

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Billing and Recording of Ambulance Transport Fees By the Fire Department

MG04-054A

June 30, 2005



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the billing and recording of ambulance transport fees by the Fire Department of the City of New York (FDNY).

The results of our audit, which are presented in this report, have been discussed with Fire Department officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that the Fire Department and other City agencies, either internally or through contracted vendors, accurately bill for services and maintain accurate accounting records of funds due the City.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@Comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/fh

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*The City of New York
Office of the Comptroller
Bureau of Management Audit*

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AUDIT IN BRIEF

We conducted an audit of the billing and recording of ambulance transport fees by the Fire Department of the City of New York (FDNY). The FDNY is the primary provider of pre-hospital emergency care and ambulance transport of patients in New York City. Each year, the FDNY Emergency Medical Service (EMS) Command responds to approximately one million calls for medical assistance, resulting in 600,000 or more ambulance transports to hospitals.

On August 1, 2002, the FDNY contracted with Accordis, Inc. (Accordis), a division of HMS Holding Corporation, to provide medical billing, insurance determination, and collection services in regard to medical claims for ambulance transports. The goal of the contract was to create greater effectiveness in the billing and collection of transport fees and their related processes.

Audit Findings and Conclusions

A New York State Comptroller's audit issued in 2000 noted many deficiencies in the FDNY billing and collection process of ambulance transport fees. The FDNY has made progress in addressing many of these deficiencies and has made improvements in the billing and collection processes. Specifically, the billing process has been made more efficient, backlogs in the processing and billing of transports have been reduced, revenues from transport-fee billings have increased, and collection procedures have been implemented. However, in an effort to optimize its revenue management and to further enhance efficiency in the billing of EMS transport fees, the FDNY should address certain weaknesses that we uncovered.

The FDNY lacks adequate controls over its accounts receivable to ensure that the total amount of outstanding ambulance transports fees are accurately reported. Consequently, the FDNY cannot be assured that its total accounts receivable are reported fairly, that collection efforts are correctly allocated, and that there is no further pursuit of account balances deemed uncollectible.

In addition, the FDNY and Accordis have not complied with or applied existing policies and procedures as they pertain to account adjustments and write-offs of delinquent debt deemed

uncollectible. Also, the FDNY lacks adequate procedures to ensure the proper resolution of unapplied payments and to ensure the reconciliation, investigation, and resolution of differences resulting between reported bank cash receipts and payment postings. Further, the FDNY lacks adequate reports and measures to determine the accurate amount and age of its outstanding ambulance transport fees receivable, such as procedures to estimate uncollectible accounts and to state receivables at their net realizable value.

We also identified weaknesses in the pre-billing process of ambulance transports. The FDNY does not monitor or reconcile Ambulance Call Report (ACR) numbers to ensure that all such reports are accounted for and are subsequently processed and billed. We also noted that the FDNY does not have adequate procedures for monitoring Accordis's performance.

Finally, we had concerns regarding Accordis's information-processing controls. Accordis did not provide sufficient evidence to demonstrate that adequate disaster recovery plans were in place and that independent monitoring of its information-processing controls is conducted using such instruments as periodic audits, reviews, or surveys.

Audit Recommendations

To address these issues, we recommend that the FDNY should:

- Establish proper monitoring and controls over the receipt, return, and processing of the ACRs at all stages of the processing. Proper accounting should be given for ACRs that have not appeared in the billing system after a reasonable period.
- Develop and implement formal, written policies and procedures for monitoring and controlling ACRs throughout all stages, from distribution through to their final processing.
- Work with Accordis to develop a program to reconcile and identify missing ACRs.
- Ensure that ACRs are submitted to and processed by the Revenue Unit in a timely manner.

We also recommend that the FDNY, in conjunction with its vendor Accordis, should establish and implement formal, written procedures to ensure that:

- Closed accounts are appropriately adjusted in compliance with FDNY *Business Rules* so that account balances are accurately reported.
- The FDNY write-off policy and *Business Rules* are appropriately implemented with respect to account write-offs.
- All entries for unidentified payment remittances that remain on the unapplied report and that are not applied to patient accounts are appropriately resolved, controlled, documented, and reconciled on a periodic basis.

Further, we recommend that the FDNY should:

- Require monthly, aged accounts-receivable trial balances from Accordis. In addition to serving as a management tool to monitor and report total receivables, the report should also be used to monitor Accordis's performance.
- Determine a reasonable estimate of uncollectible accounts in order to calculate the net realizable value of accounts receivable for reporting and management purposes. This estimate should be reviewed and updated periodically, based on historical data.
- Ensure that differences resulting between cash receipts reported by the bank and payment postings reported by Accordis are appropriately reconciled, investigated, and resolved.
- Implement formal, written procedures that clearly establish the FDNY Revenue Unit's roles and responsibilities and set forth expectations (benchmarks), controls, and practices for monitoring vendor performance to ensure that Accordis's activities are carried out efficiently and in a timely manner. These procedures should include ongoing monitoring and reporting on Accordis's adherence to specified benchmarks.
- Implement a continuous measurement and monitoring system to continuously monitor and assess its own, as well as Accordis's, operational effectiveness and performance under the contract. The system should incorporate measurable goals in terms of the FDNY-Accordis contract, and allow the FDNY to track, manage, and measure strategic and operational performance and provide feedback. It should also provide for ongoing examination and monitoring of compliance with contractual requirements.
- Require that Accordis develop a formal disaster recovery plan to ensure that FDNY data is adequately protected in the event of a disaster or unplanned disruption in operating capabilities.
- Require that Accordis provide annual verification of the review or testing of its disaster recovery plan.
- Require that Accordis provide verification of an annual independent review or audit of its information-processing controls.

FDNY Response

The matters covered in this report were discussed with FDNY officials during and at the conclusion of this audit. A preliminary draft report was sent to FDNY officials and discussed at an exit conference held on May 13, 2005. On May 27, 2005, we submitted a draft report to FDNY officials with a request for comments. We received a written response from FDNY officials on June 13, 2005. In their response, FDNY officials generally agreed with 12 of the 15

recommendations made in this audit and disagreed with the other three that were associated with the lack of controls over ACRs, the failure to enforce the FDNY write-off policy, and the implementation of formal written procedures that clearly establish the FDNY Revenue Unit's roles and responsibilities.

The full text of the FDNY response is included as an addendum to this report.

INTRODUCTION

Background

The Fire Department of the City of New York (FDNY) protects the lives and property of New York City residents and visitors as first responders to fires, public safety and medical emergencies, disasters, and terrorist acts. The FDNY advances public safety through its fire prevention, investigation, and education programs, and in adopting rules to establish fire safety requirements, including permit and certificate requirements.

Upon the transfer of the City's Emergency Medical Services (EMS) from the New York City Health and Hospitals Corporation (HHC) to the FDNY on March 17, 1996, the FDNY became the primary provider of pre-hospital emergency care and ambulance transport of patients in New York City.

The FDNY EMS Command annually responds to approximately one million calls for medical assistance received through the City's emergency 911-telephone system that result in 600,000 or more ambulance transports to hospitals. For Fiscal Year 2003, the FDNY budget for EMS operations totaled \$150.7 million: \$135.4 million in personal services and \$15.3 million in other than personal services.

The FDNY Revenue Management Unit (Revenue Unit) is responsible for overseeing the billing and collection of ambulance transport fees. Of all EMS ambulance transports made annually, approximately 70 percent is billable to Medicare, insurance companies, and patients. The remaining 30 percent of these transports is not billable; these transports are for patients covered by Medicaid,¹ prisoners, and unidentifiable persons. From January 1 through December 31, 2003, the FDNY had initial billings of \$193,622,827 for 423,469 total billable EMS ambulance transports. For the same period, the FDNY reported payment receipts totaling \$40,732,638.

In 2000, the Office of the New York State Comptroller (the State) conducted an audit of the FDNY billing and collection of EMS ambulance transport fees.² The State's audit determined that the FDNY had significant weaknesses in, and lacked adequate controls, policies, and procedures over, its billing and collection processes and activities. The audit found that the HHC Shared Medical Systems (SMS) computer system, used at the time by the FDNY in the billing of EMS ambulance transport fees, was unreliable.

To address the weaknesses and deficiencies cited in the State audit, on August 1, 2002, the FDNY contracted with Accordis, Inc. (Accordis), a division of HMS Holding Corporation, to provide ambulance transport billing and collection services. The contract totals approximately \$27 million and is for the term of September 15, 2002, through September 16, 2007. As of

¹ The City receives a flat sum from New York State each year for hospital transport services throughout the five boroughs provided to Medicaid-eligible patients.

² State of New York, Office of the State Comptroller, Division of Management Audit and State Financial Services, *Fire Department of the City of New York Billing and Collection of Emergency Medical Services Fees*, Report 99-N-9, issued August 31, 2000.

December 1, 2002, Accordis took over the billing and collection of fees for unbilled transports that occurred prior to October 1, 2002, and all transports occurring thereafter.

Under the contract, Accordis is required to provide medical billing, insurance determination, and collection services in regard to medical claims for ambulance transport. These claims must be prepared in compliance with FDNY policies, federal health care programs (Medicare), and commercial insurance requirements. Accordis is also responsible for compiling, tracking, and maintaining patient billing and collection information in a central database, and for providing the FDNY reports with which to monitor billing, revenue, receipts, and correspondence activity. Pre-billing activities include the digital imaging and indexing of Ambulance Call Reports (ACRs) and converting the ACR data into computer-ready format for processing. Micro Media, Inc., Accordis's sub-contractor, provides the electronic imaging and data conversion.

Accordis is also responsible for: forwarding ambulance call report information to the FDNY coding vendor—American Recovery Systems (ARS)—to determine medical necessity and medical coding; verifying patient addresses and insurance by sharing information with hospitals; determining patient eligibility for Medicare and identifying primary and secondary insurers; generating claims and billing secondary payers or co-insurers; issuing invoices and follow-up correspondence; and posting payments to patient accounts.

With respect to collection services, Accordis is expected to: investigate claims where necessary; prepare and send notices to debtors; and use all available methods to find debtors, such as conducting asset searches, commencing judgment enforcement litigation, and obtaining enforceable judgments against debtors, as directed by the FDNY.

Objective

The objective of this audit was to evaluate the effectiveness of the FDNY in the billing and recording of ambulance transport fees.

Scope and Methodology

The audit scope covered October 1, 2002, through February 29, 2004, representing the date of FDNY EMS billing and collection activities from which Accordis assumed responsibility, to the end date on records we received from Accordis through its AccessLine database. Our audit fieldwork was conducted from August 1, 2003, through December 31, 2004.

To accomplish our objective and gain an understanding of the overall processes and internal controls over the billing and collection of EMS ambulance transport fees, we interviewed FDNY Revenue Unit officials responsible for overseeing the billing and collection of EMS transport fees. In addition, we sought to gain an understanding from these officials of the program operations, the responsibilities of personnel assigned to the Revenue Unit, the resources available to the program, and the general responsibilities of the contractor, Accordis. We also interviewed officials from the FDNY Compliance Unit and from Accordis.

We reviewed the contract between the FDNY and Accordis to determine the specific roles, responsibilities, and requirements of both the FDNY and Accordis. We also reviewed the FDNY contract between the FDNY and ARS for the provision of services to determine medical necessity and medical coding. We examined the FDNY *Business Rules* for EMS billing and collection, the FDNY *Medical Billing Compliance Program and Operating Standards* (Operating Standards), the FDNY write-off policies, and the Memorandum of Understanding between HHC and the FDNY, dated January 19, 1996, that transferred the responsibility of EMS services from HHC to the FDNY. Further, we evaluated the FDNY's *Annual Review of Medicare Payments 2003*, conducted by FDNY's Compliance Unit.³ We also reviewed the Mayor's Management Report, the Executive Budget, and relevant information obtained from the FDNY, the Internet, and other sources.

Tests of Controls over the Accordis Information Processing Environment

To gain an understanding of the controls over the Accordis information processing environment, we toured the Accordis data center and conducted a walkthrough of the manual and automated processes and quality assurance checks involved, from data intake to the printing and mailing of correspondence. We also observed and gained an understanding of the procedures and controls in place pertaining to the supervision and security of the data center. We reviewed information pertaining to the Accordis disaster recovery plan, backup procedures, access and application controls, and other relevant information to assess the overall controls in place to protect FDNY EMS data and ensure the continuous and timely processing of FDNY patient accounts information.

Tests of Data Reliability and Processing

Accordis loads the ACR data files formatted by Micro Media onto its AccessLine mainframe computer system. To determine the accuracy, completeness, and reliability of data on the AccessLine system, we randomly selected a preliminary sample of 50 ACR numbers with transport dates occurring in March 2003. We obtained the electronically-imaged (legal source) ACR documents on the compact disks, provided by Micro Media and retained by FDNY, and matched the information contained on each ACR—such as date of transport, patient name, hospital of transport, and ACR number—to the information for each patient account as listed in AccessLine. Although, we found some minor discrepancies, which were later clarified by Accordis and FDNY personnel, we were reasonably assured that the data on AccessLine accurately reflected information recorded on the ACRs. The results of this test, while not projected, provided reasonable assurance of the accuracy, completeness, and reliability of data on the AccessLine system.

To assist in our review, we requested and obtained limited, read-only access to the Accordis AccessLine database. We also obtained a copy of the data from selected fields for all records in the FDNY AccessLine database from the time Accordis began processing in

³ Each year the FDNY Compliance Unit conducts an annual review of Medicare payments pursuant to the FDNY Institutional Compliance Agreement with the Office of the Inspector General of the U.S. Department of Health and Human Services.

December 2002 through the close of business on or about February 29, 2004. Additional data reliability testing was incorporated in analytical tests conducted on 384 sampled records (discussed below).

Tests of Pre-Billing Activities of FDNY and Micro Media

To gain an understanding of the controls in place for handling and tracking ACR forms, we evaluated and documented the FDNY procedures and controls over ACR forms from the point of distribution to their subsequent return for processing. We interviewed FDNY officials responsible for ordering, storing, and distributing ACRs to EMS Battalions. We also visited and interviewed officials at a FDNY EMS Borough Office in Jamaica, Queens.

In order to determine whether FDNY Revenue Unit personnel followed appropriate procedures for processing ACR forms, we observed FDNY Revenue Unit personnel reviewing, processing, and then preparing ACRs for shipment to Micro Media. In addition, using the data provided by Accordis, we ran various data queries and sorts of the entire AccessLine database to determine whether gaps occurred in the sequential numbering of ACRs processed in AccessLine.

We also tested the accuracy, completeness, and timeliness in the electronic imaging and data conversion provided by Micro Media. To test for timeliness of Micro Media services, on July 27, 2004, we randomly selected 50 paper ACRs from boxes prepared by FDNY for Micro Media, and observed the pickup of the ACRs and subsequent return of the imaged and data-containing disks to FDNY headquarters. To test for accuracy and completeness of the data, we then reviewed the electronic images and indexed data files to ensure that all of the ACRs in our sample were included in the batch of compact disks returned to the FDNY. On a limited basis, we also tested the timeliness of the FDNY's medical coding vendor, American Recovery Service, to determine whether it was providing timely services in accordance with its contract.

Tests of Billing Activities

We conducted analytical procedures to assess various attributes and characteristics of the billing process using the same preliminary sample of 50 ACRs for transports made in March 2003. Based on the results of these preliminary tests, we focused our tests on the initial billing of billable transports, without regard to billing category.

Using the copy of FDNY data records—representing the entire data file of ACRs initially processed and billed by Accordis between December 2002 and February 29, 2004—we identified a population of 588,379 billable transports. From these records we randomly selected a sample of 384 records to conduct additional data reliability tests and analytical procedures to measure the timeliness of billing process and to assess the overall performance of the FDNY and Accordis in completing the process. For example, we measured the time elapsed from transport date to the referral date—the date the file was uploaded to AccessLine—and from referral date to the date an initial bill was issued.

We also tested the accuracy and appropriateness of the initial billing of the accounts in our sample, as well as the appropriateness of account balances and their status as of August 24, 2004. Further, we assessed the appropriateness and adequacy of FDNY policies and procedures

governing write-offs of uncollectible or delinquent accounts, unapplied payments, and refunds of overpayments. Where applicable, the results of our sample were projected in terms of the population of 588,379 billable transports.

Because of confidentiality and privacy issues related to patient medical information, we did not survey individuals in our sample to verify the provision of transport services. Notwithstanding, our tests were designed to provide reasonable assurance about the actual provision of transport services and the appropriateness of transports that were billed.

Tests of FDNY's Monitoring of Vendor Performance

We evaluated the FDNY procedures for monitoring Accordis's performance as required by the contract. We also determined whether FDNY monitoring mechanisms were adequate and effective.

In addition to the contract between the FDNY and Accordis, the FDNY *Standard Operating Procedures* and *FDNY Business Rules*, we used the following sources as criteria:

- Comptroller's Directive #11, *Cash Accountability and Control*
- Comptroller's Directive #18, *Guidelines for the Management, Protection and Control of Agency Information and Information Processing Systems*.
- Comptroller's Directive #21, *Revenue Monitoring*
- U.S. General Accounting Office, Publication GAO-03-273G, *Assessing the Reliability for Computer Processed Data*, issued October 2002.

We also reviewed the New York State Comptroller's audit, *Fire Department of the City of New York Billing and Collection of Emergency Medical Services Fees*, (Report 99-N-9, issued August 31, 2000). We noted findings and conditions disclosed in that audit that addressed the objectives and other matters relevant to this audit. We also evaluated the implementation status of recommendations made in that audit, where applicable.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with FDNY officials during and at the conclusion of this audit. A preliminary draft report was sent to FDNY officials and discussed at an exit conference held on May 13, 2005. On May 27, 2005, we submitted a draft report to FDNY officials with a request for comments. We received a written response from FDNY officials on June 13, 2005.

In their response, FDNY officials generally agreed with 12 of the 15 recommendations made in this audit and disagreed with the other three that were associated with the lack of controls over ACRs, the failure to enforce the FDNY's write-off policy, and the implementation of formal written procedures that clearly establish the FDNY Revenue Unit's roles and responsibilities.

The FDNY stated: "Please thank your staff for the time and diligence that they put into this audit during the last two years—the Department appreciates their efforts, and intends to utilize their recommendations wherever possible."

In the case of its write-offs policy, the FDNY misconstrued the audit finding. We neither concluded that all uncollected accounts should be written off one year after the date of service, nor did we calculate and project an amount of accounts receivable that should be written off.

With respect to areas where we found deficiencies in existing policies and procedures or the lack thereof, the FDNY's response inferred that relevant policies and procedures were already in force or were implemented during the audit. In that regard, we recognize that the *Business Rules* establish procedures for a broad spectrum of topics and that the FDNY-Accordis contract establishes each party's responsibilities and duties. In fact, we used these sources as audit criteria. However, as stated in the audit, neither the *Business Rules* nor the FDNY-Accordis contract addressed or provided adequate guidance or specific procedures to ensure that account adjustments and writing-off of delinquent accounts are appropriately carried out, that differences between cash receipts and payment postings are investigated and resolved, that accounts receivable are accurately reported, and that Accordis's performance is adequately monitored. The audit made recommendations to address these weaknesses and deficiencies.

The full text of the FDNY response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

Since the time of the State's audit, the FDNY has made progress in addressing many of the previously reported deficiencies and has made improvements in the billing and collection processes. Specifically, the billing process has been made more efficient, backlogs in the processing and billing of transports have been reduced, revenues from transport-fee billings have increased, and collection procedures have been implemented.

Regarding billing processes, Accordis, in general, has been effective in carrying out billing processes and activities. We determined that the initial billings in our sample of patient accounts were accurate and appropriate. Based on these results, we are reasonably assured that the initial billings of ambulance transport fees for Calendar Year 2003, totaling \$193.6 million, were appropriately billed. In addition, our test results provided reasonable assurance that the imaging and indexing of ACRs by Micro Media was complete, accurate, and conducted in a timely manner. These test results also provided reasonable assurance that the FDNY's medical review and coding vendor, American Recovery Systems, completed its review and coding of billable transports in a timely manner and in accordance with its existing contract.

Even though we found that the FDNY has effectively addressed many of the deficiencies cited in the State's audit, in an effort to optimize its revenue management and to further enhance efficiency in the billing of EMS transport fees, the FDNY should address certain weaknesses that we uncovered. Specifically, our audit determined that the FDNY lacks adequate controls over its accounts receivable to ensure that the total amount of outstanding ambulance transports fees are accurately reported. Consequently, the FDNY cannot be assured that its total accounts receivable are reported fairly, that collection efforts are correctly allocated, and that there is no further pursuit of account balances deemed uncollectible.

The FDNY and Accordis have not complied with or applied existing policies and procedures as they pertain to account adjustments and write-offs of delinquent debt deemed uncollectible. Also, the FDNY lacks adequate procedures to ensure the reconciliation, investigation, and resolution of differences resulting between reported bank cash receipts and payment postings. Further, the FDNY lacks adequate reports and measures to determine the accurate amount and age of its outstanding ambulance transport fees receivable, such as procedures to estimate uncollectible accounts and to state receivables at their net realizable value.

We also identified weaknesses in the pre-billing process of ambulance transports. Specifically, we determined that the FDNY does not monitor or reconcile ACR numbers to ensure that all ACRs are accounted for and are subsequently processed and billed. Therefore, the FDNY has no mechanism for identifying misplaced or lost ACRs and cannot be assured that *all* billable ACRs are duly processed and appropriately billed. We also noted that the FDNY does not have adequate procedures for monitoring Accordis's performance.

Moreover, we had concerns regarding Accordis's information-processing controls. Accordis did not provide sufficient evidence to demonstrate that adequate disaster recovery plans

were in place and that independent monitoring of its information-processing controls is conducted using such instruments as periodic audits, reviews, or surveys. These weaknesses are discussed in greater detail in the following sections of this report.

Weaknesses in the Pre-Billing Cycle

Deficiencies in Controls and Procedures over Ambulance Call Reports

The FDNY lacks formal monitoring and reconciliation procedures to ensure that all ACRs are accounted for and subsequently processed and billed. As a consequence, the FDNY has no mechanism for identifying lost or misplaced ACRs; therefore, it cannot be assured that *all* billable ACRs are duly processed and appropriately billed. Our tests of the FDNY data provided by Accordis identified consistent gaps in the sequential numbering of ACRs. Although our testing could not identify misplaced or lost ACRs, it provided sufficient evidence of deficient controls over the distribution, return, and processing of ACRs.

Regarding the tracking and reconciling of ACRs, FDNY officials stated that the primary concern of EMS personnel is treating and transporting patients. They affirmed that completed ACRs may be lost or misplaced at times; however, they asserted that in such instances the ACRs are generally found. They also asserted that ACR numbers have limited use; therefore, the lack of procedures for reconciling ACRs is of no concern, especially since call dispatch numbers can be used to identify patient transports and identify lost or misplaced ACRs, if necessary.

Since one call dispatch number may represent an emergency call that results in multiple patient transports, and since the daily ambulance activity logs, upon which daily call dispatch and ACR numbers are recorded, are not reviewed, we conclude that the FDNY procedures to account for ACRs are ineffective. Moreover, despite the FDNY's position regarding ACR numbers, the ACR number in combination with the Accordis FDNY-client number forms the unique account number for each ambulance transport processed in the Accordis AccessLine system.⁴ This number appears on all paper bills, electronic claims, and correspondence generated by AccessLine.

The Operations Unit maintains certain controls over ACRs and is responsible for the ordering, storing, and distributing of blank ACRs. When ordering blank ACRs, it specifies the sequential numbering of the forms being ordered, and it maintains a log reflecting the number series of blank ACRs distributed to the battalions. Beyond these controls, the FDNY lacks procedures requiring the reconciliation of blank ACRs distributed to the EMS crews to completed ACRs returned to FDNY headquarters for processing. As a consequence, the FDNY could not ensure that all ACRs that were issued to EMS crews were accounted for and all billable ambulance transports were actually processed.

The EMS battalion stations do not maintain a log or other formal record to evidence and track the assignment of ACR books to EMS personnel. Moreover, there is no record detailing

⁴ Each patient account also is assigned a unique Accordis file number.

the ACR numbers gathered and sent to Micro Media for imaging by the Revenue Unit. As a result, there is no accountability or means by which to verify that all the ACRs sent to the Micro Media for imaging are, in fact, recorded on the compact disks and returned to the Revenue Unit for subsequent processing. Therefore, there is no assurance that all billable transports are processed and appropriately billed.

Approximately 25 Percent of Calendar Year 2003 Billable Transports Not Processed in a Timely Manner

Based on assertions made by FDNY and Accordis officials, for billable transports to be processed in a timely manner, the related data should be reviewed by the FDNY Revenue Unit and subsequently referred to or loaded onto (referral date) the Accordis AccessLine system within 60 days from the transport date. Our analysis of the FDNY data showed that 115,716 (24.7%) of 469,212 billable ambulance transports that were made in Calendar Year 2003 and loaded onto the AccessLine database for processing on or before February 29, 2004, exceeded 60 days from the transport date to the referral date.

In addition, our analysis showed that backlogs occurred during the five months of August 2003 through December 2003. The number of billable transports per month that exceeded 60 days from transport date to referral date ranged from 23 percent to 95 percent higher than was the case during any of the first seven months of Calendar Year 2003. FDNY officials stated that the backlogs were mainly caused by the reduction in Revenue Unit staff in April 2003. Although the FDNY was able to reduce the backlog, the number of billable transports exceeding 60 days between transport date and referral date for December 2003 (22.5%) was 21 percent higher than for January 2003 (1.1%).

Without ensuring that ACRs are processed in a timely manner and referred to AccessLine for claims submission and patient billings, the FDNY runs the risk of failing to collect payment for ambulance transports. Medicare and commercial insurance companies generally require that claims be submitted within one year from the date of transport. Also, people may move out of state or their economic situations may change over time; therefore, the processing of transport records for direct patient billings should be expedited to increase the likelihood of collection.

Recommendations

The FDNY should:

1. Establish proper monitoring and controls over the receipt, return, and processing of the ACRs at all stages of the processing. Proper accounting should be given for ACRs that have not appeared in the billing system after a reasonable period.

FDNY Response: The FDNY disagreed, stating: “The Department does not believe that accounting for ALL ACRs (completed & blank) is a feasible or cost-effective policy. It does agree that there should be a tracking system to ensure that all completed ACRs are accurately tracked in the processing system. It has already implemented scannable ACRs in Manhattan—part of this computerized system will be a comparison of the number of

completed ACRs for each emergency incident with the number of patients indicated by the CAD Dispatch system for that specific incident. Reports will be generated that will identify those incidents where the number of ACRs produced does not match the number of patients at the specific incident. The scannable system is projected to be implemented citywide by the end of calendar years 2005.”

Auditor Comment: The adequacy of the controls that the scannable ACR project will provide over ACRs cannot be assessed until the project is fully implemented, EMS personnel are trained in the new process, and the procedures are put into practice. This observation notwithstanding, it is clear that the FDNY will continue to disregard the need to account for all ACRs—completed and blank.

The ACR is the legal record evidencing patient treatment rendered by EMS personnel, whether or not a transport is made. It is also the single source document from which billable ambulance transport services are identified and subsequently billed. By failing to implement adequate controls over ACRs, the FDNY fails to have an effective mechanism to identify completed and potentially missing ACRs. Moreover, there is no assurance that all completed ACRs are turned in for processing and records retention, that all billable ACRs are subsequently billed, and that ACRs are used only for authorized purposes.

Moreover, since ACRs are sequentially numbered, the FDNY has a means to account for ACRs—to identify completed as well as misplaced or lost ACRs—if it implemented a framework to account for *all* ACRs from the point of distribution through to the end of processing.

2. Develop and implement formal, written policies and procedures for monitoring and controlling ACRs throughout all stages, from distribution through to their final processing.

FDNY Response: The FDNY generally agreed, stating: “FDNY agrees that more detailed procedures needed to be developed, and the updated procedures were implemented during the last year. The control process will be simplified with the citywide implementation of scannable ACRs noted in Response #1.”

Auditor Comment: While the FDNY agrees with the recommendation, it implies that detailed procedures were developed and updated during the time of the audit. It should be noted that despite frequent meetings with FDNY officials during which controls over ACRs were discussed, FDNY officials failed to disclose and provide us any information regarding new procedures being developed for monitoring and controlling ACRs under its current system.

3. Consider working with Accordis to develop a program to reconcile and identify missing ACRs.

FDNY Response: The FDNY agreed, stating: “Such a process has already been developed with the scannable ACR project, where the number of scanned ACR images

(SHI) will be compared to the number of patients in the CAD Dispatch system for that incident, and that the number of scanned ACR images sent to Accordis matches the number of Accordis accounts.”

4. Ensure that ACRs are submitted to and processed by the Revenue Unit in a timely manner.

FDNY Response: “The Department agrees.”

FDNY Lacks Adequate Controls over Accounts Receivable

The FDNY manages revenue from EMS ambulance transport fees on a cash basis—the amount of fees collected. Nevertheless, Comptroller’s Directive #21 states that unpaid fees are considered revenue receivables “have all the attributes of accounts receivable and should, therefore, be subject to proper internal accounts receivable controls.”

However, we determined that the FDNY lacks both adequate controls over its accounts receivable and adequate procedures to ensure compliance with existing policies. As a result, the FDNY cannot be assured that accounts in the Accordis AccessLine system reflect accurate balances, that its total accounts receivable are reported fairly, that collection efforts are correctly allocated, and that there is no further pursuit of account balances that have been deemed uncollectible. Moreover, FDNY management needs adequate controls over accounts receivable to estimate future revenue receivables for cash flow forecasting, budgetary purposes, and to measure Accordis’s overall performance and effectiveness. These matters are discussed in greater detail below.

Patient Accounts Do Not Reflect Accurate Balances

Our analysis of the 384 sampled patient accounts disclosed that account adjustments are not consistently applied. Moreover, we determined that the FDNY has not exercised its write-off policy. Therefore, as discussed below, patient accounts in the AccessLine system do not accurately reflect outstanding account receivable balances.

Account Adjustments Not Applied

Of the 384 patient accounts in our sample, 200 (52%) were open, active accounts with outstanding balances, totaling \$118,243, as of August 24, 2004. The remaining 184 (48%) accounts were closed. According to FDNY officials, an account is closed when no further attempts at collection are to be made and when the FDNY has no legal claim to the balance remaining after payment has been received. In the latter case, the balance is to be adjusted to zero at closing (zero adjustments).

However, we determined that the required adjustments were not consistently applied. We found that 143 of the 184 closed accounts were subject to zero adjustments. Only 17 of the 143 accounts were appropriately adjusted to a zero balance. The remaining 126 accounts had open balances, totaling \$26,778, as of August 24, 2004, that were not adjusted and written down to

zero at closing, in compliance with FDNY policies and procedures.

The FDNY *Business Rules*, §13.0 specifies various “Close Codes,” or reasons, and associated account adjustments to be used for given situations. The section states: “(1) Close Codes with associated adjustments should *never* be closed with an outstanding balance. *Prior to closing an account with an associated adjustment, the account should be written down to zero.*” [Emphasis added.] In addition, the FDNY *Business Rules* specify the zero adjustments that are to be used automatically by AccessLine for Medicare accounts. For example, an oxygen charge billed to a Medicare-eligible account should be adjusted to zero, since the Medicare reimbursement amount is considered to include all services rendered to a patient, including oxygen. Finally, the *Business Rules* establish that accounts with remaining (debit or credit) balances of \$10 or less after payment should be closed as “Settled in Full” and adjusted to zero.

The results of our sample provided sufficient evidence to conclude that a significant number of accounts have misstated balances. The accounts were closed with remaining balances, when they should have been adjusted to zero prior to closing. Therefore, we estimate that between 165,452 (28.12%) and 220,642 (37.5%) accounts⁵ out of the total population of 588,379 accounts were closed with misstated account balances. Based on our estimates, the FDNY’s total accounts receivable reflected in the Accordis AccessLine system is overstated by between \$32,204,491 and \$49,850,844.⁶

Write-off Policy Not Applied

On September 23, 2003, the FDNY enacted a write-off policy that mirrored the requirements of Comptroller’s Directive #21. According to FDNY officials, account write-offs are considered for those accounts where the FDNY has a legal claim to the balance, but for which it elects not to pursue further collection proceedings. However, we found that the FDNY has not actively applied or enforced its write-off policy with regard to delinquent or uncollectible account balances derived from billed ambulance transport fees.

During the audit we requested information about the write-off of delinquent accounts deemed uncollectible from FDNY officials so we could test compliance with the FDNY write-off policy. FDNY officials responded that as of October 15, 2004, no write-offs had been made for either of the periods we requested (Calendar Year 2003 or Fiscal Year 2004).

Nevertheless, our analysis provided sufficient evidence to conclude that the FDNY had not applied its write-off policy. We identified 23 of the 184 closed accounts (previously

⁵ Based on our sample of 384 accounts drawn from a population of 588,379, we estimate that 193,062 or 32.81% percent of the population are closed accounts with remaining, open balances that were not appropriately adjusted to zero. The precision is 4.69% at 95 percent confidence level.

⁶ Based on the same sample, we also estimate that the remaining, open balances reflected on the closed accounts that should have been adjusted to zero, total \$41,027,668. The precision is \pm \$8,823,176 at 95 percent confidence level.

discussed) from our sample of 384 patient accounts for which the FDNY had a legal claim to the balance. Therefore, these accounts were subject to the FDNY write-off policy.

According to the FDNY write-off policy, accounts that are aged over one year but less than two years and under \$600 can be authorized for write-off by the Commissioner or the Commissioner's designee. The 23 accounts subject to the FDNY write-off policy, as of August 24, 2004, had an *average* account balance of \$420 with an *average* age of 521 days from the date of transport to August 24, 2004. The classifications of these delinquent accounts, along with the average age and amount of their balances, clearly indicate that the accounts should have been considered and recommended for write-off.

Also, the FDNY's write-off policy states that *at the end of each quarter*, the Director of the Revenue Unit is to recommend a list of accounts to be written-off, based on the "age of debt" and "amount of debt" criteria established by the policy. These accounts are to be reviewed by the FDNY Internal Audit Unit and then forwarded to the FDNY's Chief Fiscal Officer or Commissioner (or designee), who will authorize the write-off of accounts and notify the Revenue Unit of such authorization. The FDNY did not provide information to evidence that these procedures were followed.

At the exit conference, FDNY officials disputed our findings regarding the enforcement of the agency's write-off policy. They stated that after reasonable attempts at collection have been made, accounts considered for write-off *must be* less than \$600 *and* over two years old. However, the FDNY write-off policy does not support this assertion. Instead, the FDNY write-off policy establishes different criteria for writing-off delinquent or bad debt based on the age and amount of the debt and appropriate authorization.

FDNY Response: "FDNY has documented write-off procedures and has strictly followed those procedures. The auditors appear to have misinterpreted these procedures in concluding that ALL uncollected accounts should have been written off one year after Date of Service. They failed to consider that at least 60 days pass between Date of Service and the First Billing Date (start of aging cycle), that bills aged 1-2 years are to be considered for write-off (as per FDNY write-off policy), and that finally no write-off can occur until FDNY Internal Audit has confirmed that all write-off criteria (bill age & collection attempts) have been met. The only valid indicator that would have shown that FDNY was not following its write-off procedures would have been if the auditors had found accounts with a billing age greater than 2 years that had NOT been written off (which FDNY pointed out on several occasions). This was impossible with the sample used by the auditors, where the billing age ranged from 0 to 1 ½ years. Thus, FDNY does not agree with the auditors' conclusion on write-off procedures, nor with their calculated projections on the amount of monies in Accounts Receivable that should have been written off."

Auditor Comment: The FDNY has misconstrued the audit finding and is misleading in its comments. We did not, as suggested, misinterpret the FDNY write-off policy. Moreover, we neither concluded that all uncollected accounts should be written off one year after the date of transport (service), nor did we calculate and project an amount of accounts receivable that should be written off.

As noted in the audit, the FDNY write-off policy establishes different criteria for writing-off delinquent or bad debt based on the age and amount of the debt, as well as on review and authorization requirements. *The criteria do not specify the date from which account balances are aged.* During the audit, FDNY officials stated that accounts are aged based on different criteria; however, they did not elaborate on these criteria.

Samples of Accordis accounts receivable aging reports showed that the bill date is not used to age accounts, contrary to the assertion in FDNY's response. The date of transport is used. Some reports use both the transport date and the referral date to age accounts. Therefore, we used the transport date to evaluate the age of outstanding balances. As noted in the audit, our sample of 23 accounts had an average balance of \$420, with an average age of 521 days from the date of transport to August 24, 2004. In addition, our analysis showed that these 23 accounts had an average age of 425 days measured from the referral date to August 24, 2004—representing an average of 96 days elapsed between transport date and referral date, 36 days greater than the acceptable period established by FDNY and Accordis officials.

In considering whether these 23 accounts should have been considered and recommended for write-off, we also evaluated their classification status as established by AccessLine close codes. For example, 12 accounts were closed as "Uncollectible" (code 0716). According to the *Business Rules*, this classification can only be made by Accordis's legal vendor once all attempts at collection have been made and further collection efforts are not considered purposeful. For the remaining 11 accounts in our sample deemed subject to write-off consideration, two accounts were closed as "Responsible Party Skipped" (code 0616), five were closed as "Responsible Party Deceased-No Estate" (code 0606), and the other four were closed with close code "Medicare-Past Timely Filing" (code 0644). The classifications of these delinquent accounts, along with the average age and amount of their balances, clearly indicate that the accounts should have been considered and recommended for write-off.

Regardless of the circumstances warranting account adjustments and write-offs, our analysis provided sufficient evidence to indicate that the FDNY and Accordis have not complied with or applied existing policies and procedures with respect to adjustments and write-offs, respectively. Without ensuring consistent and timely compliance with established procedures to remove uncollectible charges from patient accounts, the FDNY cannot be assured that the accounts in the AccessLine system reflect accurate balances. Moreover, the valuation of its account receivable is misstated and unreliable for business purposes, such as for measuring Accordis's performance or providing for effective revenue management.

Lack of Formally Written Procedures to Address Unidentified Payments

The FDNY lacks adequate, formal, written procedures to ensure that unidentified, unapplied payments, which are payments that cannot be matched to a specific patient account, are resolved. Without such procedures there is no assurance that unapplied payments will be

resolved, and, if they are, that they will be properly documented and reviewed by appropriate FDNY personnel. Moreover, there is no assurance that unapplied payments that have not been resolved will be reconciled in accordance with Comptroller's Directive #21, which requires the timely reconciliation of billing and receivable records.

The FDNY *Operating Procedures* and *Business Rules* broadly provide that unidentified payments should be posted to the "Unidentified Payment Screen" in AccessLine and forwarded by Accordis to the Director of the FDNY Revenue Unit at the end of each week. In addition, FDNY officials stated that the informal procedure for investigating unidentified (unapplied) payments includes searching by one or all of the following: ACR number, date of transport, patient name, and social security number. If a payment cannot be identified and matched to a specific account, the payment details are placed on an "unapplied report."

The FDNY "unapplied report" is a suspense account—a temporary account where unidentified payment receipts are recorded until the appropriate account to which they should be credited is determined. Since by their nature suspense accounts are holding accounts, they are subject to increased risk of manipulation. Therefore, they should be appropriately controlled, reviewed, and reconciled by management on a regular basis, according to provisions in Comptroller's Directive #21.

We requested information from the FDNY and Accordis regarding the total amount of payments that remained unmatched and unapplied to patient accounts. However, this information was never provided. Therefore, there was no evidence for us to test to ascertain the total amount of unidentified or unapplied payments and to determine whether such payments are at least handled in compliance with FDNY *Business Rules* and investigated in accordance with the FDNY's informal procedures. Moreover, there was no evidence for us to determine whether adequate procedures and controls were in force—such as supervisory reviews and approvals of postings to and transfers from the unapplied report—or whether there was periodic reconciliation of entries that remain posted to the report.

Based on the apparent lack of formal, written procedures to address unidentified payments, there is no assurance that such payments are appropriately investigated and resolved on a timely basis. Therefore, there is an increased risk that patient accounts do not reflect accurate balances and that accounts receivable outstanding are overstated, since some of the accounts listed as receivable are likely to have been paid. Consequently, patients could be pressed for payment of charges for transport fees that they or their insurance providers have already paid. This, in turn, could result in the misallocation of Accordis's collection efforts.

Refunds of Overpayments

During the audit we also noted that the FDNY lacked adequate, formal, written procedures to address the handling and appropriateness of refunds of overpayments. Although the FDNY *Business Rules* §8.3 states that Accordis is to follow the FDNY established policy for overpayments—to identify overpaid accounts and submit monthly refund packages to the FDNY. Beyond this language, neither the contract nor the FDNY *Business Rules* were found to articulate the FDNY's specific refund procedures (e.g., required review of documentation and approval of refunds by FDNY officials).

During audit field work we requested a Refund Report specified in the FDNY *Business Rules* for Calendar Year 2003 or Fiscal Year 2003. No such reports were provided. Instead, FDNY officials responded that “Accordis does not process refunds.” Throughout the audit, no further information was provided to us regarding the FDNY refund procedures. Therefore, we concluded that there was no evidence for us to determine whether any refunds were disbursed, and if they were, whether they complied with the general procedures specified in the FDNY *Business Rules*.

At the exit conference on May 13, 2005, FDNY officials, claiming a miscommunication between audit requests and information they had or had not provided, stated that procedures are in place to address the handling of refunds of overpayments. Moreover, they provided us with a one-page, undated document entitled, “*FDNY Ambulance Refund Process*,” detailing the procedures followed by two staff members in the Revenue Management Unit. They stated that each month the FDNY Revenue Unit processes between 150 and 500 refunds, based on a monthly Credit Balance Report provided by Accordis. A refund report—a series of account documents—including billing and payment information—for each account is reviewed by one employee and approved by another. In addition, FDNY officials provided us with the monthly Credit Balance Report (as of April 30, 2005).

Since FDNY officials did not provide the documentation until after audit fieldwork was completed, we did not test these procedures to determine whether they were adequate and appropriately followed. Therefore, we could not be assured that refunds are properly processed and that account balances are appropriately adjusted and reported accurately.

Recommendations

The FDNY, in conjunction with its vendor Accordis, should establish and implement formal, written procedures to ensure that:

5. Closed accounts are appropriately adjusted in compliance with FDNY *Business Rules* so to ensure that account balances are accurately reported.

FDNY Response: The FDNY generally agreed, stating: “The Business Rules are the formal, written procedures that FDNY has developed with Accordis. In the case of closed accounts appropriately adjusted, FDNY has set down the procedures and is waiting for Accordis to modify its programming to conform to FDNY’s instructions.”

Auditor Comment: Although the FDNY has “set down” procedures to ensure closed accounts are correctly adjusted, until the time that Accordis modifies its programming, the FDNY’s accounts receivable will be misstated by accounts reflecting balances to which the FDNY has no legal claim.

6. The FDNY write-off policy and *Business Rules* are appropriately implemented with respect to account write-offs—including both automatic write-offs of accounts with debit or credit balances of \$10 or less and write-offs of accounts otherwise deemed uncollectible.

FDNY Response: The FDNY disagreed, stating: “FDNY has documented write-off procedures and has strictly followed those procedures. . . . Thus, FDNY does not agree with the auditors’ conclusion on write-off procedures.”

Auditor Comment: The FDNY has misconstrued the audit finding. For example, we did not conclude that the FDNY did not have write-off procedures as it suggests in its response. Instead, we found that account balances that should have been considered for write-off pursuant to both the FDNY write-off policy and its *Business Rules* continued to appear on AccessLine. Moreover, FDNY did not provide information to evidence whether accounts were recommended and reviewed for write-off. Through our recommendation, we also disclosed a lack of consistency between the FDNY’s write-off policy and Accordis’s application of the *Business Rules*. Therefore, we maintain that the FDNY should work with Accordis to establish and implement formal, written procedures to ensure that the FDNY write-off policy and *Business Rules* are appropriately implemented with respect to account write-offs.

7. All entries for unidentified payment remittances that remain on the unapplied report and that are not applied to patient accounts are appropriately resolved, controlled, documented, and reconciled on a periodic basis. Specifically, the details of each entry should be documented, and postings to and transfers from the account should be subject to supervisory review and approval prior to the posting of such entries. Thereafter, the account should be reconciled on a periodic, preferably a monthly, basis. Long standing payments that cannot be matched to patient accounts should be resolved in a timely manner.

FDNY Response: The FDNY agreed, stating: “The Department had previously approved the specific Accordis process for performing detailed research to identify as many unapplied payments as possible. The Department will work with Accordis to formalize procedures for posting and review of these payments.”

FDNY Does Not Require Monthly, Aged Accounts Receivable Reports

The FDNY does not require monthly, aged accounts-receivable reports from Accordis.

Comptroller’s Directive #21 states that revenue receivables (whether on accrual or cash-basis) are subject to proper internal accounts-receivable controls. The Directive also requires that a record of all agency receivables should be maintained centrally in a manner to facilitate the preparation of periodic, aged receivable reports that are to be forwarded to the agency head.

At the start of the audit, we requested an aged accounts receivable report from FDNY officials as of September 30, 2003, in addition to other reports to be provided by Accordis on a monthly basis. The requested reports were provided. However, when we requested updated reports on September 24, 2004, FDNY officials stated that they had instructed Accordis to discontinue providing many of the reports, in particular the monthly accounts-receivable reports, since they were not deemed useful. They asserted that the monthly accounts-receivable reports

did not reflect an accurate accounting of transport fees receivable, since the standard transport fees⁷ billed to responsible parties (self-pay accounts, insurance companies, and Medicare) infrequently equal the payments remitted to the FDNY; therefore, the monthly accounts-receivable reports inaccurately reflected the balance of accounts receivable outstanding for collections.

Although transport fees billed may not equal actual payment collected, the FDNY should have a method for estimating uncollectible amounts in order to state its receivables at their net realizable value. In that regard, we found that the FDNY lacks procedures to estimate uncollectible accounts and to state its receivables at their net realizable value, as necessitated by generally accepted accounting principles. Therefore, the FDNY lacks adequate reports and measures to determine the accurate amount and age of its outstanding ambulance-transport fees receivable, as required by Comptroller's Directive #21.

While Accordis's AccessLine has many reporting capabilities and provides the FDNY with online functionality to view accounts one at a time, none provides FDNY management with an overview of outstanding receivables. Accounts receivable reporting, in conjunction with appropriate valuation methods, can assist the FDNY in monitoring total outstanding balances. It can also be useful for the agency in its revenue management as well as in cash flow forecasting. Furthermore, by maintaining and reviewing accounts-receivable records, the FDNY could improve its ability to monitor Accordis's performance in collecting outstanding accounts.

Recommendations

The FDNY should:

8. Require monthly, aged accounts-receivable trial balances from Accordis. In addition to serving as a management tool to monitor and report total receivables, the report should also be used to monitor Accordis's performance.

FDNY Response: The FDNY agreed, stating: "The Department will request that Accordis provide a monthly aged Accounts-Receivable Trial Balance report as the auditors recommend."

9. Determine a reasonable estimate of uncollectible accounts in order to calculate the net realizable value of accounts receivable for reporting and management purposes. This estimate should be reviewed and updated periodically, based on historical data.

FDNY Response: "The Department agrees and will be using the data gathered by Accordis on our C[alendar] Y[ear] 2003 & 2004 accounts (as well as adjustment and eventual write-off data) to provide a baseline for future revenue projections."

⁷ The FDNY has a standard fee schedule for transport services billed to patients (self-pay), insurance companies, and Medicare—Basic Life Support (BLS) fee is \$420.00, and Advanced Life Support (ALS) fee is \$535.00. For each transport, a mileage charge of \$6.00 per mile is also assessed. When oxygen is administered to a patient, a \$50 fee is also charged.

Differences between Cash Receipts and Payment Postings Not Investigated or Reconciled

The FDNY lacks adequate procedures to ensure that differences resulting between cash receipts reported by the bank and payment postings reported by Accordis are appropriately reconciled, investigated, and resolved.

Comptroller’s Directive #11 requires that City agencies reconcile their cash revenues monthly and establish adequate procedures to ensure the integrity of fund transfer payments. “Reconciliations of both the number of transactions and the dollar amount must be made promptly upon receipt of statements from financial institutions.” Unreconciled differences between the bank and the agency’s books must be resolved.

Our review of the FDNY’s monthly reconciliation of reported bank cash receipts and payment postings for Calendar Year 2003 (reflected in Table I below) showed that for each month, a difference existed between reported bank cash receipts and Accordis payment postings.

Table III
FDNY Reconciliation of Reported Cash Receipts to Payment Postings
Calendar Year 2003

Month-Year	(a) Total Bank Cash Receipts	(b) Total Accordis Payment Postings	(c) Net Difference <i>(Col. a – Col. b)</i>
Jan-03	\$2,322,201	\$2,978,958	\$(656,757)
Feb-03	\$2,968,619	\$2,272,236	\$696,383
Mar-03	\$3,426,136	\$3,408,320	\$17,816
Apr-03	\$2,387,417	\$2,635,395	\$(247,978)
Feb-03	\$3,558,967	\$2,837,161	\$ 721,806
Jun-03	\$3,017,358	\$3,633,249	\$(615,891)
Jul-03	\$4,878,117	\$3,581,889	\$1,296,228
Aug-03	\$3,353,680	\$4,776,296	\$(1,422,616)
Sep-03	\$4,044,736	\$3,952,175	\$ 92,561
Oct-03	\$3,588,397	\$3,011,148	\$577,249
Nov-03*	* \$3,096,780	\$3,154,922	\$(58,142)
Dec-03*	* \$4,153,020	\$4,162,854	\$(9,834)
Total	\$ 40,795,428	\$ 40,404,603	\$390,825

A difference between bank receipts and payment postings is expected to occur, since a time lag of up to five business days can occur between cash receipts and payment postings. However, based on information provided by FDNY officials, it is apparent that these differences are not adequately investigated, resolved, or reconciled, if at all. Moreover, our analysis of cash receipts reported on the bank statements for November and December 2003 showed that the cash receipts for both months were different from the amounts used by the FDNY in its monthly reconciliation. According to our analysis, the actual cash receipts reflected on the bank statements for November 2003 and December 2003 were \$3,101,566 and \$4,154,805, respectively—\$4,786 and \$1,785, respectively, more than the “Total Bank Cash Receipts”

(*highlighted in Table I) that the FDNY reflected on its reconciliation report for the same two months. FDNY officials did not provide explanations for these differences.

By failing to appropriately reconcile monthly differences between total cash receipts reported by the bank and total payment postings reported by Accordis, the FDNY cannot be assured that payment postings accurately reflect cash payments. There is also a risk that accounts receivable will be overstated, since patient accounts listed on the receivables schedule are likely to have been paid and erroneously reported as open. Moreover, the failure to reconcile monthly differences between cash receipts reported by the bank and payment postings reported by Accordis may increase the FDNY's risk of potential fraud.

Recommendation

The FDNY should:

10. Ensure that differences resulting between cash receipts reported by the bank and payment postings reported by Accordis are appropriately reconciled, investigated, and resolved.

FDNY Response: "The Department agrees and has done this in the past and will continue to do so in the future. As the auditors noted, there is a lag time between cash receipts and posting. The auditors also noted that there was a \$6,571 discrepancy in the bank statements when compared to the report that FDNY uses to reconcile the account. We agree that every discrepancy needs to be reviewed (and Accordis was asked to check their program and explain the discrepancy), but it should be noted that this discrepancy was on a total amount of bank receipts of \$40,795,428, representing 0.015 percent of total bank cash receipts."

Auditor Comment: Although the FDNY asserts agreement with the recommendation, it also implies that it has followed the recommended procedure all along. This conflicts with previous representations made by FDNY officials, who stated that the noted discrepancies were not investigated since the amounts were not significant and were most likely due to the time lag between bank receipts and payment postings. They also stated that they did not have the personnel resources to investigate every difference.

Strong controls over cash and accounts receivable are necessary to ensure that all discrepancies are properly investigated and resolved. As reflected in Table III above, discrepancies occurred between these amounts for each consecutive month in 2003, ranging (in absolute terms) from \$9,834 (0.24%) in December 2003 to \$1.4 million (42%) in August 2003. If the FDNY does not ensure that discrepancies are adequately investigated and reconciled, there is an increased likelihood that errors or irregularities could go undetected and an increased risk of fraud.

Lack of Effective Monitoring Procedures To Measure Vendor Performance

The FDNY lacks formal, written policies and procedures clearly setting forth expectations (benchmarks), controls, and practices for monitoring vendor performance. According to the FDNY-Accordis contract, the FDNY *Business Rules*, and the FDNY Operating Standards, the FDNY is to perform ongoing monitoring, reviews, and audits of the billing and collection systems in order to ensure that Accordis is in compliance with requirements and meeting its intended purpose.

The FDNY's only monitoring requirement that is formally documented is in the FDNY Institutional Compliance Agreement. Pursuant to this agreement, each year the FDNY Compliance Unit conducts an audit of Medicare-covered ambulance transports. As part of this annual audit, a random sample of Medicare-covered transports is selected (a required minimum of 50 each year) and reviewed to ensure continued compliance with Medicare, other federal health programs, and FDNY requirements.

The FDNY maintains no other formal, written procedures to monitor Accordis's performance. FDNY officials stated that Accordis's overall performance is evidenced by the increase in revenues collected since it took over processing ambulance transport fee transactions in December 2002. However, FDNY officials stated that various informal procedures are conducted to monitor aspects of Accordis's processing. For example, each quarter a random sample of 50 ACRs is selected from one data disk for review to determine whether the ACRs were properly classified as billable or non-billable. FDNY officials also review the percent distribution of first time or initial bills by category—self-pay, commercial insurance, Medicare—to determine consistency from month to month.

Although these reviews may provide the FDNY with certain indications of Accordis's performance, they are limited in providing a measure of Accordis's *overall* performance. The contract between the FDNY and Accordis, the FDNY *Business Rules*, and the FDNY Operating Standards provide time frames (benchmarks) for certain events in the billing and collection processes to occur. However, the FDNY does not use these benchmarks as part of an ongoing program to assess Accordis's performance. Further, the FDNY lacks written procedures that formally establish the roles and responsibilities of the FDNY Revenue Unit as they pertain to vendor monitoring, as well as other matters.

By implementing formal performance-monitoring techniques, the FDNY management could continuously monitor and assess its own, as well as Accordis's, operational effectiveness and performance under the contract. For example, the FDNY could implement a balanced scorecard⁸ approach to track, manage, and measure strategic and operational performance and provide feedback. Such a technique could assist the FDNY and Accordis to identify areas where

⁸ A balanced scorecard is a management system that enables an organization to clarify its vision and strategy and translate them into actions. It provides effective, continuous monitoring and feedback about both the internal business processes and external outcomes to assist management in continuously improving strategic performance and results.

problems exist and where improvements could be made. Moreover, developing measurable goals in terms of the FDNY-Accordis contract could lead to ongoing examination and monitoring of compliance with contractual requirements. The results of such activities could also assist the FDNY to enhance its revenue-maximization efforts, as well as to mitigate risk and avoid additional costs.

Recommendations

The FDNY should:

11. Implement formal, written procedures that clearly establish the FDNY Revenue Unit's roles and responsibilities and set forth expectations (benchmarks), controls, and practices for monitoring vendor performance to ensure that Accordis's activities are carried out efficiently and in a timely manner. These procedures should include ongoing monitoring and reporting on Accordis's adherence to specified benchmarks.

FDNY Response: The FDNY generally disagreed, stating: "Formal, written procedures for such responsibilities have existed since the beginning of the contract ('Business Rules for EMS Outsourcing Engagement'). They spell out in detail the responsibilities and timeframes for the actions of FDNY, MicroMedia, and Accordis. These procedures cover all areas of the process, from imaging of the original Ambulance Call Report, to billing, collection, and eventual legal action. FDNY (& Accordis) will continue to develop these rules in the future."

Auditor Comment: The FDNY evades the issue that there are no formal procedures or mechanisms in place to monitor Accordis's *overall* performance on an ongoing basis. We concur that the *Business Rules* establish procedures for a broad spectrum of topics (i.e., certain benchmarks) and that the contract establishes each party's responsibilities and duties. However, neither document provides specific procedures, nor do they specify the responsibilities and tasks of FDNY personnel with regard to the continuous monitoring of Accordis's performance. Given the large volume of transactions that flow through Accordis's AccessLine system, we maintain that the FDNY needs to establish comprehensive monitoring procedures to ensure the continuous quality of Accordis's performance and compliance with the contract.

12. Implement a continuous measurement and monitoring system, such as a balanced scorecard, to continuously monitor and assess its own, as well as Accordis's, operational effectiveness and performance under the contract. The system should incorporate measurable goals in terms of the FDNY-Accordis contract, and allow the FDNY to track, manage, and measure strategic and operational performance and provide feedback. It should also provide for ongoing examination and monitoring of compliance with contractual requirements

FDNY Response: "The Department agrees—the prototype of such a scorecard was already developed and provided to Accordis for programming."

Auditor Comment: Even though the FDNY agrees with the recommendation, it implies that a scorecard “prototype” had been developed during the time audit fieldwork was conducted. It should be noted that, despite frequent meetings during the audit in which the FDNY’s monitoring of Accordis’s performance was discussed, FDNY officials failed to disclose or provide us any information regarding the development of such a scorecard “prototype.” We based our findings and conclusions on observations and audit testing, as well as on information provided to us and representations made by FDNY officials during the audit.

Other Issues

Concerns Regarding Accordis’s Computer Environment

Our walkthrough and observation of the Accordis data center provided us reasonable assurance that adequate physical security and environmental controls and procedures over the Accordis data center were in place. However, despite repeated requests, Accordis did not provide us with sufficient information to determine whether an adequate disaster recovery plan was in place or whether independent monitoring of the Accordis information-processing controls is conducted using such instruments as periodic audits, reviews, or surveys. These weaknesses are discussed in greater details below.

Lack of a Formal Disaster Recovery Plan

Accordis did not provide sufficient documentation to evidence that a formal disaster recovery plan is in place to safeguard FDNY data and provide for continued processing in the event of a disaster or unplanned disruption of its information-processing facilities. Accordis provided only a description of the steps that each of its data centers should take in order to develop a plan—insufficient proof that its data center has actually developed such a plan or that it is adequate and stored on site. According to Comptroller’s Directive #18, “A formal plan for the recovery of agency operations and the continuation of business after a disruption due to a major loss of computer processing capability is an important part of the information protection plan.” In addition, there are a number of accepted industry standards, best practices, and regulations that establish the necessity or mandate the development, implementation, and periodic review and testing of disaster recovery plans.

At the exit conference held on May 13, 2005, FDNY officials provided us with additional documentation they had received from Accordis regarding its disaster recovery plan. The documentation included:

- *Disaster Organizational Structure*--This document lists the names of the Disaster Recovery team members without any information on how to contact them. Alternates to these team members are mentioned; however, the persons designated for these functions are not specified. Further, except for the ‘Team Director’ and the ‘Recovery Coordinator,’ there is no description of what each team member or alternate is to do in relation to the recovery operations.

- *MVS Mainframe Disaster Recovery Script*—This document details the recovery steps and script to follow to restore the MVS mainframe. However, it does not mention the tasks needed to link the mainframe to a telecommunication system that can be accessed by the data entry/management staff in New York City
- *Recap of the Disaster Recovery test of July 19, 2004*. While this document describes a successful test of bringing up the mainframe environment at Accordis’s alternative processing facility, it does not disclose whether the alternative system was linked to Accordis’s New York City data center to accept data, and whether as part of the test the Accordis application was started and useable by Accordis personnel.

Based on our review of the new documentation, in conjunction with the documentation previously provided, we maintain that Accordis has not provided sufficient or complete evidence to support that it maintains an adequate disaster recovery plan. This conclusion was corroborated by the Comptroller’s EDP Audit Group, who reviewed that same documentation.

Without ensuring that Accordis has a formal disaster recovery plan in place, the FDNY has no assurance that the effectiveness of the billing and subsequent collection of ambulance transport fees will not be adversely affected in the event of a disaster or unplanned disruption of Accordis’s computer processing capability.

Recommendations

The FDNY should require that Accordis:

13. Develop a formal disaster recovery plan to ensure that FDNY data is adequately protected in the event of a disaster or unplanned disruption in operating capabilities.

FDNY Response: The FDNY generally agreed, stating: “Although Accordis did provide the auditors with a disaster recovery plan, and later provided additional material that was part of their Recovery Plan, the Department will work with Accordis to ensure that FDNY data is adequately protected in the event of a disaster or unplanned disruption in operating capabilities.”

Auditor Comment: Even though FDNY generally agreed with the recommendation, we are concerned with its contention that the auditors were provided with a disaster recovery plan. As noted in the report, Accordis provided us with information pertaining to disaster recovery; however, collectively, the documentation did not sufficiently evidence that Accordis maintains an adequate disaster recovery plan. Therefore, when working with Accordis, FDNY officials should consider seeking the assistance of a member of its Information Technology Department who is knowledgeable in disaster recovery and business continuity planning concepts to provide assurance that Accordis has adequate procedures in place to ensure the continued processing and protection of FDNY data.

14. Provide annual verification of the review or testing of its disaster recovery plan.

FDNY Response: “The Department agrees, and will request that Accordis provide such annual verification.”

Lack of Assurance in Monitoring of Accordis Information Processing Controls

Accordis did not provide sufficient evidence to demonstrate that it conducts periodic audits, reviews, or surveys to monitor its information-processing controls. The dynamic, ever-changing nature of information technology and related processing updates require periodic reviews of the information-processing controls to provide reasonable assurance that the controls are consistently followed.

As assurance that it monitors its information-processing controls, Accordis provided the FDNY with an independent audit report issued by KPMG LLP⁹ on March 3, 2000, of the KPMG review of Accordis controls for the three-month period December 1, 1999, through February 29, 2000. The KPMG report provided an unqualified opinion that the general controls that Accordis had placed in operation as of February 29, 2000, provided reasonable assurance that Accordis’s control objectives would be achieved. However, the report provided no assurance beyond this period. Despite repeated requests for copies of more recent reports of audits or reviews of the Accordis information-processing controls, conducted by either its internal audit department or an external audit firm, no such reports were provided by Accordis or the FDNY.

Considering that Accordis is an information-processing firm and provides an automated system to process, track, and record FDNY EMS billing data of millions of dollars annually, adequate monitoring of the information-processing controls is essential. Without adequate monitoring the FDNY has no assurance that Accordis’s control objectives are being achieved and that established controls are consistently followed.

Recommendation

The FDNY should require that Accordis:

15. Provide verification of an annual independent review or audit of its information-processing controls.

FDNY Response: “The Department agrees and will request that Accordis do so. Such language will also be inserted in future contracts before being sent to the Comptroller’s Office for approval.”

⁹ HMS Health Management Systems, Inc. Report on Controls Placed in Operation and Tests of Operating Effectiveness General Computer Controls for the Period December 1, 1999 to February 29, 2000, issued March 3, 2000.



FIRE DEPARTMENT

9 METROTECH CENTER

BROOKLYN, N.Y. 11201-3857



NICHOLAS SCOPPETTA
Fire Commissioner

June 13, 2005

Mr. Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Audit Report on the Billing and Recording of Ambulance Transport Fees by the Fire Department (MG04-054A).

Dear Mr. Brooks:

Attached is a copy of FDNY's response and Agency Implementation Plan (AIP) to the fifteen recommendations made by the Office of the Comptroller in the above-mentioned audit.

Please thank your staff for the time and diligence that they put into this audit during the last two years – the Department appreciates their efforts, and intends to utilize their recommendations wherever possible.

If you have any questions about our response or AIP, please contact our Chief Compliance Office, Frank Buccellato, at (718) 999-2033.

Sincerely,

Nicholas Scoppetta

Attachment

Cc: S. Rush
F. Buccellato
R. Brennan

**Audit Report on the Billing and Recording of Ambulance
Transport Fees by the Fire Department – MG04-054A**

- 1) FDNY should establish proper monitoring and controls over the receipt, return, and processing of the ACRs at all stages of the processing. Proper accounting should be given for ACRs that have not appeared in the billing system after a reasonable period.

FDNY Response – *The Department does not believe that accounting for ALL ACRs (completed & blank) is a feasible or cost-effective policy. It does agree that there should be a tracking system to ensure that all completed ACRs are accurately tracked in the processing system. It has already implemented scannable ACRs in Manhattan – part of this computerized system will be a comparison of the number of completed ACRs for each emergency incident with the number of patients indicated by the CAD Dispatch system for that specific incident. Reports will be generated that will identify those incidents where the number of ACRs produced does not match the number of patients at the specific incident. The scannable system is projected to be implemented citywide by the end of calendar year 2005.*

- 2) FDNY should develop and implement formal written policies and procedures for monitoring and controlling ACRs throughout all stages, from distribution through to their final processing.

FDNY Response – *FDNY agrees that more detailed procedures needed to be developed, and the updated procedures were implemented during the last year. The control process will be simplified with the citywide implementation of scannable ACRs noted in Response # 1. In the scannable system, all completed ACRs will be scanned and validated by the ambulance personnel at the end of their shift. Discrepancies between the number of ACRs per incident and the CAD number of patients will be reported and followed up. Computerized counts of the ACRs imaged will be checked and confirmed at each step of the process (field → scanning → billing → receivables).*

- 3) FDNY should consider working with Accordis to develop a program to reconcile and identify missing ACRs.

FDNY Response – *Such a process has already been developed with the scannable ACR project, where the number of scanned ACR images (SHI) will be compared to the number of patients in the CAD Dispatch system for that incident, and that the number of scanned ACR images sent to Accordis matches the number of Accordis accounts.*

- 4) FDNY should ensure that ACRs are submitted to and processed by the Revenue Unit in a timely manner.

FDNY Response – *The Department agrees. As noted in the report, the delay was caused by personnel cutbacks during the City's fiscal shortfall several years ago. ACRs are currently being processed in a reasonable amount of time, and this processing time will become*

shorter once the scannable ACR system is implemented citywide. Scanned ACRs will be put into the system within one day of ambulance transport, and any missing ACRs will be quickly identified. Files will be available the next day for processing by Revenue Management, and they will be passed to Accordis for billing after 7 days (there is a 7 day lag built in the system to allow for QA/QI and Compliance reviews).

- 5) FDNY (with Accordis) should establish and implement formal, written procedures to ensure that closed accounts are appropriately adjusted in compliance with FDNY Business Rules so to ensure that account balances are accurately reported.

FDNY Response – *The Business Rules are the formal, written procedures that FDNY has developed with Accordis. In the case of closed accounts appropriately adjusted, FDNY has set down the procedures and is waiting for Accordis to modify its programming to conform to FDNY's instructions.*

- 6) FDNY (with Accordis) should establish and implement formal, written procedures to ensure that the FDNY write-off policy and *Business Rules* are appropriately implemented with respect to account write-offs.

FDNY Response – *FDNY has documented write-off procedures and has strictly followed those procedures. The auditors appear to have misinterpreted these procedures in concluding that ALL uncollected accounts should have been written off one year after Date of Service. They failed to consider that at least 60 days pass between Date of Service and the First Billing Date (start of aging cycle), that bills aged 1 – 2 years are to be considered for write-off (as per FDNY write-off policy), and that finally no write-off can occur until FDNY Internal Audit has confirmed that all write-off criteria (bill age & collection attempts) have been met. The only valid indicator that would have shown that FDNY was not following its write-off procedures would have been if the auditors had found accounts with a billing age greater than 2 years that had NOT been written off (which FDNY pointed out on several occasions). This was impossible with the sample used by the auditors, where the billing age ranged from 0 to 1 ½ years. Thus, FDNY does not agree with the auditors' conclusions on write-off procedures, nor with their calculated projections on the amount of monies in Accounts Receivable that should have been written off.*

- 7) FDNY (with Accordis) should establish and implement formal, written procedures to ensure that all entries for unidentified payment remittances that remain on the unapplied report and that are not applied to patient accounts are appropriately resolved, controlled, documented, and reconciled on a periodic basis. Specifically, the details of each entry should be documented, and postings to and transfers from the account should be subject to supervisory review and approval prior to the posting of such entries. Thereafter, the account should be reconciled on a periodic, preferably monthly, basis. Long standing payments that cannot be matched to patient accounts should be resolved in a timely manner.

FDNY Response – *The Department had previously approved the specific Accordis process for performing detailed research to identify as many unapplied payments as possible. The*

Department will work with Accordis to formalize procedures for posting and review of these payments.

- 8) FDNY should require monthly, aged accounts-receivable trial balances from Accordis. In addition to serving as a management tool to monitor and report total receivables, the report should also be used to monitor Accordis' performance.

FDNY Response – *As noted in the report, FDNY had requested and received from Accordis alternate reports from Accordis that the Department believes provide a better measure of Accordis' performance. In addition, reports have also been requested from Accordis and are in the process of being programmed. The Department will request that Accordis provide a monthly aged Accounts-Receivable Trial Balance report as the auditors recommend.*

- 9) FDNY should determine a reasonable estimate of uncollectible accounts in order to calculate the net realizable value of accounts receivable for reporting and management purposes. This estimate should be reviewed and updated periodically, based on historical data.

FDNY Response – *The Department agrees and will be using the data gathered by Accordis on our CY 2003 & 2004 accounts (as well as adjustment and eventual write-off data) to provide a baseline for future revenue projections.*

- 10) FDNY should ensure that differences resulting between cash receipts reported by the bank, and payment postings reported by Accordis are appropriately reconciled, investigated, and resolved.

FDNY Response – *The Department agrees and has done this in the past and will continue to do so in the future. As the auditors noted, there is a lag time between cash receipt and posting. The auditors also noted that there was a \$6,571 discrepancy in the bank statements when compared to the report that FDNY uses to reconcile the account. We agree that every discrepancy needs to be reviewed (and Accordis was asked to check their program and explain the discrepancy), but it should be noted that this discrepancy was on a total amount of bank receipts of \$40,795,428, representing .016 percent of total bank receipts.*

- 11) FDNY should implement formal, written procedures that clearly establish the FDNY Revenue Unit's roles and responsibilities and set forth expectations (benchmarks), controls, and practices for monitoring vendor performance to ensure that Accordis's activities are carried out efficiently and in a timely manner. These procedures should include ongoing monitoring and reporting on Accordis's adherence to specified benchmarks.

FDNY Response – *Formal, written procedures for such responsibilities have existed since the beginning of the contract ("Business Rules for EMS Outsourcing Engagement"). They spell out in detail the responsibilities & time frames for the actions of FDNY, MicroMedia, and Accordis. These procedures cover all areas of the process, from imaging of the original Ambulance Call Report, to billing, collection, and eventual legal action. FDNY (& Accordis) will continue to develop these rules in the future.*

- 12) FDNY should implement a continuous measurement and monitoring system, such as a balanced scorecard, to continuously monitor and assess its own, as well as Accordis's, operational effectiveness and performance under the contract. The system should include measurable goals in terms of the FDNY-Accordis contract, and allow the FDNY to track, manage, and measure strategic and operational performance and provide feedback. It should also provide for ongoing examination and monitoring of compliance with contractual requirements.

FDNY Response – *The Department agrees – the prototype of such a scorecard was already developed and provided to Accordis for programming.*

- 13) FDNY should require that Accordis should develop a formal disaster recovery plan to ensure that FDNY data is adequately protected in the event of a disaster or unplanned disruption in operating capabilities.

FDNY Response – *Although Accordis did provide the auditors with a disaster recovery plan, and later provided additional material that was part of their Recovery Plan, the Department will work with Accordis to ensure that FDNY data is adequately protected in the event of a disaster or unplanned disruption in operating capabilities.*

- 14) FDNY should require that Accordis should provide annual verification of the review or testing of its disaster recovery plan.

FDNY Response – *The Department agrees, and will request that Accordis provide such annual verification.*

- 15) FDNY should require that Accordis should provide annual independent review or audit of its information-processing controls.

FDNY Response – *The Department agrees and will request that Accordis do so. Such language will also be inserted in future contracts before being sent to the Comptroller's Office for approval.*