To: CVFRS Board
From: Ed Sulva

Please see below the recommendations, responses and/or actions to the annual audit conducted by Batchelder Associates, PC. Please let me know if you have any questions.

Contents


- Recommendations from Financial Statements for Year Ended June 30, 2012 … P ~~2-5~~ 2
- Patient Billing Report – January 14, 2013 – Exhibit L ……. P ~~6-8~~ 8
- All Special Funds – January 14, 2013 – Exhibit B …… P ~~9~~ 12
- Operating Account – January 14, 2013 – Exhibit B ……. P ~~10-11~~ 13


"This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties. This letter refers to conditions which came to our attention which are recommendations to improve and enhance the internal controls of your accounting system. These recommendations are not a reflection upon the integrity or capabilities of any personnel." – Batchelder Associates, PC

3/28/13: Update on the status of actions is embedded in the original document. Note that the page numbers listed about may have changed due to additional narrative and notes.

6/07/13: Updates on the status is embedded within the document. Page numbers listed above have been updated to reflect changes due to updated notes.

## *Financial Statements for Year Ended June 30, 2012*

PRIOR YEAR RECOMMENDATIONS:

1. *Audit adjustments for the appropriate year-end should be entered and final financial statements should be reconciled with the audit.*

   Response: CVFRS accepts this recommendation and will make changes to effect these adjustments.

   Target Completion Date: April 1, 2013

   STATUS: The previous CVFRS Treasurer indicated many of the audit adjustments were made. The current Treasurer contacted Batchelder to request current year adjustments. When these are received, the adjustments will be completed.

   Update 3/28/13: The CVFRS Treasurer has reviewed the adjusting entries from Batchelder. Two sets of entries were provided. He requested Batchelder break out special funds entries between each entity – i.e. Barrows, Tower, etc. He also requested the entries be consolidated to reflect primarily balance sheet entries to avoid posting to prior years. CVFRS is awaiting a response from Batchelder.

   Update 6/06/13: Adjusting journal entries have been completed and previous year financial statements have been restated per Batchelder Associates. Reports for those years have been provided to BA to insure completeness. CVFRS is awaiting confirming response from Batchelder.

2. *The separate accounting between Operating and the Special Funds should be combined into one financial accounting system, with one set of internal controls consistently applied to all accounts within the Organization.*

   Response: CVFRS accepts this recommendation and will make changes to effect the proposed consolidation of accounting systems.

   Target Completion Date: July 1, 2013.

   STATUS: CVFRS will have all accounts in one single platform effective July 1, 2013. Currently the Town Treasurer is using NEMRC for the operating account and QuickBooks are used for the special funds. A decision as to what platform the combined entities will be under will be determined by May 1, 2013.

   Update 2/28/13: CVFRS has entered into an agreement with Patrice Machavern to assist with this point.

   Update 6/07/13: CVFRS is on track to implement one financial accounting system for operating and special funds.

CURRENT YEAR RECOMMENDATIONS:

1. *Establish a clear and concise policy regarding the appropriation of revenue between operations and the special funds.*

   Response: CVFRS agrees that it should establish a clear policy to describe the way in which various sources of funding are intended to be applied to the expenses of CVFRS operations.

   Target Completion Date: July 1, 2013

   STATUS: By historic practice operations revenue for CVFRS is provided from the Town of Charlotte. Expenses incurred include building and equipment operations and maintenance, insurance, medical supplies and Rescue payroll. The CVFRS Annual Report to the Town of Charlotte provides a narrative for the revenue and use of the special funds. The 2011-2012 fiscal year activity is also included in the Annual report – separately and consolidated with the operations. Utilization of the special funds currently is for unplanned expenditures that were not included in the operating budget or non-budgeted capital items that do not appear in the capital and/or operating budgets. Tower Fund is used exclusively for radio related expenses. In the case of donations, CVFRS seeks to honor donor intent to the best of its ability and knowledge.

2. *Establish a contract between the Town and Fire and Rescue which outlines the roles of funds or appropriations to be allocated to each entity and responsibility of record keeping.*

   Response: CVFRS agrees a contract or memorandum of understanding should be established between the Town of Charlotte and CVFRS, Inc.

   Target Completion Date: August 30, 2013

   STATUS: CVFRS undertakes to compose a draft for discussion purposes by June 30, 2013. It is expected that a final form would then be developed in conversation with the Selectboard for the Town of Charlotte.

   Update 3/28/13: Discussion at the March CVFRS Board meeting indicated the Selectboard has started work on an agreement. In addition, three members of the CVFRS Board are meeting to identify and qualify point of consideration for the agreement. The draft document has been requested from the Selectboard for the purpose of collaboration with the CVFRS sub-committee.

   Update 6/07/13: Discussion and work continues between members of CVFRS and Selectboard toward an agreement.

3. *Once all clear and concise policies have been established, all funds related to Fire and Rescue should be deposited to an account owned by Fire and Rescue. No funds should be deposited to the Town of Charlotte accounts.*

   Response: CVFRS agrees that all deposits should be in accounts owned by CVFRS.

   Target Completion Date: February 1, 2013.

   STATUS: Done

4. *We recommend a monthly review of all bank statements, outstanding deposits and checks be completed. This recommendation is due to an outstanding check dated May, 2010 that is still outstanding as of June 30, 2012. In this particular case, the check was payable from the Fire Special Fund account to Charlotte Volunteer Fire and Rescue Operating account for reimbursement of speakers. This check has not been recorded or deposited in the operating account, therefore creating a continued outstanding check for the Fire Special Fund account and interfund receivables being underfunded. In addition, the expense has been taken twice during the 2010 fiscal year.*

   Response: CVFRS agrees that a monthly review of outstanding items be incorporated into monthly financial reporting. We will request from the Town Treasurer documentation of monthly bank reconciliation to be included in our monthly financial packet for board review.
   Target Completion Date: March 15, 2013.

   STATUS: Check was voided and reissued on February 10, 2013. The CVFRS Treasurer will review an Outstanding Checks Report on a monthly basis as part of the financial review.

   Update 3/28/13. CVFRS Treasurer is reviewing the Outstanding Checks Report on a monthly basis as a component of the monthly financial review prior to the Corporate Board Meeting.

5. *All patient billing revenue should be posted on a monthly basis. A report can be generated on a monthly basis from Newport Ambulance Service.*

   Response: CVFRS does not intend to implement this recommendation. CVFRS does not believe that this recommendation will provide a benefit to the operations and accuracy of financial reporting. Implementation would require significant staff effort and would result in chronically overstated income.

   Target Completion Date: N/A

   STATUS: N/A

   Note: All patient billing received via electronic deposit or check is being compared to Newport reports and posted to CVFRS financial statements. The Corporate Treasurer will work with NAS, the Rescue Operations Manager and Town Treasurer to identify and implement additional efficiencies.

6. *A monthly review of the outstanding patient billing receipts should be reviewed and a determination made of uncollectible receipts. A monthly adjustment can be completed based on the determination.*

   Response: CVFRS agrees that a systematic review of outstanding patient billing receivables should be implemented within the context of a complete and documented patient billing procedure.

   Target Completion Date: April 1, 2013.

   STATUS: A request for an outstanding receivables report has been made to Newport Ambulance Service (NAS). CVFRS has begun cross-referencing the call log to NAS reports. The CVFRS Treasurer and Rescue Operations will be visiting NAS on February

27th to review reporting and operations. The outstanding receivables report will be in the financial package at each CVFRS Board meeting. Completion date: April meeting. In addition, a comprehensive patient billing procedure, already started, will be completed by April 1, 2013. Collection and charge-off protocol will be included in the procedure.

Update 3/28/13 – Patient Billing Tracking Log has been developed. This is a living document and will be updated weekly based on call activity and monthly for receivables. The report tracks calls from point of origin through collection and is summarized by month and by fiscal year. Reports requested from NAS (Credit Detail, Credit Summary and Aged Collections) will be used in conjunction with SIREN to populate and update the report. The report will be provided to the CVFRS Treasurer and Rescue Operations Chief on a monthly basis as a component of the monthly financial review package prior to the CVFRS board meeting.

Update 6/07/13: Patient Billing – Machavern has been tracking and following all calls through the billing/cash receipt cycle for to insure that all calls are billed. CVFRS Corporate Board has received and reviewed these reports and will continue to receive on a monthly basis. Patient Billing procedures continue to be updated.

7. *All vendor invoices should be entered into the accounting software upon receipt, using the date of the invoice for recording.*

   Response: CVFRS agrees with this recommendation and has taken steps to implement.

   Target Completion Date: February 1, 2013.

   STATUS: Confirmation needed with Town Treasurer that this is completed

   Update 3/28/13. This is being done – complete.

8. *All vendor invoices should be properly entered through the accounts payable capabilities of the accounting software.*

   Response: CVFRS agrees with this recommendation and has taken steps to implement.

   Target Completion Date: February 1, 2013.

   STATUS: Confirmation needed with Town Treasurer that this is completed

   Update 3/28/13. This is being done – complete.

*By using recommendations #3 through #8, accurate financial statements can be provided and reviewed by the board at the regular monthly meetings. There should be formal recognition of the Board review in the minutes.*

9. *Take inventory of vehicles and equipment so we may better present them on the financial statements.*

   Response: CVFRS agrees with this recommendation and is taking steps to complete an inventory of vehicles and other capital assets.

   Target Completion Date: May 1, 2013.

   STATUS: To be completed by May 1, 2013 by the Officers of Charlotte Fire Department and Charlotte Rescue Squad.

   Update 6/07/13: Template for inventory has been completed. CVFR Treasurer has contacted Batchelder Associates to provide the listing of current depreciable assets and CVFRS will complete a physical inventory within the next month.

10. *Member Incentives should be paid through payroll and processed as a payroll item.*

    Response: CVFRS agrees with this recommendation and is taking steps to implement.

    Target Completion Date: April 1, 2013.

    STATUS: The annual member incentives issued in June will be processed through payroll. The CVFRS Treasurer has contacted People's United Bank to determine their needs to make this work. All members will have a completed W-4 on file no later than April 1, 2013. Corporate Treasurer responsible

    Update 3/28/13. Few members W-4s have not been completed. The W-4s will be sent to People's United Bank after the April F&R business meetings.

    Update 6/07/13: Issuance of annual member incentives will be processed through payroll for individuals that have W-4's on file.

11. *We also recommend a clear and concise policy to be established for the hiring and termination of employees. This should include the following:*
    a. *Completion of all required State and Federal forms.*
    b. *A file for each employee with copies of all enrollment forms for the available benefits.*
    c. *For terminated employees, copies of the termination letter.*
    d. *If the terminated employee was covered by the benefits, copies of letters to the terminated employee notifying them of their rights, specifically COBRA.*
       *This is a recommendation due to finding a terminated employee who was left on the health insurance plan with no outline of how the premiums were to be reimbursed. This created an outstanding health insurance receivable.*

    Response: CVFRS agrees with the substance of these recommendations and will review its current employee handbook (General Work Guidelines for Employees and Volunteers) to effect these changes.

    Target Completion Date: June 1, 2013.

STATUS: Currently there is only one employee in Fire and Rescue with benefits. A review of the current handbook to clarify the items recommended will be conducted by the Board of the Corporation and will take appropriate steps to insure compliance. Target for a revised draft is May 1, 2013 with Board approval expected before June 1, 2013.

*Patient Billing Report – January 14, 2013 – Exhibit L*

Procedure 1

*We recommend the contract with Newport Ambulance Services, Inc. be reviewed and updates as necessary on an annual basis by the Board. The current contract in place is dated January 22, 2007.*

Response: CVFRS agrees with this recommendation and is taking steps to implement.

Target Completion Date: April 30, 2013.

STATUS: The Corporate Treasurer, Assistant Rescue Chief and Operations Manager will complete the contract review by April 1, 2013. Any changes or updates, after review from the CVFRS Board will be completed by April 30, 2013

Update 3/28/13: Contract between CVFRS and NAS has been reviewed. Discussion on the term of the subsequent contract is underway with the expectation it will run on a fiscal year basis. In parallel to the review, alternative billing services in closer proximity to CVFRS are being explored.

Update 6/07/13: Agreement with NAS has been received, reviewed and minimal changes have been requested by CVRS management. It is expected that the agreement will be signed before the end of the fiscal year.

Procedure 2

*As recommended in Procedure 1, the updated/amended contract with Newport Ambulance Service, Inc. should include reports generated on a monthly basis by Newport Ambulance Services, Inc. to include but not limited to a list of monthly invoices submitted to carriers or invoiced as a private pay. With the new SIREN system the State implemented, the current administrator of CVFRS should print on a monthly basis a list of calls for comparison to reports submitted by Newport Ambulance Services, Inc. for accuracy of invoicing. It is recommended 100% of these invoices are to be booked as patient billing revenue on a monthly basis.*

Response: CVFRS agrees with this recommendation with the exception of the last sentence which was addressed above.

Target Completion Date: April 1, 2013.

STATUS: Corporate Treasurer to complete by April 1, 2013 - see item 6 above. As indicated in item 5 above, CVFRS does not intend to implement the last sentence as discussed at the Select board meeting with the independent auditors pertaining to hospital accounting.

Update 3/28/13 CVFRS will receive on a monthly basis the Credit Detail, Credit Summary and Aging Call Detail reports. See item #6 in Financial Audit Recommendations for internal reporting mechanism to track calls from origin.

Update 6/07/13: Ongoing and included in CVFRS Patient Billing Procedures

Procedure 3

*By implementing Procedure 2 with the additional reports generated by Newport Ambulance Service, Inc. and the additional SIREN report, there will be an additional internal control of reducing potential lost revenue to CVFRS. With the use of the reports, should a call be un-invoiced, it will be discovered and immediately invoiced or Newport Ambulance Service, Inc. provides additional information for the un-invoiced call. It is recommended this procedure be placed into effect immediately due to the determination of the total loss of potential revenue outlined in above findings.*

Response: CVFRS agrees that a systematic review of outstanding patient billing receivables should be implemented within the context of a complete and documented patient billing procedure.

Target Completion Date: April 1, 2013.

STATUS: See item 6 above.

Update 3/28/13 – Completed. See #6 in Financial Audit Recommendations and #2 above in Patient Billing

Procedure 4 & 5

*Using the recommendation from Procedure 2 and 3, a monthly report of calls should be submitted to the Board at a regular board meeting for review and sign off. With this information, the Board can determine an approximation of revenue that will be posted. It is recommended this procedure be put in place effective immediately due to the amount of unrecorded patient billing revenue.*

Response: While CVFRS agrees that the Board should regularly review the status of patient billing and billable call volumes, CVFRS does not believe it is useful or appropriate to require monthly sign off.

Target Completion Date: N/A

STATUS: Due to the complexity and timeliness of insurance reimbursements, CVFRS disagrees with the recommendation. A report of calls can be submitted to the CVFRS Board monthly.

Procedure 6

*We recommend that upon receipt of checks from Newport Ambulance, Inc. a deposit be completed within two (2) business days. As of February 1, 2012, funds are deposited to the Town of Charlotte's Citizens bank operating account. These funds should be deposited to CVFRS operating account. On a monthly basis any funds received from Newport Ambulance Services Inc are reconciled and then forwarded to the Town of Charlotte. Federal reimbursements are direct deposited to the Special Funds account the Town of Charlotte holds for CVFRS, Fire and Rescue Fund (Capital Fund).*

Response: CVFRS agrees with this recommendation and has taken steps to implement.

Target Completion Date: February 1, 2013.

STATUS: Per Town Treasurer this is complete.

Procedure 7

*We recommend on a monthly basis Intercept invoicing is completed from the prior months call log. It is understood, the invoicing for Intercept calls are completed offline (outside of QuickBooks). We recommend the local ambulance services are set up as customers in QuickBooks or NEMRC and all invoicing is completed through the software. It is also recommended a new Intercept revenue account be set up in QuickBooks or NEMRC. By completing the invoices through QuickBooks or NEMRC the revenue will immediately post to the appropriate account. These invoices and the monthly call log should be submitted to CVFRS for review and then released. This will assure all Intercept invoicing is captured. All checks received from the Intercept invoicing are received in QuickBooks or NEMRC and posted to the open receivable. All checks to be deposited to CVFRS operating account and then on a monthly basis reconciled. After the completed reconciliation, a check is sent to the Town of Charlotte.*

Response: CVFRS agrees with this recommendation is all material regards.

Target Completion Date: July 1, 2013.

STATUS: While many aspects of this recommendation have already been implemented, some will require modification before being implemented on the appropriate long-term accounting platform.

Procedure 8

*Once recommendation Procedure 2 is implemented, a monthly report of outstanding patient billing balances is sent to Chief of Operations who then reviews for uncollectible invoices. Those invoices are then written off or sent to collections by Newport Ambulance Services, Inc. and confirmation is sent to the Chief of Operations. There is a significant amount of funds currently in the over 180 days on the aging accounts receivable report, these should be reviewed by the Chief of Operations and determined if collectible. It is recommended invoices determined to be uncollectible to written off.*

Response: CVFRS agrees with this recommendation.

Target Completion Date: April 1, 2013.

STATUS: CVFRS intends to incorporate this recommendation in its comprehensive procedural documentation for patient billing. See item 6.

Update 3/28/13 – Completed. See #6 in Financial Audit Recommendations and #2 above in Patient Billing

Procedure 9

*Insurance write-off's are determined by the carrier's and is not in the control of CVFRS. However, the write-off's should be tracked for the purpose of noting the loss of income. Upon receipt of the remittance advices and checks from Newport Ambulance Service, Inc. a monthly adjustment to record the write-off is posted. It is recommended*

Response: CVFRS does not believe there is any financial or corporate benefit from implementation of this recommendation. "Loss of income" from insurance adjustments is a highly questionable concept and services provided by CVFRS are, as a matter of policy, delivered without regard to the performance of the patient's insurance company.

Target Completion Date: N/A

STATUS: CVFRS will track open billing – see item 6. As a public safety organization, there is no value gained by implementing procedure 9 as the patient would still be transported regardless of insurance payment.

Update 3/28/13 – Completed. See #6 in Financial Audit Recommendations and #2 above in Patient Billing

Procedure 10

It has been noted "subscriptions" have been discontinued as of June 2010.

Response: CVFRS confirms this observation.

Target Completion Date: N/A

STATUS: N/A

Procedure 11

*We recommend as outlined in Procedure 6, a monthly reconciliation be completed to avoid underpayment to the Town of Charlotte. This reconciliation should be completed using funds deposited to CVFRS operating accounts.*

Response: CVFRS agrees with this recommendation. Payments have been being made to the Town only timing differences remain in addition on how to handle exceptions such as insurance reversals as well as checks returned for NSF.

Target Completion Date:

STATUS: This will be incorporated into the contract between the Town of Charlotte and CVFRS as noted in item 2 of the financial statements audit for year ended June 30, 2012.

*By implementing the above outlined recommendations, CVFRS will have tighter internal controls in place and will have accurate financial statements available for the Board on a monthly basis.*

*It is further recommended, as outlined in Procedure 2, 100% of the patient billing revenue is accounted/posted on a monthly basis. In addition, by posting 100% of the patient billing revenue on a monthly basis, it will also require implementing Procedures 8 and 9 to be completed on a monthly basis.*

*All Special Funds – January 14, 2013 – Exhibit B*

Procedure 1

*Batchelder Associates PC recommends a strong internal control policy process be put in place immediately.*

*Vendor Invoices – All vendor invoices are required to be reviewed and approved by the Chief of Operations prior to being paid. All checks cut are to be reviewed by the Chief of Operations to confirm check agrees with received invoice. In addition, a check register should be provided with the cut check and the invoices to be certain check numbers assigned to the checks agree with the printed checks.*

*Voided Checks – All voided checks to be accounted for and kept in a separate file. QuickBooks has the capability to record voided checks and is to be recorded immediately upon check being voided. If an issued check is to be replaced, it is required to be requested in writing by the individual who it requesting the replace. Prior to the replacement check being issued the request must be reviewed and approved by the Chief of Operations.*

*Invoices – Submission and approval of invoices are to be completed by two separate persons.*

*New Vendors – As new vendors are set up in QuickBooks and invoices received by the new vendors, a W-9 is to be sent to the vendor for completion and return. This will provide CVFRS with the appropriate information to prepare 1099's at year end.*

*Accounts Receivable - As part of the month end financial statement preparation, an open accounts payable report is to be printed and verified the open vendor payable is accurate and is due as of the end of the month.*

*Vendors – The list of active vendors should be monitored on a regular basis for accuracy.*

Response: CVFRS agrees in all material respects with these recommendations and has taken steps to implement.

Target Completion Date: February 1, 2013.

Status: Complete.

## *Operating Account – January 14, 2013 – Exhibit B*

Procedure 1

*Batchelder Associates PC recommends a strong internal control policy process be put in place immediately.*

***¶ 1***
*All vendor invoices are required to be reviewed and approved by the Chief of Operations prior to being paid. All checks cut are to be reviewed by the Chief of Operations to confirm check agrees with received invoice. In addition, a check register should be provided with the cut check and the invoices to be certain check numbers assigned to the checks agree with the printed checks.*

***¶ 2***
*There have been a number of invoices paid which include sales tax. As noted CVFRS is a non-profit and is exempt from sales tax. Reviewing the invoices will eliminate the payment of sales tax.*

***¶ 3***
*The Town of Charlotte payments are to be remitted with the patient billing reconciliation as outlined in the Agreed Upon Procedures for Patient Billing Revenue. The reconciliation will provide the supporting documentation of the payment to the Town of Charlotte.*

***¶ 4***
*A spreadsheet is to be created for the payment of member incentives. The spreadsheet is to be reviewed and approved prior to payments to the members by the Chief of Operations. The spreadsheet will be used as the supporting documentation of the payments to the members.*

***¶ 5***
*It is to be mandatory all debit and charge slips are to be turned into the administrative person to be matched up with the monthly bank statements and the monthly charge account statements such as Champlain Oil and Aubuchon.*

***¶ 6***
*An inventory and listing of authorized usage for the charge cards should be updated on an annual basis or as changes take place. The inventory and authorized usage list should be kept by the Chief of Operations to be used when approving the charge slips. (See attached Exhibit B1 as example)*

***¶ 7***
*All voided checks to be accounted for and kept in a separate file. QuickBooks has the capability to record voided checks and is to be recorded immediately upon check being voided. If an issued check is to be replaced, it is required to be requested in writing by the individual who it requesting the replace. Prior to the replacement check being issued the request must be reviewed and approved by the Chief of Operations.*

***¶ 8***
*Submission and approval of all invoices are to be completed by two separate persons.*

Response: CVFRS agrees in all material respects with recommendations 1 through 8 above and has taken steps to implement.

Target Completion Date: March 15, 2013.

Status: The accounting for the operating account is administered by the Town Treasurer. The CVFRS Treasurer will work with the Town Treasurer to assure the recommendations are or will be implemented.

Update 3/28/13. Ongoing.

***¶ 9***
*All wages and incentive payments are to be processed through payroll for all employees and members of CVFRS. Incentive payments are considered wages per the Internal Revenue Service and should be treated as any other wage earned through CVFRS.*

*Due to the non existent internal control procedures, there has been the potential of payment of inappropriate charges.*

*Procedure 2*

***¶ 1***
*As new vendors are set up in QuickBooks and invoices received by the new vendors, a W-9 is to be sent to the vendor for completion and return. This will provide CVFRS with the appropriate information to prepare 1099's at year end.*

***¶ 2***
*As part of the month end financial statement preparation, an open accounts payable report is to be printed and verified the open vendor payable is accurate and is due as of the end of the month.*

***¶ 3***
*The list of active vendors should be monitored on a regular basis for accuracy.*

We agree with the above twelve points and will confirm with the Town Treasurer to what extent these have been implemented.