Month of Reconciliation	Variance Amount
October 2018	(\$3,637.30)
December 2018	\$851.30
June 2019	(\$1,308.42)
Total:	(\$4,094.42)

- Invoices for R1’s EMS Billing Collection services are not footed and cross-footed to indicate the verification of the accuracy of the vendor’s calculations as required by the *City of El Paso Accounts Payable Policy*.

Recommendation

The El Paso Fire Department should:

- Reconcile R1’s Patient Payment Deposit Reports to the City of El Paso’s Wells Fargo account and to R1’s monthly billing invoices to ensure the accuracy of the calculations made by the vendor,
- Communicate noted variances identified during reconciliations to R1 for resolution,
- Foot and cross-foot invoices as required by the *City of El Paso Accounts Payable Policy*.

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

Management's Response

On Friday, October 18, 2019, the Fire Department requested that R1 provide the Payment Deposit Reports on a monthly basis to conduct the monthly reconciliations.

Fire will identify and communicate all variances to R1 and document the response from R1. Reconciled reports and responses will be kept on the Fire Department drive.

Invoices will be footed and cross-footed.

Responsible Party

Deborah Olivas, Public Safety Fiscal Operations Administrator
Gustavo Tavaréz, Battalion Chief of Fire Medical Research

Implementation Date

October 2019

**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the Fire Department – Billing Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether R1 RCM and the El Paso Fire Department met the objectives of this audit. Based on our audit work, we have determined that:

1. R1 RCM met the audit objectives in the following areas:
 - Establishing the control activities necessary to bill and collect the City of El Paso’s emergency transportation and related service fees,
 - Establishing a reporting system that enables the Fire Department to monitor performance,
 - Adhering to contract terms listed in contract 2016-385R between the City of El Paso and R1, applicable laws, regulations, and internal policies and procedures specific to the billing and collection of ambulance transport services.
2. The Fire Department met the audit objectives in the following areas:
 - Establishing control activities to capture the emergency transportation data necessary to bill and collect related service fees.
3. The Fire Department did not meet the audit objectives in the area of overall monitoring of EMS billing by not:
 - Contracting with a 3rd Party Collection Agency for the collection of delinquent accounts,
 - Conducting annual screenings against the U.S. Department of Health & Human Services OIG List of Excluded Individuals and Entities,
 - Reconciling R1’s Patient Payment Deposit Reports to the City of El Paso’s Wells Fargo account and to R1’s monthly billing invoices to ensure the accuracy of the calculations.

We wish to thank R1 RCM and the El Paso Fire Department management and staff for their assistance and courtesies extended during the completion of this audit.

Signature on File

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA
Chief Internal Auditor

Signature on File

Liz De La O, CFE, CIA, CGAP, MPA
Auditor III

Signature on File

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**City of El Paso
Internal Audit Office
Fire Department - Billing Audit A2019-05**

Robert Cortinas, Chief Financial Officer