



Fire and Rescue Department – Ambulance Billing and Inventory Audit - #751 Executive Summary

Why CAO Did This Review

This audit was performed based on the materiality of ambulance revenues derived from our risk assessment/audit plan on City-wide revenues.

What CAO Recommends

For ambulance billings, we recommend contract compliance monitoring of the agreement between the City and the City’s third party ambulance billing company. We also recommend that Jacksonville Fire Rescue Department (JFRD) personnel perform various reconciliations on a periodic basis between transport reports and the invoices generated by the third party billing company to ensure that potential revenue collection is maximized.

We recommend that the Jacksonville Fire and Rescue Department (JFRD) obtain an inventory system for the Tactical Support Facility (TSF) and complete the build out of the Logistical Support Facility (LSF) inventory system. The TSF stores parts to repair fire engines, lawn mowers, fire hoses, all items used to stock fire engines, deployment supplies, and other items. The LSF inventory consists of JFRD personnel uniforms, station kitchen supplies, and Emergency Medical Service (EMS) rescue unit supplies. We also recommend that the Department complete written policies and procedures for the LSF and TSF inventory functions. In addition, we recommend strict adherence to the JFRD Standard Operating Guideline (SOG) specifically regarding narcotics logs.

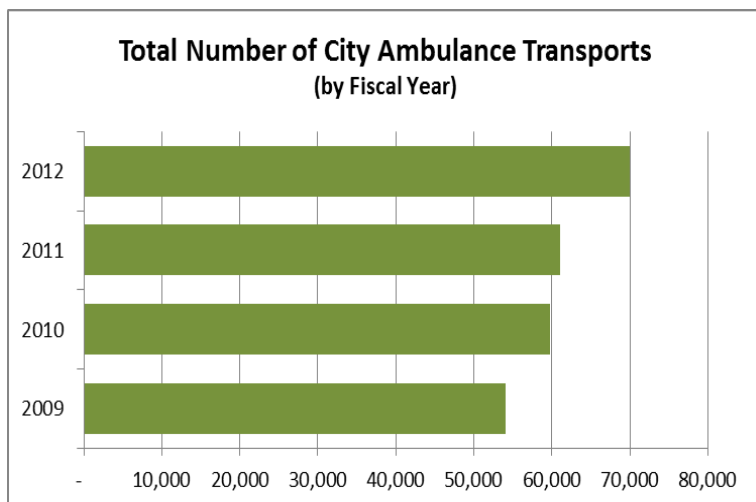
What CAO Found

We found that overall, EMS transports were billed in an accurate and timely manner and payments were properly deposited. However, we discovered 429 transports that weren’t billed by the third party billing company, equating to about \$107,679 of unbilled revenue.

With regards to inventory, proper internal controls were not in place to safeguard storeroom supplies, but appeared to be in place for narcotics. However, controls over narcotics were not consistently followed, resulting in numerous errors on the inventory logs and the inability to confirm whether any narcotics were actually missing.

More specifically:

- The Jacksonville Fire and Rescue Department’s (JFRD) Tactical Support Facility does not have an inventory system.
- The City’s Information Technology Division (ITD) never completed the build-out of the LSF Inventory system.
- The same person who has the ability to adjust inventory in the LSF system has physical access to the inventory.
- The LSF and TSF inventory counts had discrepancies based on what was in the inventory records.
- There are no written policies and procedures for the LSF or TSF inventory components.
- The JFRD narcotics logs were not always compliant with the Department’s Standard Operating Guidelines (SOG).



(Please refer to the full report for more detailed information)



Council Auditor's Office

Fire and Rescue Department – Ambulance Billing and Inventory Audit

March 29, 2013

Report #751

Released on: June 17, 2014

EXECUTIVE SUMMARY

AUDIT REPORT #751

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



March 29, 2013

Report #751

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Jacksonville Fire and Rescue Department's (JFRD) Ambulance Billings and Inventories contained mostly in the Rescue Division. We did not conduct an audit of the collection of ambulance billings given that this function is contracted out to two different third-party vendors, one who performs the initial billing and collection efforts and then a subsequent vendor who serves as the City's collection agency on unpaid invoices.

The Fire and Rescue Department consists of several Divisions: Fire Administration, Emergency Preparedness, Fire Operations, Fire Prevention, Training, and Rescue. The Rescue Division responded to over 100,000 calls in fiscal year 2012 and in more than 50% of those cases, the patients were transported to area hospitals. The Department has 35 full-time rescue units. For fiscal year 2011/12, the Rescue Division recorded \$20.9 million in net revenue, consisting mostly of ambulance revenues. The City's ambulance transports are contracted out to a third party vendor who handles all of the ambulance billings and collections (check payments are sent directly from the patient and any third parties to the City's lockbox or wired directly to the City's bank account), until the accounts are given to the City's third party collections company.

As of August 31, 2012, JFRD had over \$4 million in inventory. The Department's Tactical Support Facility (TSF) provides tactical support for all fire stations and rescue engines. The inventory maintained at the facility includes parts to repair fire engines, lawn mowers, fire hoses, all items used to stock fire engines, deployment supplies, additional vehicles used in fire and rescue operations, and various other items. The facility also stores items that are provided for Duval and other surrounding counties by federal grant programs intended to stock supplies for large scale emergencies, such as terrorist attacks or natural disasters.

The Department's inventory storeroom is known as the Logistical Support Facility (LSF). The LSF inventory consists of JFRD personnel uniforms, station kitchen supplies, and Emergency Medical Service (EMS) rescue unit supplies. In addition to the items stored in the main parts of the LSF, a supply of narcotics used to stock EMS vehicles is also located in the facility. There are two types of drugs used in EMS operations, pharmaceuticals and narcotics. The pharmaceuticals, such as antibiotic ointment, aspirin, etc., are stored in the main part of the LSF and may be pulled for EMS vehicles by all storeroom personnel. The narcotics are Drug

Enforcement Agency (DEA) controlled substances that may only be issued by designated personnel.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine if EMS transports were billed in an accurate and timely manner and that payments were properly deposited.
2. To determine if proper internal controls are in place to safeguard storeroom supplies and narcotics.

STATEMENT OF SCOPE AND METHODOLOGY

The audit scope period was October 1, 2011 through September 30, 2012, with the exception of the EMS reports, which was through September 18, 2012, and the narcotics inventories, which was from January 1, 2012 through October 31, 2012.

For Objective 1, we obtained a list of all Fire and Rescue calls, EMS transport reports (through the Department's ePro system), and invoices created by the City's ambulance billing company. We compared the Fire and Rescue calls to the ePro transport reports, and then compared the ePro reports to the ambulance billings and investigated any differences. We then compared incident dates and invoice dates and also compared invoices billed to payments received. Also, we compared the amounts received via the lockbox to the City's accounting system to ensure that the payments were properly deposited. In addition, we chose a sample of invoices to test the accuracy of the billings. *(We do not have the medical background to determine what type of charge should be made to any transport and therefore, we relied on the billing company to determine the category for the invoices. Our goal was to ensure that for the category identified, the fee agreed to the amount authorized per City ordinance.)* We also reviewed the billing company's contract to ensure that payment maximums were not being exceeded.

For Objective 2, we obtained the narcotics logs from the City's Logistical Support Facility (LSF), the applicable JFRD stations, and a sample of rescue units, recalculated them, and traced all of the entries from the LSF to the rescue units. We also compared the narcotics usage information contained in the rescue unit logs to the applicable ePro reports. We conducted narcotics inventory counts at LSF and the applicable stations. We also conducted non-narcotic inventory counts on a sample of items at LSF and the Tactical Support Facility (TSF). In addition, we traced a sample of non-narcotic purchase orders to the respective inventory systems and vouched a sample of outgoing items to supporting documentation.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

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

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Jacksonville Fire and Rescue Department via Martin Senterfitt, Director of Fire and Rescue, in a memorandum dated May 12, 2014, and from the City's Accounting Division via Gerald Behrendt, City Comptroller, in a memorandum dated May 14, 2014.

AUDIT CONCLUSIONS

By Objective

1. Overall, EMS transports were billed in an accurate and timely manner and payments were properly deposited.
2. Proper internal controls were not in place to safeguard storeroom supplies but appeared to be in place for narcotics. However, controls over narcotics were not consistently followed, resulting in numerous errors on the inventory logs and the inability to confirm whether any narcotics were actually missing.

AUDIT OBJECTIVE #1

To determine if EMS transports were billed in an accurate and timely manner and that payments were properly deposited.

Internal Control Weakness 1-1 *Contract Monitoring*

There seems to be a complete lack of compliance review for the contract between the billing company and the City. Invoices are not checked for reasonableness by any employee from the City. Also, reconciliations are not done to verify that all transport reports sent to the billing company are invoiced. Although there is a contract administrator, her duties are not defined.

Recommendation to Internal Control Weakness 1-1

We recommend that someone be assigned to monitor contract compliance with the billing company in the Accounting Division and/or the JFRD to ensure that the City maximizes its revenue potential. The duties for this contract monitoring position would include checking invoices for reasonableness and periodically, requesting and reviewing backup for the amounts listed on the billing company's invoices. Also, on a daily basis JFRD needs to be reconciling the amount of ePro reports uploaded to the billing company's system to the number of reports the company says it receives. This would also include ensuring that all reports uploaded were billed and, on a sample basis, billed correctly based on the transport information contained in ePro.

Auditee Response to Internal Control Weakness 1 – 1

Agree Disagree Partially Agree

The JFRD agrees with the recommendation to have someone assigned to monitor contract compliance and to ensure the City maximizes its revenue potential. The General Accounting Division is currently responsible for contract compliance, but in recent years due to budget constraints lost their Accounts Receivable Supervisor who spent a major portion of time doing analysis of the collections from the Billing Company. JFRD is in the process of trying to assist the General Accounting Division by hiring an EMS Billing Manager who's primary focus will be to maximize revenue potential and perform daily/monthly analysis of this revenue stream.

The JFRD has also begun a reconciliation process whereby all daily uploads of transport reports are reviewed via a SQL server data base for number of reports created that day and transmitted with a verified confirmation from the ePro Reporting System. The reports are then reconciled with the upload to the Billing Company via a "NEMESIS Daily Report" which shows a count of the records transmitted. Another verification is then completed via the "NEMESIS Import Result Report" which shows the valid number of reports sent for billing excluding any duplicated transport records. The next step in the review involves the daily verification of the invoices via the "Billing Daily Detail Confirmation Report." This report is used to determine if all valid transports have been properly invoiced.

Accounting Division Response to Internal Control Weakness 1 – 1

Agree

Disagree

Partially Agree

The Accounting Division does not have access to the confidential and sensitive personal medical records being transmitted from ePro to the billing vendor. As such we are not able to audit individual invoices that are sent to patients who are transported by JFRD. We also have no expertise in the medical coding field. Accounting's role is to record en masse on the City's accounting records per reports provided by the billing company, all gross billings transmitted, less all statutory write-downs (Medicare and Medicaid), less all accounts that are written off and adjustments made for accounts sent to the collections company. The Accounting Division does also monitor the cash receipts on a continual basis to record payment of outstanding accounts receivable and to assure reasonableness in the rates and frequency of collection.

The Accounting Division formerly employed an Accounts Receivable Supervisor who spent a major portion of her time in analysis of the collections from the billing company. This position was eliminated as part of the prior budget cuts and due to staffing limitations, extensive analysis has not been performed during the past couple years. There is also a concern that staff limitation has not allowed for adequate analysis of other areas of accounts receivable collections. We would recommend re-establishing that position in order to better analyze, audit and control what we are collecting and to assure contract violations are not taking place regarding ambulance billings; a major City revenue source.

It is our understanding that JFRD has created a new position and is in the process of hiring someone who will be charged with auditing individual medical files transmitted to the billing company to assure correct coding, billing and contractual compliance. It is also our understanding that JFRD does currently reconcile on a daily basis the number of files transmitted to the billing company versus the number of files received there. Addition of this new position should alleviate the potential for future billing issues. The Accounting Division will work closely with this individual to assure that the amounts recorded on the City's general ledger are correct and recorded on a timely basis.

Finding 1 – 1 *Unbilled Transports*

Although overall, we found that EMS transports were properly billed in a timely manner, during our testing of billable transports, we found 429 instances in which customers were transported to a medical facility but a bill was not created by the City's outside ambulance billing vendor during our audit scope period. (These transports mostly occurred on October 1-3, 2011 and January 20, 2012.) This equates to \$107,679 (based on an average of \$251 per transport) of unbilled revenue, or approximately 0.5% of the net ambulance revenue. The billing company has been unable to offer an explanation of why these transports were not billed. Subsequent to our office bringing this to the attention of JFRD and the billing company, 212 of the 429 transports were later billed.

Recommendation to Finding 1 – 1

In order to ensure all billable transports are invoiced by the billing company, we recommend that JFRD perform a daily reconciliation between the number of transport reports from JFRD and the number of reports received by the billing company. If the total number of reports that should have been uploaded does not equal the number of reports received, action needs to be taken to ensure the outstanding reports are sent to the billing company immediately. In addition, we suggest active contract compliance, as stated in our recommendation for Internal Control Weakness 1-1.

Auditee Response to Finding 1 – 1

Agree Disagree Partially Agree

The JFRD agrees with the recommendation and has now created various reports in conjunction with the Billing Company to ensure all transport reports were completed by field personnel, all were sent, are valid reports and not duplicates, and that all records were received by the Billing Company and all valid transports have been invoiced by the Billing Company. Subsequent to the finding above 212 of the 429 transports were invoiced.

Opportunity for Improvement 1-1 *Billing Dates*

Based on our testing, the majority of charges for individuals transported via a City rescue unit were billed within 14 days. However, for the remaining transports outside of this window, there was a wide range of days between the date of an ambulance transport (incident date) and the date the invoice was created for that transport (charge date). In reviewing all invoices created during the period of November 1, 2011 through September 30, 2012, the range of days between incident date and charge date were as follows:

Days between Incident Date and Charge Date	Number of Invoices	Percent
0 to 14 days	61602	98.28%
15 to 30 days	276	0.44%
31 to 45 days	177	0.28%
46 to 90 days	232	0.37%
91 to 180 days	343	0.55%
181 to 365 days	50	0.08%

We chose 30 invoices that had a difference of 25 days or over between the incident date and charge date and sent them to the billing company for explanation. Nine (9) were coded

incorrectly by the billing company which caused the charge date to change. One was unexplained and the billing company claims that the other 20 were sent to them significantly later than the incident date.

There isn't a measurable amount of time explicitly stated in the contract that says how much time after the incident date the billing company has to create an invoice. However, good business practice dictates that billings should be accurate and sent as soon as possible. Inaccuracy slows down the billing process and delays collections.

Recommendation to Opportunity for Improvement 1-1

We recommend that JFRD requests a monthly report from the billing company showing charge date and incident date to identify any potential issues or problems that may arise. In addition, we recommend that JFRD perform a daily review of ePro reports that have been in the system for more than 24 hours to inquire why they have not been completed since these reports trigger the billing process.

Auditee Response to Opportunity for Improvement 1-1

Agree Disagree Partially Agree

This recommendation has been endorsed and the JFRD, in addition to the Contract Manager General Accounting Division (GAD) review, has implemented a "Billing Daily Detail Confirmation Report" to identify any potential issues. The "EOM Financial Close Out Report" is also reviewed monthly by the General Accounting Division and subsequent to the audit by JFRD. The JFRD has also implemented a reconciliation process of outstanding run reports. The outstanding list is now sent to the Field Chiefs for completion on a weekly basis and the list is then followed up on by the Chief of Rescue and Quality Improvement Officer. Once the outstanding reports are completed, they become part of the nightly transfer of transport records to the Billing Company. This new reconciliation process of outstanding reports began in October 2013.

AUDIT OBJECTIVE #2

To determine if proper internal controls are in place to safeguard storeroom supplies and narcotics.

INTERNAL CONTROL WEAKNESSES

Internal Control Weakness 2-1 *Inventory System*

During our review of the Tactical Support Facility (TSF), we discovered that TSF does not have an inventory system. Instead, certain items valued over \$100 that are deemed important by JFRD personnel are tracked in a simple Access database.

Best business practices dictate that all inventories should be tracked in a proper inventory system to ensure that inventories are valued correctly, to reduce human error in the reception or distribution of inventory items, and protect against possible misappropriation by requiring a record in the system each time an item is received and issued.

Recommendation to Internal Control Weakness 2-1

We recommend that the Department implement an inventory system for TSF, preferably, a scanning system as recommended in Opportunity for Improvement 2-1 at the end of this report.

Auditee Response to Internal Control Weakness 2 – 1

Agree Disagree Partially Agree

JFRD will work with the Budget Office and ITD to determine if funding and resources are available for a system to conduct routine, interim inventory counts. We also agree the best solution is preferably a scanning system to ensure that assets are properly accounted for, recorded and safeguarded. Although we have explored the use of Maximo, we have found we cannot use it in its current design and are we are currently having issues migrating the LSF program to use in TSF inventory management. The JFRD will continue to explore options available for a proper inventory system to track equipment and supplies.

Internal Control Weakness 2-2 *LSF Inventory Build-Out*

The LSF Inventory system does not have an Information Technology Division (ITD) representative assigned to it and therefore, the build-out of the entire inventory system has never been completed. We were told during our review of LSF that the City’s ITD had various personnel changes and as a result, no one in ITD was assigned to the maintenance of the LSF inventory system. This system was custom built by ITD. It was also mentioned that some modules, such as reorder point and reorder quantity reports, are unfinished and therefore unusable. In addition, some reports based on time period cannot be obtained from the current system.

Recommendation to Internal Control Weakness 2-2

We recommend that JFRD consider the feasibility of having ITD finish the build-out of the LSF Inventory system. The inventory system, as it currently stands, isn’t used to the best of its ability.

Auditee Response to Internal Control Weakness 2 – 2

Agree Disagree Partially Agree

The JFRD will work with the Budget Office and ITD to determine if funding and resources are available to complete the build-out of the LSF Inventory system and/or recognize long-range plans for its replacement perhaps through an Enterprise Resource Management Solution.

Internal Control Weakness 2-3 *Segregation of Duties*

The same person who can adjust inventory amounts has access to the physical inventory. We observed that the Clerical Support Specialist in LSF has physical access to the inventory and the ability to adjust inventory amounts. In addition, her direct supervisor has the same ability.

This is an improper segregation of duties, poor internal control and puts the City’s inventory at risk of misappropriation.

Recommendation to Internal Control Weakness 2-3

We recommend that the Clerical Support Specialist and her immediate Supervisor be physically separated from the LSF storage area. In order to establish good internal controls, the duties of recording assets and custody of those assets need to be separated.

Auditee Response to Internal Control Weakness 2 – 3

Agree Disagree Partially Agree

The JFRD agrees there should be a separation of duties as outlined, but due to lack of staff in the LSF is unable to fully comply with the recommendation cited. In lieu of physical separation and custody of assets by the Clerical Support Specialist, the Department will implement a documented Supervisory review of all reports containing adjustments.

Internal Control Weakness 2-4 *Policies and Procedures*

The Fire and Rescue Department does not have written policies and procedures for the LSF or TSF inventory functions. Written policies and procedures help protect against process deficiencies and maintain cohesiveness if there is staff turnover. Also, there is no speculation on what to do or how to complete a process. This finding was also mentioned in our original report #502 - *The Fire Rescue Department – Rescue Division Audit* issued in 1999.

Recommendation to Internal Control Weakness 2-4

We recommend that JFRD complete written policies and procedures for all LSF and TSF functions. This will ensure that all staff are properly trained in the safekeeping, recording, and use of inventory.

Auditee Response to Internal Control Weakness 2 – 4

Agree Disagree Partially Agree

The LSF and TSF Managers will complete written policies and procedures for all LSF and TSF functions by the end of the fiscal year to ensure that all staff are properly trained in the safekeeping, recording, and use of inventory.

Internal Control Weakness 2-5 *Badge Access*

Badge access to the LSF inventory location wasn't always removed for employees that no longer worked in LSF. During our testing, we discovered two employees with badge access to the LSF storage area that should not have had such access. Both are current employees.

Recommendation to Internal Control Weakness 2-5

We recommend that when an employee leaves the LSF, their badge access to the facility is terminated. We also recommend a periodic review of badge access rights to ensure that access rights are applicable to current positions.

Auditee Response to Internal Control Weakness 2 – 5

Agree Disagree Partially Agree

The JFRD has already corrected this and will terminate any future badge access when employees leave a LSF assignment. The LSF Manager will enter a Service Ticket with ITD immediately upon out processing an employee or upon an employees return to full duty status in an area other than the LSF.

Internal Control Weakness 2-6 *Station Deliveries*

During our review of LSF, we discovered that supplies delivered to fire stations do not need to be signed for to indicate acceptance or counted by station personnel when received. Good business practice dictates that when inventory is pulled off of the shelf to be sent to the stations, that the personnel receiving the items confirm that what was ordered was actually sent. This will help catch problems in inventory counts immediately and identify if personnel preparing the orders for the various fire stations are accurately distributing inventory.

Recommendation to Internal Control Weakness 2-6

We recommend that when supplies are delivered to the stations, that personnel check the contents of the box to ensure that everything that was requested was delivered. An order signed by station personnel stating the contents of the box should be sent back to the Clerical Support Specialist for verification and comparison to what was pulled. If no one is at the station to accept that package, then the contents can be checked after the applicable personnel return to the station.

Auditee Response to Internal Control Weakness 2 – 6

Agree Disagree Partially Agree

Agree with recommendation. A form will be developed to denote the supplies delivered to each Station. Currently, the procedure for deliveries does include having signatures acquired when personnel are at the station to accept the delivery. The Department does require personnel receiving the supplies to inspect their order after receipt and report by e-mail or phone to LSF

any shortages. However, a paper copy of the receipt is not currently being returned to LSF, this follow-up return of the paper copy receipt to LSF will be implemented.

FINDINGS

Finding 2 – 1 *Narcotics Logs*

Narcotics (controlled substances) are issued by LSF to the District or Battalion Chief located at three specific stations geographically located around the City. Those station Chiefs then issue narcotics to the individual fire and rescue units (paramedics) in their specific geographic area. LSF, the Chiefs, and each unit all keep their own separate logs notating the reception and/or distribution of narcotics to transported patients. JFRD Standard Operating Guidelines (SOG) on Controlled Substance procedures, Section 430.1005, contains different requirements based on who's maintaining the log – LSF, District/Battalion Chiefs, or Paramedics. However, they all have some common log information requirements including:

- Date/Time
- Total quantity of narcotics in milligrams
- Earliest Expiration Date
- Printed Name and Signatures
- Explanation (of the entry)

In addition, the SOG requires that the District/Battalion Chief “audit” the Controlled Substance Daily Checklist and document the “audit” with the explanation: “First of the Month/Chief Inspection” on the checklist.

Based on our testing, we found problems with the narcotics logs at LSF, three out of three stations that distribute narcotics and 10 out of 10 rescue units that were selected based on higher narcotics usage. These problems with logs revealed that JFRD was not consistently adhering to its Department’s Standard Operating Guidelines (SOG). The types of problems we found with the narcotics logs included the following:

- Logs were mathematically inaccurate; a contributing factor to this was that the logs are maintained by hand. However, based on JFRD regulations, which requires two signatures anytime a narcotic is administered, a hand written log is the only mechanism to effectively meet this requirement. We agree it is a good control to have two signatures anytime narcotics are accessed.
- Several months of logs were missing
- Ending balances did not agree to beginning balances on the following day in a few instances
- Entries on one log did not always match the corresponding entries on another log or the corresponding entry could not be found at all
- Unused portions of narcotics (referred to as “wasted” drugs), which remained after a portion of a vial was administered to a patient, were not consistently noted
- Report numbers identifying the specific transport case in which a narcotic was administered were not always noted, making it difficult for anyone to easily verify that narcotics were legitimately used.

- Missing dates for entries
- Incomplete or vague entries
- Incorrect dates
- Very little evidence of the Chief’s monthly inspection of unit logs
- Switching between milligrams and number of units on the same log
- Different amounts of narcotics administered in ePro reports vs. the unit logs. In one (1) out of 50 reports tested, the amount of narcotics administered per the unit log did not agree to the ePro report. In two (2) out of the 50 of those cases, the narcotics administered per the unit log was not listed in the ePro report at all.
- The amount of expired narcotics shipped to another company for destruction per the logs was different than what was indicated on the company’s invoice. In one of the two instances noted, the company actually invoiced for 676 units rather than 338 units. In the second instance, there was only a difference of two units. It is important to note that the company destroying drugs bills on a flat fee basis per invoice and therefore, the City was not overcharged despite the error.

All of these errors on the logs make it impossible to determine if narcotics were misappropriated by any personnel or whether the logs were mathematically accurate overall.

Recommendation to Finding 2 – 1

With inaccurate logs, it is easy to cover up theft and misappropriation, which is especially concerning when it relates to the potential loss of narcotics. We recommend that the JFRD personnel follow the SOG in a very strict fashion and that staff members be re-trained on all of the required procedures that must be followed to accurately account for the narcotics inventory. In addition, even though it is not required by the SOG, we recommend that the amount of narcotics re-stocked or expired and/or removed always be notated on the logs. We also recommend that supervisory personnel review the logs for adherence to the SOG and also periodically “audit” all logs on a surprise basis by following a sample of transactions from LSF through the station Chiefs’ logs and onto the individual unit logs, which would then finally be traced to the ePro reports. Ultimately, the person should report their findings directly to the Chief of Rescue so the appropriate corrective action can be taken.

Auditee Response to Finding 2 – 1

Agree Disagree Partially Agree

Agree with recommendation and will reinforce training for field personnel on SOG 430.1005 Controlled Substance Procedures. Additionally, the Chief of Rescue will perform quarterly random audits of the narcotic logs to ensure accuracy of the inventory and adherence to the SOG.

Finding 2 – 2 *LSF Inventory Count*

The number of items on hand for LSF non-narcotic inventory was different than the amounts in the inventory system. During our LSF Inventory count of a sample of items, we discovered that

14 out of the 31 items chosen (45%) had discrepancies in the quantity on hand versus the quantity listed in LSF's inventory management system.

In addition, during our audit, we noted that in a letter to the Division Chief of Rescue from the Captain of LSF stating the results of the annual inventory count for fiscal year 2012, there were adjustments made on 574 of the 1,139 different items that were counted in the inventory (50%).

Recommendation to Finding 2 – 2

We recommend that JFRD personnel outside of LSF conduct routine and surprise, interim inventory counts. Even though an annual inventory count is performed for accounting purposes, interim counts can help detect inventory issues before they become major problems. We also recommend that a report of all adjustments due to the interim counts, including the dollar value of overages and shortages, be sent to the Chief of Rescue. This recommendation was also made in our original report #502 - *The Fire Rescue Department – Rescue Division Audit* issued in 1999.

Auditee Response to Finding 2 – 2

Agree Disagree Partially Agree

The JFRD agrees that personnel outside LSF should conduct routine and surprise, interim inventory counts. Limited duty personnel and/or TSF personnel can perform these random counts of the inventory and report any overages/shortages to the Chief of Rescue as recommended.

Finding 2 – 3 *TSF Inventory Count*

During our TSF Inventory count of a sample of items, we discovered that 4 out of the 8 items chosen from the database listing had discrepancies in the quantity on hand versus the amounts listed in TSF's database.

Recommendation to Finding 2 – 3

As stated in Internal Control Weakness 2-1, we recommend that JFRD obtain an inventory system for TSF. After an inventory system is obtained, we recommend that the TSF personnel conduct routine, interim inventory counts. Even though an annual inventory count is performed for accounting purposes, interim counts can help detect inventory issues before they become major problems. This recommendation was also made in our original report #502 - *The Fire Rescue Department – Rescue Division Audit* issued in 1999.

Auditee Response to Finding 2 – 3

Agree Disagree Partially Agree

The JFRD agrees it should obtain an inventory system for the TSF to conduct routine, interim inventory counts. Subsequent to the Auditor's review of the TSF Inventory database (Access 2.0)

and counts of on-hand inventory, the generator, life jackets, chainsaw and battery locations were documented in the database so the on-hand inventory reconciled with the TSF database.

Finding 2 – 4 *Purchases Received Not Entered*

During our testing of purchases made for LSF, we found two out of 49 instances in which items ordered and received at LSF were not entered into the inventory management system. One order received was for 60 glucometers that the vendor shipped free of charge with glucometer test strips that were ordered at a cost. The strips were properly added to the inventory in the system, but the glucometers were not. The second order was for 40 board shorts ordered by LSF for Ocean Rescue. These items were not added to in the inventory system and were signed out by the head of Ocean Rescue using a paper EMS Supply Requisition Form.

Recommendation to Finding 2 – 4

In order to insure all inventory ordered by LSF is properly accounted for, we recommend that all items received by LSF be entered into the inventory management system. If an item is sent by a vendor free of charge and the item is intended to be issued to JFRD personnel or rescue units, it needs to be entered into the system and issued from the system in the same way that items with an associated cost are received and issued. If an item is not to be issued directly from LSF, it should still be received into the system and then issued out of the system to the receiving individual that will be responsible for the item once it is removed from LSF's inventory.

Auditee Response to Finding 2 – 4

Agree Disagree Partially Agree

The JFRD agrees to enter all items, even those sent by a vendor free of charge, into the LSF inventory management system. The current limitations of the system do not allow zero cost items to be entered. In the meantime, the Department will enter zero cost items with a value of .01 and will work with ITD to update the program to correctly allow the entry of items with a zero cost.

Finding 2 – 5 *LSF Issuances*

There were outgoing transactions involving the issuance of supplies from LSF to the fire stations that either did not have any documentation at all or did not contain the correct information on the backup documentation. Out of 116 outgoing LSF inventory items sampled, seven (6%), did not have a request form on file. In three items sampled (3%), the quantity ordered did not equal the number on the request form on file or the amount removed from the system.

Recommendation to Finding 2 – 5

We recommend that all backup documentation for items that are being sent from LSF be kept for audit purposes. We also recommend that LSF create written policies and procedures for their duties as stated in Internal Control Weakness 2-4. This recommendation was also made in our report #502 - *The Fire Rescue Department – Rescue Division Audit* follow-up report that was dated November 15, 2001.

Auditee Response to Finding 2 – 5

Agree Disagree Partially Agree

The LSF Manager will complete written policies and procedures for all LSF functions by the end of the fiscal year to ensure that all staff are properly trained in the safekeeping, recording, and use of inventory. Further, the LSF agrees to develop and implement a return receipt document for items sent from LSF to the fire stations and will maintain this backup documentation on file in LSF until such time as an electronic solution is developed.

Opportunity for Improvement 2-1 *New Inventory System*

Best business practices dictate that all inventories should be tracked in a proper inventory system to ensure that assets are properly recorded and safeguarded. JFRD should have a more complete and efficient inventory system. TSF does not have a true inventory system and LSF’s annual inventory count had a 50% error rate.

Recommendation to Opportunity for Improvement 2-1

We recommend that JFRD consider the feasibility of acquiring an inventory system that uses a bar code scanner to add purchases to inventory, subtract issuances and to make adjustments as needed. JFRD has millions of dollars of inventory that needs to be properly accounted for and properly safeguarded from the risk of misappropriation. This recommendation was also made in our original report #502 - *The Fire Rescue Department – Rescue Division Audit* issued in 1999.

Auditee Response to Opportunity for Improvement 2-1

Agree Disagree Partially Agree

The JFRD will work with the Budget Office and ITD to determine if funding and resources are available to complete the build-out of the TSF/LSF Inventory system and/or recognize long-range plans for its replacement perhaps through an Enterprise Resource Management Solution

Subsequent Event

Subsequent to the end of fieldwork for this audit, a write-off of \$28 million was made in June 2013 for ambulance billings dating back to 1995 that were determined to be uncollectible by the billing company, but were never sent back to the City. We did not audit this amount or the circumstances surrounding the need for this write-off. (However, this write-off was noted in our *Quarterly Summary Report for the Twelve Months Ended September 30, 2013 – Report #743* issued on December 13, 2013.) In the fiscal year 2011/2012, the percentage of accounts sent by the billing company to the City’s collections company decreased dramatically compared to previous years. (Per the billing company, this was due to a change in their computer system and they were trying to catch up with the collections.)

Recommendation to the Subsequent Event

As stated in our recommendation for Internal Control Weakness 1-1, we recommend that someone be assigned to monitor contract compliance with the billing company in the Accounting Division and/or the Fire and Rescue Department. Additionally, as part of the contract monitoring, someone needs to be tracking information on a monthly basis on the amount of cash that is actually received versus the amount of revenue established in the annual budget to determine if there are any shortfalls that need to be addressed through spending reductions.

Auditee Response to Subsequent Event

Agree Disagree Partially Agree

Due to the staffing limitations of the Contract Manager, the General Accounting Division, extensive analysis of the receivables were not performed. A major contributor too, was the change in the computer system of the Billing Company. The Accounting Division does, however, monitor the cash receipts on a continual basis to record payment of outstanding accounts receivable and ensures reasonableness in the rates and frequency of collection. The General Accounting Division and the JFRD commit to work together to improve the process of accounting for the rescue revenue and contractual compliance. The General Accounting Division, with the addition of the EMS Billing Manager in JFRD, will track this information on a monthly basis and ensure that the amounts recorded on the City's general ledger are correct and recorded on a timely basis and monitor contract compliance to increase revenue potential.

Accounting Division Response to Subsequent Event

Agree Disagree Partially Agree

See response for Internal Control Weakness 1-1.

We appreciate the assistance and cooperation we received from the Jacksonville Fire and Rescue Department throughout the course of this audit.

Respectfully submitted,

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Council Auditor

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