



Ambulance Franchise Fees Audit Audit Report

Issued by the
Internal Audit Office
December 15, 2009

City of El Paso
Internal Audit Office
Ambulance Franchise Fees Audit

EXECUTIVE SUMMARY

At the request of the Fire Chief an audit of the Ambulance Franchise Agreements has been completed. Interpretation differences were identified within Dominion Ambulance LLC, Elite Medical Transport LLC, Life Ambulance Service Inc., the City of El Paso's Financial Services Department, and the El Paso Fire Department. Based on the results of the audit, seven (7) findings were identified to indicate that each of the private ambulance providers are not complying with terms, conditions, and performance measures established within the ambulance franchise agreements. Five of these findings are considered significant in nature, while two findings were not significant.

The table below provides data on ten areas reviewed during the audit and the corresponding results of the review:

	Franchise Agreement Section	Adhering to performance measures established in specific sections			Finding Number
		Dominion	Elite	Life	
	Article I. Section:				
1.	H. Compensation and Payment of Franchise Fee	No	No	No	1 & 6
2.	J. City Inspection of Grantee's Books and Audits	Yes	Yes	Yes	-
3.	K. Annual Audited Statement of Gross Revenues	No	No	Yes	2
4.	L. Grantee to Keep Separate Records	N/A	Yes	Yes	-
	Article II. Section:				
5.	A. Availability of Service	Yes	Yes	Yes	-
6.	B. Radio Communications	Yes	Yes	Yes	-
7.	C. Response Time Requirements	No	No	No	3
8.	G. Transportation Logs	No	No	No	4
9.	K. Vehicle, Equipment and Supply Requirements	Yes	No	Yes	7
	Article III. Section:				
10.	B. Rates	No	No	No	5
	# of non-compliant sections	5	6	4	

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

BACKGROUND

The City of El Paso is empowered to grant franchises for the use of its streets, alleys, and public rights-of-way under the City Charter and the City's general police powers. Public rights-of-way, as defined within the ambulance franchise agreements, means "the surface, the air space above the surface, and the area below the surface of any public street, highway, land, path, alley, sidewalk, boulevard, drive, bridge, tunnel, parkways, waterways, utility easements or other public right-of-way now or hereafter held by the City." The City of El Paso grants franchises to ambulance service providers to operate a non-emergency transfer service within the City. Ambulance Service providers interested in obtaining a franchise must submit an application packet, along with required documentation, to the city clerk. Copies of each application for ambulance service are forwarded to the Fire Chief or designee for his/her review and recommendation to City Council.

City Council grants the franchise and determines the terms and conditions that will be granted, or shall refuse to grant the franchise. Historically, ambulance transfer service franchises are granted by City Council with a two year term and are established by ordinance. Each time a franchise is renewed, a new ordinance number is granted. There are currently three ambulance franchises in effect with Life Ambulance Service Inc., Elite Medical Transport LLC, and Dominion Ambulance LLC.

SCOPE AND METHODOLOGY

The audit objectives of this audit engagement were to conduct a performance audit of the three ambulance service providers that have been granted ambulance franchises. The audit focused on performance measures stated in the following sections of the franchise agreements:

- Article I. Section:
 - H. Compensation and Payment of Franchise Fee
 - J. City Inspection of Grantee's Books and Audits
 - K. Annual Audited Statement of Gross Revenues
 - L. Grantee to Keep Separate Records
- Article II. Section:
 - A. Availability of Service
 - B. Radio Communications
 - C. Response Time Requirements
 - G. Transport Logs
 - K. Vehicle, Equipment and Supply Requirements
- Article III. Section:
 - B. Rates

The audit periods were based on franchise periods stated in each ambulance providers ordinances that granted the franchises. The dates ranged from fiscal year 2007 to fiscal year 2010.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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

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

Finding 1

Compensation and Payment of Franchise Fee

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. are currently not paying the City 2% of its monthly gross revenues:

Ambulance Service Provider	In practice by ambulance provider:
Dominion Ambulance LLC	Reports and pays its franchise fee based on monthly "gross deposits." For 22 out of the 29 (76%) months reviewed, Dominion did not accurately report its "gross deposits."
Elite Medical Transport LLC	Reports both its "gross charges" and "net charges" and pays its franchise fee based on monthly "net charges." <ul style="list-style-type: none"> • Out of its gross charges reported to the City, Elite excludes air ambulance transports and hurricane relief responses. • Out of the net charges, Elite deducts year to date "overpayments" to come up with the "net revenue" amount that is reported to the City of El Paso and used to calculate the franchise fee payment.
Life Ambulance Service, Inc.	Reports and pays its franchise fee based on "gross collections." Life is not reporting "gross revenues for all transports, treatment or other services rendered to any customer, which commence within the Franchise Area." Out of its monthly gross collections used to calculate the franchise fee, Life excludes long distance transports, non-transport special event revenue, and miscellaneous revenue.

Recommendation

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. should comply with the Ambulance Transfer Service Franchise Agreement terms on compensation and payment of franchise fee listed in: Article I. Section H. and Article I. Section B.7 which defines "Gross Revenues." Each private ambulance provider should report and pay its franchise fee based on:

- Gross revenues for all transports, treatment or other services rendered to any customer, which commence within the Franchise Area,
- Revenues derived directly or indirectly from the operation or use of all or part of the Grantee's ambulance transfer service.

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Finding 2

Annual Audited Statement of Gross Revenues

Dominion Ambulance LLC and Elite Medical Transport LLC are not submitting an annual audited statement of gross revenues.

Recommendation

Dominion Ambulance LLC and Elite Medical Transport LLC should comply with the Ambulance Transfer Service Franchise Agreement terms listed in Article I. Section K.

Finding 3

Response Time Requirements

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. are not meeting all response time requirements:

Ambulance Service Provider	In practice by ambulance provider:
Dominion Ambulance LLC	<ul style="list-style-type: none"> • Denied 95 out of 221 (43%) Priority-3 calls requested by the Fire Department from January 2009 to October 2009. Dominion met response time requirements for the remaining 126 Priority-3 calls. • Is not documenting the time requests for service are received; as a result, response times for non-emergency transfer services could not be verified.
Elite Medical Transport LLC	<p>Is not “responding to customer’s request for non-emergency transfer service...no later than one and one-half hours after the request for service is received.”</p> <ul style="list-style-type: none"> • 19 (11%) of non-emergency transfers in September 2009, and 23 (13%) in October 2009, exceed response time of one and one-half hours. <p>The majority of the calls that exceed one and one-half hours were conducted within two hours.</p>
Life Ambulance Service, Inc.	<ul style="list-style-type: none"> • Denied 56 out 201 (28%) Priority-3 calls requested by the Fire Department from January 2009 to October 2009. • Response time for Priority-3 calls exceeded 30 minutes for the month of June 2009. • Life met response time requirements for non-emergency transfers.

Recommendation

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. should comply with the Ambulance Transfer Service Franchise Agreement terms on response time requirements listed in Article II. Section C. Each private ambulance provider should:

- Respond to customer requests for non-emergency transfer service, at any time of day of the week, no later than one and one-half hours after the request for service is received, unless pre-arrangements are made.
- Give immediate priority to nonemergency incidents requested by the Fire Chief or his designee and respond no later than thirty minutes after the request for service is received.

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Finding 4

Transportation Logs

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. are not submitting monthly transportation logs.

Recommendation

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. should comply with the Ambulance Transfer Service Franchise Agreement terms on transportation logs listed in Article II. Section G.

Finding 5

Rates

- Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. are not charging the rates established in “Exhibit A” of each of the corresponding ambulance service franchise agreements.
 - All three providers have contracts with different facilities, known as “facility contracts” in which contractually reduced rates are established between the ambulance provider and the corresponding facility. The established contractual rates are lower, some as low as \$134.25 per transport, than the rates listed in “Exhibit A.”
 - Dominion bills for additional charges not listed in “Exhibit A” such as Specialty Care Transport and Ambulance Service, Level 2 (ALS-2).
 - Life Ambulance Service is charging \$325.00 for Basic Life Support (BLS) emergency transports; Exhibit A of the Franchise Agreement lists \$335.00 for BLS emergency transports. Life bills for additional charges not listed in “Exhibit A” such as for individual medications and supplies.
- Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. are not charging the El Paso Fire Department (EPFD) rates when responding to EPFD-directed emergency response calls (referred to as Priority-3 calls).
 - The franchise agreement states that Grantee “shall” be permitted to charge the rates which the Fire Department is authorized to charge for priority three calls. The definitions within the franchise agreement state that the word "shall" is mandatory and the word "may" is permissive. This verbiage is very confusing to all parties involved.

Recommendation

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. should comply with the Ambulance Transfer Service Franchise Agreement terms on rates listed in Article III. Section B.

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

Finding 6

Franchise Fee Payments

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. are not making their monthly franchise fee payment on the 15th of each month:

Ambulance Service Provider	In practice by ambulance provider:
Dominion Ambulance LLC	20 out of 29 (69%) of Dominion's franchise fee payments were received late by the City of El Paso. The payments in question were received one (1) to 173 days late. Dominion paid late fees for seven (7) of the late payments. Because the remaining 13 late payments were postmarked by the due date, the City of El Paso's Financial Services did not charge Dominion late fee interest charges.
Elite Medical Transport LLC	15 out of 24 (63%) of Elite's franchise fee payments were received late by the City of El Paso. The payments in question were received one (1) to 69 days late. Elite is paying late fees calculated by the City of El Paso Financial Services Department.
Life Ambulance Service, Inc.	4 out of 23 (17%) of Life's franchise fee payments were received late by the City of El Paso. The payments in question were received one (1) to four (4) days late. Because the late payments were postmarked by the due date, the City of El Paso's Financial Services Department did not charge late fee interest charges.

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. submit all payments to the City Comptroller with copies of all accompanying correspondence sent to the Fire Chief's designee. The Chief's designee does not have record of receiving a copy of:

- Five (5) out of 29 (17%) of Dominion's payments reviewed.
- Sixteen (16) out of 24 (67%) of Elite's payments reviewed.
- Two (2) out of 23 (9%) of Life's payments reviewed.

Recommendation

Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc. should comply with the Ambulance Transfer Service Franchise Agreement terms on compensation and payment of franchise fee listed in Article I. Section H. Each private ambulance provider should:

- Make franchise fee payments by the 15th day of the month following the month for which gross revenues are reported.
- Provide copies of all correspondence to the Fire Chief or designee.

Finding 7

Vehicle, Equipment and Supply Requirements

Elite Medical Transport LLC has procedures in place, to include a Unit Supply Checklist, to ensure that they meet vehicle and equipment requirements but it appears that they have several deficiencies identified during inspections conducted by the Fire Department. Twelve (12) out of 13 (92%) of the inspections completed by the Fire Department of Elite ambulances were incomplete and/or had deficiencies still outstanding with no evidence of being corrected.

- 5 inspections were incomplete.
- 2 inspections were complete but contained deficiencies that are still outstanding with no evidence of correction.
- 5 inspections were incomplete and contained deficiencies that are still outstanding with no evidence of correction.

Based on our review, it appears that the Dominion Ambulance LLC and Life Ambulance Service Inc. ambulances are properly equipped in accordance with Article II. Section K. of Ambulance Franchise Agreement. A definite determination could not be made due to the inspection checklists conducted by the Fire Department do not appear to be properly completed.

Recommendation

Elite Medical Transport LLC should comply with the Ambulance Transfer Service Franchise Agreement terms on vehicle, equipment and supply requirements listed in Article II. Section K.

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this Internal Audit, Dominion Ambulance LLC, Elite Medical Transport LLC, and Life Ambulance Service Inc.; have different interpretations of the terms, conditions and performance measures established within the Ambulance Transfer Service Franchise Agreements with the City of El Paso. In addition, the City of El Paso's Fire Department and Financial Services Department differ in their interpretation of the terms, conditions, and performance measures contained in the Ambulance Transfer Service Franchise Agreements. Implementation of the recommendations summarized in this Audit Report should assist each private ambulance provider and the City of El Paso's Fire Department and Financial Services Department in increasing their ability to meet the requirements of the Ambulance Transfer Service Franchise Agreements.

The Fire Chief needs to consider the information contained in this Audit Report in revising the current Franchise Agreements. The three (3) current ambulance providers' current procedures differ among themselves. Considerations should be given to revising the current method of calculating Franchise Fees. Because of the nature of the medical billing, service providers routinely do not collect 100% of their invoiced amount. Insurance Companies, Medicare, Medicaid, and Private Pay Customers established minimum payment amounts. These amounts significantly differ from the current rates identified in the current Franchise Agreements. Possible solutions are to either base the Franchise Fees on a net amount collected with standard audit requirements or establish a "Flat Fee System" based on some common criteria, i.e. number of ambulances. This revision would also apply to the other findings identified in this Audit Report.

We wish to thank Dominion Ambulance LLC, Elite Medical Transport LLC, Life Ambulance Service Inc., the Financial Services Department, and the Fire Department for their assistance and courtesies extended throughout this audit. Attached as an addendum to this audit report please find the Franchises' Responses to the Findings.

Signature on File
Edmundo S. Calderon, CIA, CGAP, MBA
Chief Internal Auditor

Signature on File
Liz De La O, CIA, CGAP, MPA
Senior Auditor

Distribution:

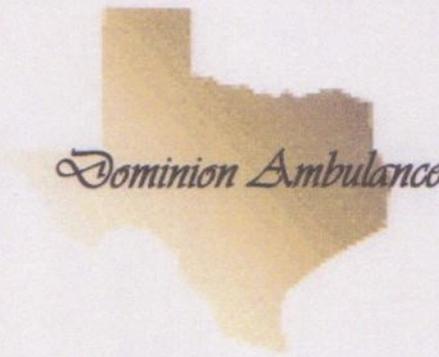
Legislative Review Committee, Fiscal Affairs, Management Support and Internal Audit
Joyce A. Wilson, City Manager
William F. Studer Jr., Deputy City Manager, Finance & Public Safety
Otto Drozd, Chief, Fire Department



**Dominion Ambulance LLC
Responses to Ambulance
Franchise Fees Audit Report**

Received by the
Internal Audit Office
January 20, 2010

6585 Montana Ave. S600B El Paso, TX. 79925



Dominion Ambulance

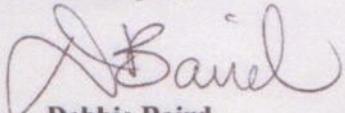
1/18/2009

**Internal Audit Office
2 Civic Center Plaza
El Paso, TX. 79901**

To Whom It May Concern,

Enclosed is our response to the City Of El Paso Franchise Performance Audit. If you have any questions or concerns please contact me at 915-667-4461.

Thank you,



**Debbie Baird
Office Manager**

Dispatch Phone: 915-351-3903

Office Phone: 915-351-3803

Fax Number: 915-351-8889

Date: January 18, 2010

To: City of El Paso Internal Audit Office

From: Dominion Ambulance LLC
Demetrius E. Alonzo, President
Candace Portillo, CFO
Debbie Baird, Business Office Manager
Carlos Alarcón, Fleet & Marketing Manager

Re: City of El Paso Ambulance Franchise Performance Audit

Article I.

1. H. Compensation and Payment of Franchise Fee
 - a. Payment of franchise fee will be **received** by the 15th of every month.
2. J. City Inspection of Grantee's Books and Audits
In Compliance
3. K. Annual Audited Statement of Gross Revenues
 - a. 2007 and 2008 audited statements of gross revenues have been turned in to the City of El Paso, Financial Services. 2009 will be turned in as per franchise agreement guidelines.
4. L. Grantee To Keep Separate Records
Not Applicable

Article II.

5. A. Availability of Service
In Compliance
6. B. Radio Communications
In Compliance
7. C. Response Time Requirements
 - a. Dominion Ambulance has increased fleet and staff to accommodate the need of the Fire Department's request for assistance in responding to Priority Calls.
 - b. Dominion Ambulance's Non-emergency Calls are pre-scheduled hours, days and weeks prior to the patient's appointment. Therefore the call time is not logged.
8. G. Transportation Logs
 - a. Dominion Ambulance will comply and submit monthly transport logs.
9. K. Vehicle, Equipment and Supply Requirements
In Compliance

Article III.

10. B. Rates
 - a. Dominion Ambulance is proud to serve multiple healthcare facilities in the El Paso area; the predetermined rates specified in the franchise agreement are higher than certain rates agreed with our contracted facilities. There lower rates are part

of our effort to remain competitive, honest and keep a trustworthy relationship with our Customers some of which are non-profit organizations. However we do not infringe the Medicare lowest allowable rate for non-emergency transports of \$134.25 USD.

- b. Dominion Ambulance does not offer Specialty Care Transports nor do we charge using this rate. This Rate is part of a standard addition to our billing software.
- c. Dominion Ambulance bills patient's standard rates of Dominion Ambulance, LLC that are cared for under EPFD-directed emergency response calls (Priority -3 calls). However as required by our city franchise, we will bill at the higher EPFD rate.



**Elite Medical Transport LLC
Responses to Ambulance
Franchise Fees Audit Report**

Received by the
Internal Audit Office
January 20, 2010



ELITE MEDICAL TRANSPORT

January 20, 2010

Edmundo S. Calderon, CIA, CGAP
Chief Internal Auditor
City of El Paso
2 Civic Center Plaza
El Paso, TX 79901

Dear Mr. Calderon:

Thank you for your time on January 6 to review the report card of the internal audit conducted by the City of El Paso in reference to ordinance number 016769 with Elite Medical Transport of Texas, LLC. We enjoyed meeting you and other members of your staff. This letter is in response to the report card pursuant to your directions at that meeting.

Article I Section H. Compensation and Payment of Franchise Fees

Deficiency One: We agree that the city staff has accurately understood our process for calculating franchise fees due to the city. However, in discussing this matter with our accounting firm we hold that our calculations are a reasonable interpretation of the franchise ordinance requirement.

We assess charges to each transport based on Exhibit A of the franchise ordinance. However, we also have an obligation to the federal government and the state of Texas with regard to Medicare and Medicaid reimbursement. Both the Centers for Medicare & Medicaid Services and the Texas Medicaid & Healthcare Partnership have established fee schedules for ambulance services that mandate reductions to our charges in order for us to receive payment from them. Similar schedules are in place with the vast majority of third party payors and if we are to be reimbursed for our services we must honor those schedules. Therefore, our policy has been to adjust our Gross Revenues by these contractual obligations and pay franchise fees on that adjusted gross revenue figure. We ask for revision to the Franchise Ordinance for clarity.

We did not include the revenues generated from hurricane relief and other emergency response deployments in 2008 as those services did not commence within the Franchise Area¹. These emergency responses commenced in Houston, San Antonio, and Presidio Texas, as well as points as far away as Louisiana.

We did not include the revenue generated from air ambulance operations because our interpretation of the franchise agreement is that it is for ground ambulance operations only. First, in Article II, Section J. Vehicle Inspections, the standards apply only to ground vehicles. For example, in item 3.a. the reference to the Texas Transportation Code is for motor vehicle registration only, not aviation. Second, the municipal code that underlies the Franchise Ordinance² also appears to be relevant only to ground operations. For example, the requirement for a franchise is placed upon any entity "...furnishing a transfer service by operating, driving or causing to be operated or driven a transfer vehicle upon the streets of the city..."³. This brings clarity to the application of the Franchise Ordinance definition of "Public Rights of Way."⁴

¹ Franchise Ordinance Article I. Section H. Item 2.

² Title 6, Chapter 6.40, Article II

³ El Paso, Texas, Code of Ordinances 6.40.050

⁴ Article I, Section B, Item 10

Deficiency Two: We agree with the staff's assessment of the timeliness of our payments and our compliance with the payment of late fees under those circumstances. We confess that as a small business our cash flow may sometimes preclude payment exactly on time but we are an ethical organization and will always comply with the consequences of such late payments.

Deficiency Three: We agree that the Chief's designee may not have a record of all payments made to the City. We have instituted changes in internal procedures to assure that this deficiency is rectified with the payment due this month.

Article I Section K Annual Audited Statement of Gross Revenues

We agree that we did not submit an audited statement of gross revenues for the fiscal year ending December 31, 2007. However, we did submit the audited statement to the City's for fiscal year 2008 (available upon request). The point of contention appears to be the entity conducting the review. The Franchise Ordinance does not specify that the audit shall be conducted by a certified public accountant or other such independent professional. Therefore, in our review of the agreement we conclude that an internal audit of gross revenues is sufficient for compliance.

Article II Section C Response Time Requirements

We agree that we are not always "...responding to the customer's request for non-emergency transfer service...no later than one and one-half hours after the request for service is received." However, there are a number of factors to consider when interpreting that fact into a matter of compliance.

First, we may receive a request today at 8:00am for services to be provide three days from now at 9:30am, and we respond at 9:35am on the day requested. In those circumstances we are responding three days, one hour and 35 minutes from the time the request was received. However, we are responding within 5 minutes of the scheduled time of pickup.

Second, we contend that response time standards should be stated in degrees rather than absolutes. In our experience governmental response time standards for emergency responses are generally stated in terms of an objective to be met 90% of the time rather than 100% of the time. We submit that this kind of structure is generally seen in the emergency response arena but the structure is valid and can be applied to the non-emergency arena with some modifications.

Furthermore, we contend that the term "non-emergency" needs further definition in the Franchise Ordinance. We absolutely support the City's desire and responsibility to address the quality of customer service provided by its business partners. Therefore, we respectfully request that the City consider an initiative to negotiate reasonable response time standards with consultation from representatives of the healthcare system at large.

Article II Section G Transportation Logs

We agree with the City's assessment of our compliance and have effected immediate change to ensure absolute compliance with this item going forward.

Article II Section K Vehicle, Equipment and Supply Requirements

Elite agrees that there may have been incomplete inspections and even some with minor deficiencies. However, we contend that all deficiencies were corrected immediately upon discovery. To this end we have instituted a new internal procedure for our response to inspections.

After each inspection we will respond to all deficiencies within ??? hours. Documentation of this response will be kept on file along with the initial inspection report. Furthermore, we will submit a copy of this documented response to the Chief's designee for City record purposes.

Article III Section B Rates

Deficiency One: Elite does have contracts with a number of facilities in the franchise area that permit those facilities to pay less than our rates as established in Exhibit A of the Franchise Ordinance. However, the contracts also provide for payment to us from the facility should the direct customer/patient

not have resources to pay for the services rendered. This significantly diminishes our bad debt and such contracts are a fiscal necessity in the local and national market place.

We acknowledge that there is a provision in the Franchise Ordinance that allows for bringing such agreements to the City for approval. However, if we did so, these agreements would become a matter of public record. Because the marketplace is so competitive, such a situation would put all the business partners at a competitive disadvantage, potentially leading to bidding wars. Should we stand firm to the letter of the Ordinance while one of our competitors is less absolute, we are assured of losing substantial market share.

We seek the city's leadership in order to satisfactorily resolve this issue. Again, a relevant dialogue should include the City, its business partners and representatives of the healthcare system in the community.

Deficiency Two: Elite agrees that we are not charging the El Paso Fire Department rates when responding to emergency calls referred by the Fire Department. We contend that this is a matter of choice not of deficiency because the Ordinance states "...the Grantee shall be permitted [sic] to charge the rates which the Fire Department is authorized to charge..."⁵

In conclusion, this audit process has been extremely helpful in identifying internal deficiencies that we can quickly correct and address. It also raises a number of issues that we hope the City will contend with in the future. We are interested in nothing short of absolute compliance with the City's objectives. To achieve this all we, and all the city's business partners, need a clear understanding of those objectives as well as equitable enforcement. The City is to be commended for this process and we look forward to future discussions and developments in this arena.

Respectfully Submitted,

ELITE MEDICAL TRANSPORT OF TEXAS, LLC



LEEANN PHILLIPS
Chief Administrative Officer

Cc: file
Brenda Denham, COO
Lee King, President, CEO

⁵ Article III, Section B, Item 2



Life Ambulance Service Inc. Responses to Ambulance Franchise Fees Audit Report

Received by the
Internal Audit Office
January 22, 2010

January 25, 2010

Life Ambulance response to the City of El Paso Internal Audit Office Report Card
Article I

1. H. Compensation and Payment of Franchise Fee

a) We do not agree with the deficiency cited by the Internal Audit Office relating to our calculation of the Franchise Fee. The Audit Office now believes we should be paying 2% of gross billing. This is contrary to the franchise and instructions we earlier received from the City.

The franchise agreement requires us to pay a franchise fee based on "Gross Revenue", not Gross Billings. Revenue is defined as "income received". The franchise agreement requires the ambulance provider to provide to the City an annual audited statement of "receipts".

In 1997 the City Comptroller's Office provided us with the following definition of gross revenue for our calculation of the franchise fee under the franchise; "gross collections, on the cash basis of accounting, of fees arising from services provided under the jurisdiction of the franchise granted by the City of El Paso." We have complied accordingly.

Please note the City of Austin defines gross revenues as receipts not revenue billed. (See attachment)

In our industry collection rates are not high. It would not be appropriate for us to be assessed a fee on billings we never receive as revenue.

b) Prior administrations have agreed that long distance transports, special events and miscellaneous items are not performed upon the public streets, right-of-way and alleys of the City of El Paso and therefore should not be included in the tax base. Additionally, there are federal limitations on taxing interstate commerce.

c) All franchise fee payments were mailed in a timely manner and were postmarked on or prior to the 15th of each month, which satisfies the franchise agreement as written.

d) All reports were mailed to the Chief's designee at the same time as payments were made to the comptroller's office. We were not notified of non-receipt.



*Offering Paramedic Service***Article II**

7. C. Response Time Requirements

a) During the initial seven months of the period reviewed we operated under the assumption that the responsibility of covering the priority 3 calls was a shared responsibility with the other services. No one franchisee would be faulted if one of the remaining services was available to respond.

Following the July 20th meeting with the Fire Chief we understand that each service is to be separately responsible. Life Ambulance has been in compliance with the Response Times requirement since this meeting.

b) Life had two priority 3 extended response times in the month of June of over 30 minutes. Both were the results of not having units in close proximity to the scenes. One was 48 seconds over and the other 6.47 minutes delayed.

8. G. Transportation Logs

We again do not agree with this deficiency.

The City has never requested a single transport log during our 25 year of service to the City. Franchise states we will be directed by the FMS to provide that information.

The data is available and we need to discuss the format required by the City to reply with this request.

Article III

10. B. Rates

a) It is Life's understanding that in the past the City was concerned about the Citizens of El Paso not being over charged for transport services. They were not concerned about discounts.

b) Section W of the Franchise does allow graduated scale of charges.

c) When additional charges such as for supplies or medications are billed it does not exceed the franchise rate approved by the City for the service provided.

d) The franchise language on priority three states we are "permitted to charge the City rates" it does not make it mandatory.

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"Serving El Paso County Since 1984"

