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Winnipeg

Ambulance Revenue Audit

Final Report

April 2007

Audit Department

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Mandate of the City Auditor

The City Auditor is a statutory officer appointed by City Council under the *City of Winnipeg Charter Act*. The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City Administration. The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring Civic Administration's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations. Once an audit report has been communicated to Council, it becomes a public document.

Audit Background

The City of Winnipeg received just under $14 million in 2005 in revenue generated from ambulance fees. In addition, the accounts receivable, with respect to ambulance fees in 2006, was just over $10 million. The collection of this revenue is managed primarily by the Winnipeg Fire Paramedic Services Department (WFPS). The Water and Waste Department collects fees on behalf of the WFPS as part of its cashier services located at 510 Main Street and 615 Des Meurons.

The Audit Department selected ambulance fees for review based on the potential for control risks and exposures related to revenue collection. The overall objective of the review was to determine whether the WFPS has appropriate controls in place to reduce the likelihood of revenue losses.

Audit Objectives

The objectives of this review are

- To evaluate the effectiveness of controls in place to mitigate the risk of fraud, theft or error for ambulance revenue, and
- To identify opportunities to improve financial and administrative controls and provide the Winnipeg Fire Paramedic Services management with recommendations to improve the revenue collection processes for ambulance fees.

Audit Scope

The period of review was from December 1, 2005 to September 30, 2006. The review covered the revenue collection processes including billing, cash handling and collection, receivables, accounting, and reporting.

The review focused on whether the controls are adequate to provide reasonable assurance that

- all revenues are collected;
- financial assets are safeguarded;
- compliance with statutory requirements and established policies and procedures is achieved; and
- systems and processes in place are efficient, economical and make effective use of resources.

Audit Approach

The Audit Department engaged the assistance of KPMG to lead the review. A team consisting of staff from the Audit Department and KPMG performed the review.

The team conducted the review through a series of interviews with key staff to determine the processes and controls around the collection and reporting of revenue. An internal control matrix was developed against the objectives of the review. These controls were tested to determine whether they were working as intended and to identify potentially missing controls.

Acknowledgement

The Audit Department wants to extend its appreciation to the management and staff from the Winnipeg Fire Paramedic Service who participated in the review. In addition, we acknowledge the assistance provided by KPMG LLP.

Members of the Audit Team
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Date

Summary Observations

Strengths

The following strengths were identified:

- Access to write off accounts appears appropriately restricted.
- Council approves the ambulance billing rates.
- Multiple reconciliations are being performed to provide assurance that the collecting, recording and depositing of payments is accurate, although sign-off by those performing the reconciliation needs improvement.

Areas for Improvement:

The following areas for improvement were identified:

- Controls over determining accounts to be written appear to be informal. Policies should be developed and approved to provide consistency and transparency for amounts written off. Senior officers should approve the allowance for bad debts. Evidence of the review and approval of the allowance should be documented and retained.
- The growing receivable balance, due to certain accounts in dispute (these accounts total several million dollars), has created a significant restriction on cash flow and could result in cash flow deficiencies if not resolved in a timely manner. WFPS has had legal counsel involved in settling the dispute. However, there continues to be uncertainty as to who is responsible for these payments. Due to the significant amounts involved, the duplication of effort required in billing, and the continued uncertainty, proposed actions to be taken to resolve this dispute should be reported to Executive Policy Committee.
- Segregation of duties in the handling of the payments, receipt of cash, applying of payments and creating deposits needs to be improved.
- For a number of controls identified, although we were able to observe the performance of the control, no physical evidence was available to test if the control operated effectively throughout the period of review. Evidence of performance of control should be documented and retained when control activities are performed.
- Controls over the completeness of patient care reports needs to be strengthened.

Conclusion

Overall, we found a number of good controls in place over the completeness, validation, existence, and safeguarding of assets; however, a significant number of these controls didn't have clearly documented evidence of the performance of the control. For these controls to be effective, the Winnipeg Fire Paramedic Service should consistently document and retain the evidence of performance of the controls. This will allow management to more effectively monitor the performance of control activities.

The resolution of the accounts receivable in dispute needs to be addressed as the balance in dispute is substantial.

We have made 20 recommendations to improve the controls over ambulance revenue. The Winnipeg Fire Paramedic Service Department has agreed to implement these recommendations. A summary of these recommendations and management responses can be found in the next section of this report.

Summary of Recommendations and Management Responses

We provided the Winnipeg Fire Paramedic Service with a detailed report that included the controls we tested, our observations on the functioning of these controls and recommendations to enhance controls where we believe improvement is required. An excerpt from this report is attached as Appendix 2. Provided below are the recommendations to enhance control and the Winnipeg Fire Paramedic Services responses to our recommendations. The recommendations are grouped by control objective.

Control Objective: All revenues and receivables are accurately and completely recorded.

Recommendation 1
We recommend that Medical Supervisors document their review of the Patient Care Report (PCR) on all PCR forms.

Management Response
Agree.

Recommendation 2
We recommend that the Revenue Supervisor formally document and retain evidence of the review of the random PCR checks where she reviews bills entered into the system and compares them to the corresponding PCRs.

Management Response
Agree. The Revenue Supervisor will document, as well as initial and date her findings when reviewing PCRs.

Recommendation 3
We recommend that all discrepancies between the Great Plains call log and the Billing Summary report from the APC system be investigated and results documented.

Management Response
Agree. The Revenue Supervisor will complete a form, once billing has been run, that documents how many PCRs were entered into the billing system, whether any invoices failed to be brought into Great Plains, as well as her initials that invoices not brought into Great Plains through the APC system have been manually created in Great Plains.

Recommendation 4
We recommend that the Revenue Supervisor document evidence of review of the billing error report in all cases (including when no errors are listed on the report). Evidence of follow-up of errors should be documented to provide evidence of the work being performed.

Management Response
Agree. The Revenue Supervisor will initial the billing error report, once follow-up has been completed.

Recommendation 5
We recommend that the person performing the reconciliations between the

- PCR records and the Ambulance Patient Care (APC) system,
- the adjustment sheet to the payment log from the Great Plains system,
- the Cash report to the cash receipts, and
- the collection agency receipts to the Great Plains system,

initial the reconciliation to indicate who performed the work. This will provide management the ability to identify who performed the work and to ensure appropriate segregation of duties is maintained.

Management Response
Agree. The person performing the reconciliation will initial the reconciliation.

Recommendation 6
We recommend that evidence of the review performed by the Revenue Supervisor of the accounting reconciliations be consistently documented.

Management Response
The Revenue Supervisor will initial the reconciliations, once completed.

Recommendation 7
We recommend that the Manager of Finance and Administration document and retain evidence of the monthly review of the reasonability of revenue based on PCRs processed.

Management Response
Agree

Recommendation 8
We recommend that WFPS continue to monitor cancelled calls and to document evidence of that review. In addition, we recommend that WFPS develop a process to track changes to service type that were made by staff and to document evidence of that review.

Management Response
Agree. Revenue Supervisor will monitor calls that have been cancelled or designated as Treatment No Transfer in the APC system and will document evidence of that review.

Recommendation 9
We recommend that evidence of the Revenue Supervisor's daily review of the voids batch report be documented and retained daily and not only when there are errors. This will provide management the ability to evaluate the effectiveness of the control.

Management Response
Agree. The Revenue Supervisor will initial all void and rebill reports, once reviewed, and retain.

Recommendation 10
We recommend the Treatment no Transport procedure fee listing be reviewed and approved by Senior Management. This review and approval of the listing should be performed annually in order to keep the listing current and rates charged appropriate.

Management Response
Agree.

Recommendation 11
We recommend the Manager of Finance and Administration review the annual reconciliation preformed by the Revenue Supervisor of the Council approved billing rates with the rates entered into the billing system.

Management Response
Agree. Once the rates are reconciled, the Revenue Supervisor will give the report of rates entered to the Manager of Finance and Administration who will initial the report, once reviewed.

Control Objective: Revenue and receipts are recorded in the appropriate GL accounts.

Recommendation 12
We recommend that the Revenue Supervisor document and retain evidence of the performance of the reconciliation between PeopleSoft Journal entry and the Great Plains Summary.

Management Response
Agree. The Revenue Supervisor will initial the Great Plains journal entry, once it has been reconciled to PeopleSoft.

Control Objective: All receipts are safeguarded from misappropriation or destruction.

Recommendation 13
We recommend that the safe be locked at all times when the Senior Payment Clerk is not at her desk in order to limit the risk of misappropriation of receipts.

We also recommend that the Clerk Typist take the payments received by mail out of her in-box immediately upon receipt and place them in a more secure area on her desk. When payment processing has been completed, payments should be immediately placed into the safe.

Management Response
Agree.

Control Objective: Only authorized write-offs of accounts receivable occur

Recommendation 14
We recommend write-offs be delegated to a staff member and reviewed and approved by the Manger of Finance and Administration or performed by the Manager of Finance and Administration and reviewed by the Deputy Chief of Support Services.

Management Response
Agree. Write-offs will be reviewed and approved by the Fire and Paramedic Chief as the Manager

of Finance and Administration reports directly to the Fire and Paramedic Chief.

Recommendation 15
We recommend that a policy for the write-off of doubtful accounts receivable be developed and approved by management. This should result in transparency and greater consistency in the write-off of doubtful accounts.

Management Response
Agree. A formal policy for the write-off of doubtful accounts receivable will be developed and approved by management.

Recommendation 16
We recommend management review and approve the listing of accounts prior to sending them to the collection agencies. Evidence of the review should be documented and retained.

Management Response
Agree. The Manager of Finance and Administration will review the lists sent to the collection agencies

Control Objective: Allowance for doubtful accounts has been recorded at the appropriate amount.

Recommendation 17
We recommend that WFPS continue to work with Legal Services to create an approved policy for accounting for the patients whose accounts are dispute with a certain organization.

Management Response
Agree, partially. It is still difficult to determine which accounts are being rejected by the organization since they are not forthcoming with information despite repeated efforts by the City. The Chief Financial Officer is intimately familiar with the situation. Corporate Finance and WFPS are continuing to work together to try and get a satisfactory resolve to this issue.

Recommendation 18
Due to the significant amounts involved for the accounts in dispute, WFPS should document the issues and a prepare a proposed plan of action for resolution and present this information to EPC to obtain direction and assistance in dealing with the various government departments in order to come to a resolution of the matter.

Management Response
WFPS has presented this issue to the CAO and would be prepared to present it to EPC if asked.

Recommendation 19
The Chief of WFPS or the Corporate Controller should approve the year-end allowance for doubtful accounts. Evidence of approval should be documented and retained.

Management Response
Agree. Presently the Corporate Controller is involved in the decision on the level of the allowance for doubtful accounts. Evidence of approval will be documented and retained. The year-end allowance for doubtful accounts is also reviewed by the external auditors charged with the audit of the Emergency Medical Response and Inter-facility Transfer Service financial statements.

Control Objective: Proper segregation of duties between cash collection, recording and depositing exists.

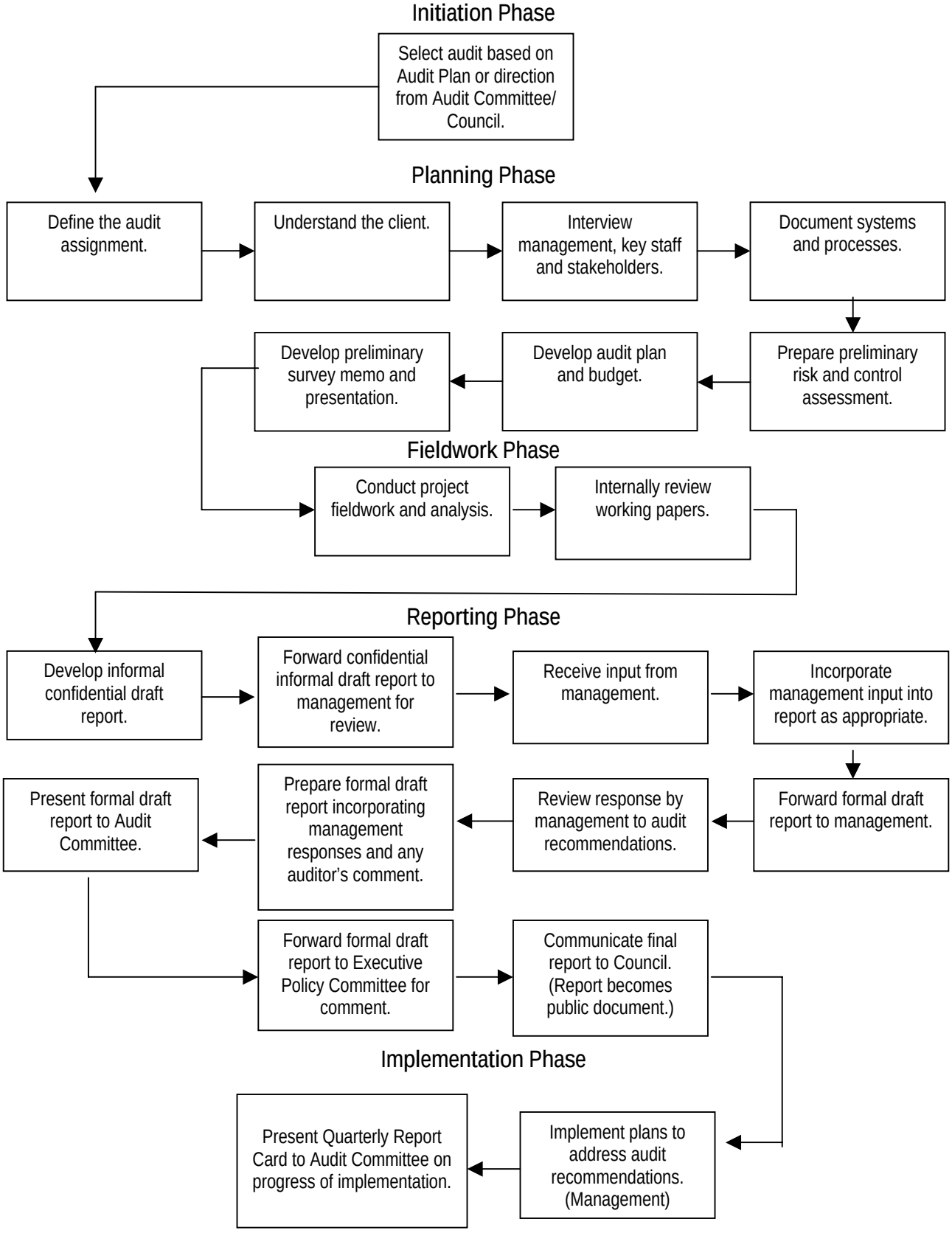
Recommendation 20
We recommend the collection of payments be performed by an employee other than the employee responsible for recording the payment. In addition, it is recommended an employee other than the one responsible for recording the payments create and take the deposit to Treasury. Appropriate segregations will provide stronger control over possible misappropriation of cash.

Alternatively, supervisory review or dual signoff of the recording of the deposit could be implemented.

Management Response
Agree. The collection of payments will be performed by the Senior Collections Clerk and the Collections Clerk. The Senior Payments Clerk will continue to create the deposit but will be supervised by the Revenue Supervisor when she does so. The deposit will be taken to Treasury by the Collections Clerk.

The Revenue Supervisor will signoff the recording of the deposit.

Appendix 1: Audit Process



Appendix 2
Excerpt from Ambulance Revenue Report to Winnipeg Fire Paramedic Service

Objective		Controls	Observation	Recommendation	Management Response
1	All revenue and receivables are completely and accurately recorded.	The medical supervisors review all the PCRs (Patient Care Report) picked up in their entirety to verify they have been filled out completely and correctly.	We inspected transport-no-treatment (TNT) PCRs for indication of review and noted that evidence of review was not consistently documented and it was indeterminable as to who performed the review. We inquired with Revenue Supervisor and noted that the Medical Supervisor's only indicate the type of TNT about 5% of the time.	We recommend that Medical Supervisor's document their review of the PCR's on all PCR forms.	Agree.
		The Revenue Supervisor performs random checks where she reviews bills entered into the system and compares them to the corresponding PCR to verify the billing information and procedures have been correctly entered into the system.	We inquired with the Revenue Supervisor and noted that the Revenue Supervisor does not document evidence of review of the random checks performed. With no documented evidence available, we were unable to evaluate frequency and effectiveness of the random PCR reviews.	We recommend that the Revenue Supervisor formally document and retain evidence of the review of the random PCR checks. This will provide management with evidence of the performance and frequency of the control activity. WFPS could consider implementing the use of a checklist that lists the PCR's selected, procedures performed, and initials and date of who performed the work.	Agree. Revenue Supervisor will document, as well as initial and date, her findings when reviewing PCRs.
		The Senior Billing Clerk manually prepares the billing batch control record from the daily PCR records and reconciles the billing batch control record with the Summary report generated by Ambulance Patient Care (APC) system, daily.	We inspected a selection of billing batch control records for evidence of reconciliation with the Summary report generated by APC and noted that the reconciliations are being performed. However, there was no evidence indicating who performed the work.	We recommend that the person performing the reconciliation initial the reconciliation to indicate who performed the control. This will provide management the ability to identify who performed the work and evaluate the effectiveness of the control.	Agree. The person (Senior Billing Clerk or Revenue Supervisor) performing the reconciliation will initial the billing batch control record.