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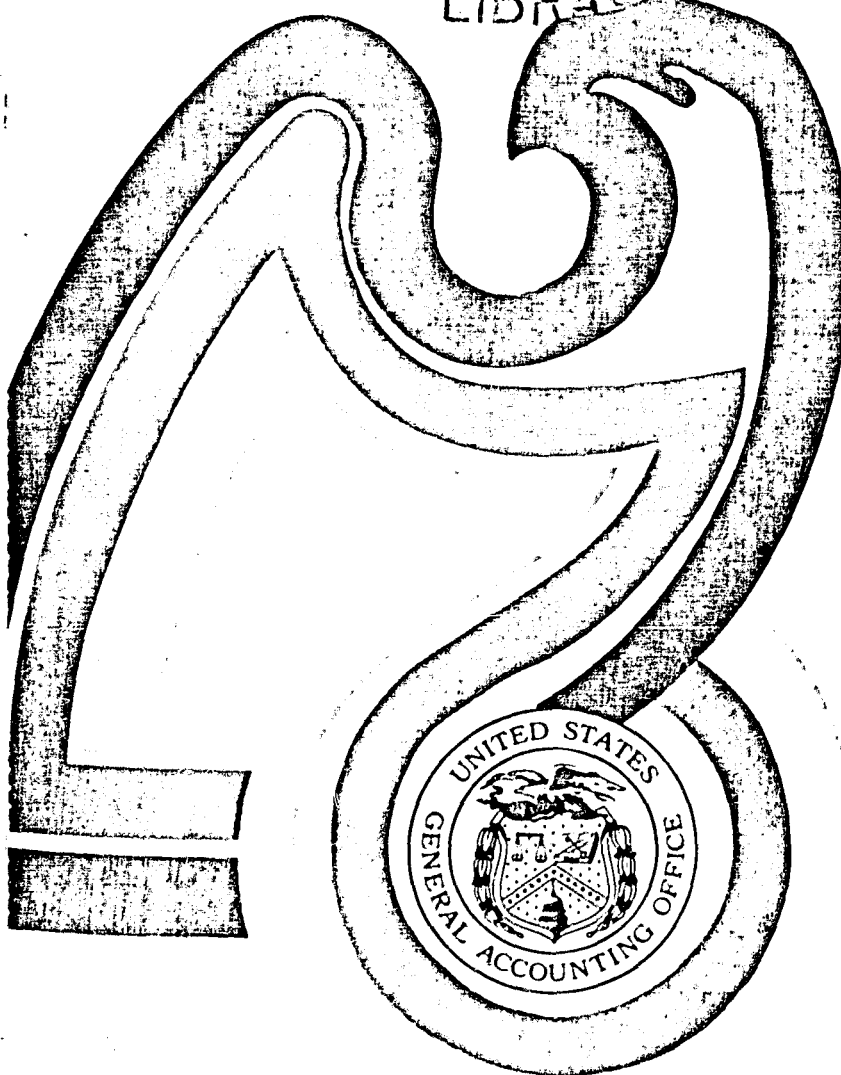
# The GAO Review

Winter 1977

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LAWRENCE BONANNI

## For Auditing Relief, Try ADP

*The age of computers has arrived and GAO has taken this technological advance in its stride. This article focuses upon the role ADP and statistical experts played in a review of Medicaid overbillings.*

### The Computer

The computer enables modern industry and government to process millions of accounting documents in a fraction of the time needed to do it manually. Otherwise, our Nation would become deluged in a sea of invoices, vouchers, and timecards. But for all of its advantages the computer does have some drawbacks—especially for the auditor.

### The Auditor and the Machine

The traditional auditor, who previously found himself at home in mountains of invoices, canceled checks, and ledgers, finds himself surrounded by blinking machines with whirring tapes. This new technology, quite understandably, posed problems for GAO as for other auditing organizations. Today, however, each GAO audit team generally has staff members trained in computer technology. If none are available, the audit staff can draw upon the expertise of his office's data processing and systems anal-

ysis group, which consists of both ADP and statistical experts. Such groups operate in all GAO field offices.

In a review of Medicaid eligibility in New York City, the GAO audit team, with the help of such a group, found that hospital invoices intended for a State and locally funded Medicaid program were being applied to the federally reimbursable program. An improperly prepared computer program was causing New York State to overcharge the Federal Government by more than \$18 million.

Although the complexity of the program would have normally required that we use expert programmers, the work was actually accomplished by junior staff members *Ron Parker* and *Al Sharif*, whose only computer training consisted of undergraduate ADP courses.

### The Federal Government Is Overbilled By Millions

New York City had been claiming Federal reimbursement for hospital

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services to persons who were not eligible to receive Medicaid sponsored by the Department of Health, Education, and Welfare. The Federal share of the overbillings amounted to \$14 million.

The auditors were confronted with a staggering volume of data—New York City processed about 500,000 hospital claims valued at \$250 million during the 15 months of incorrect charges. Furthermore, each week's delay in the audit meant additional millions going down the drain.

### Initial Disclosure

The situation came to light while the auditors were preparing to test the accuracy of information from Medicaid enrollers on claims processed by the City's Human Resources Administration in January 1974. Case histories revealed that some claims totaling over \$100,000 purportedly qualifying because of the recipients' ages actually dealt with people under 65. Although still eligible for the State home relief program, the claims became ineligible for Federal Medicaid.

### Magnitude of Error

The Human Resources Administration's automated hospital payments and reimbursement system began operating in May 1973. The system's computer tapes include claims for individuals covered by both the Federal and State Medicaid programs. Although Administration policy requires that such tapes be retained for 26 months, all tapes from before November 1973, as well as the February 1974 tape, were either destroyed or, as we found later, mislabeled.

The audit team designed a computer program that would produce lists of old age assistance claims made on behalf of public assistance or medically needy recipients under 65 years of age. This program was run on all reimbursement tapes retained by New York City.

The printout disclosed that the city had claimed \$14 million of Federal reimbursement for ineligible persons.

### Cause of Overbilling

Direct instructions to the computer had caused it to convert certain claims to the Federal old age assistance category. The program reclassified these claims through at least two routines:

- In the first routine, the program erroneously compared a four-character birth date (for example, 12/63) to the first four characters of a six-character admission date (for example, 01/31/35). If the birth date was greater than the hospital admission date, the eligibility code was changed to the Federal old age assistance category. The program's intention was to determine which home relief recipients became age 65 while in the hospital; costs for those patients were subject to Federal sharing.
- In the second routine, certain claims were erroneously converted when the admission date was left blank.

### Action Taken to Correct Error

Responsible HEW, State, and city officials were promptly notified. The city immediately corrected its computer program. New York State subsequently

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reviewed New York City Medicaid claims on its own and found an additional \$4 million that was incorrectly charged to HEW.

**Summary**

We first suspected overbilling in July 1974. Within a month, we were able to elicit corrective action. Were it not for the use of the computer as an auditing tool, the staff would have been forced to spend many months of tedious, methodical auditing to uncover even a fraction

of the total overbilling. In fact, the actual extent of the problem might never have come to light.

The computer not only freed the staff from the drudgery of extensive, detailed auditing but it also enabled us to move on to other assignments sooner than expected. And it gave us fast relief.

EDITOR'S NOTE: The GAO findings discussed in this article were included in a GAO report addressed to the Secretary of Health, Education, and Welfare (B-164031(3)), Oct. 17, 1975).

**Filling a Need**

There's little question that U.S. taxpayers will continue to look with favor on the GAO for its seldom publicized devotion to fiscal responsibility.

*Spokane Daily*  
Sept. 21, 1976

**END**