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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

CIVIL DIVISION

March 12, 1969



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Dear Mr. Ball:

The General Accounting Office is making a review of The Travelers Insurance Company's activities as a carrier under the supplementary medical insurance (Part B) portion of the Medicare program. Carriers, under the program, are responsible for making payment of claims after determining whether services provided were medically necessary and whether charges were reasonable. Travelers operates under a cost-type contract with the Social Security Administration (SSA) as a carrier in three states and operates under a similar contract with the Railroad Retirement Board (RRB) as the nationwide carrier for RRB beneficiaries.

During the review, we observed that certain weaknesses existed in the internal controls over the automatic data processing system used by Travelers in making Part B benefit payments. In our opinion, the procedures for changing computer programs and the security over program source decks containing computer instructions needed to be strengthened.

We discussed these weaknesses in internal control procedures with responsible Travelers officials who advised us that instructions to strengthen controls over computer program changes and security over program source decks have been issued. These instructions, if properly implemented, should strengthen the internal controls in these areas.

Travelers administers the supplementary medical insurance program for about 725,000 SSA beneficiaries in the States of Minnesota, Mississippi, and Virginia and is the nationwide carrier for about 800,000 RRB beneficiaries participating in the program. Travelers processes Part B Medicare claims from SSA beneficiaries in 10 field offices in Minnesota, Mississippi, and Virginia. Part B Medicare claims from RRB beneficiaries are processed in about 125 Travelers field offices located throughout the country.

The field offices transmit the claims data to Travelers Home Office at Hartford, Connecticut, where automatic data processing equipment is used to determine whether beneficiaries are eligible for Medicare benefits and whether the annual \$50 deductibles have been met. It is also used to compute the amounts of benefit payments which are to be made and to prepare the checks and explanations of benefits. The checks and explanations of benefits are sent directly to Medicare beneficiaries and to the physicians or other suppliers of services by the Travelers Home Office.

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Our review disclosed the following weaknesses in the internal controls over the automatic data processing system at Travelers Home Office for processing Part B claims which conceivably could result in unauthorized use of the system for personal gain.

- (1) Computer program changes were made without written authorization or documentation for the changes and their effect on the system.
- (2) Program source decks, which are punched cards containing computer instructions in computer language, were not secured but were readily available to unauthorized personnel.

We believe that, in a payment system involving the issuance and recording of checks, such as the system for Medicare Part B benefits, strong controls should be employed to reduce the possibility of misuse of the system for personal gain or other reasons and to disclose any misuse that might occur. We also believe that continuing independent reviews should be made to determine the effectiveness of internal control over payments for Medicare benefits.

We discussed these matters with Travelers officials, and we were advised that the following instructions to improve the internal controls in these two areas were issued in September 1968.

- (1) Written authorization of the System Manager would be required for each computer program change for which he is responsible, and he would be required to record this authorization on a Program Change Record form. This document would show the purpose and description of the change.
- (2) Program source decks would be required to be placed in locked files and the key would be the responsibility of the System Area Programming Maintenance Supervisor, not the System Manager.
- (3) The Program Change Record form signed by the System Manager is required to be used by a Programmer as the authorization to use the key to gain access to the source decks. The change in the computer program would be made by the Programmer and would be verified by another individual. The source decks would be required to be returned to the file immediately after the change is made and verified.

We believe these instructions, if properly implemented, should improve the internal controls over computer program changes and source decks and reduce the possibility of misuse of the system. However, we believe that either the HEW Audit Agency or the SSA Contract Performance

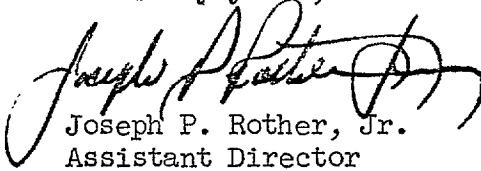
Review Branch should follow up on these matters during their next reviews at Travelers in order to determine whether (1) these instructions were effectively implemented and (2) the internal control system is adequate. Because of the importance of internal controls in any payment system, whether manual or automated, and because of the significant amount disbursed under the supplementary medical insurance program, we believe also that SSA should emphasize to all carriers the importance of, and necessity for, adequate controls over Medicare payments.

RECOMMENDATIONS

Accordingly, we recommend that SSA request the HEW Audit Agency or the SSA Contract Performance Review Branch to include this area in their next audit at Travelers and in their regular reviews at other carriers. We recommend also that SSA emphasize to all carriers the importance of, and necessity for, adequate controls over Medicare payments.

Because of RRB interest in the manner in which Travelers processes Medicare claims of RRB beneficiaries, a copy of this report is being sent to the Chairman of the RRB.

Sincerely yours,



Joseph P. Rother, Jr.  
Assistant Director

Mr. Robert M. Ball  
Commissioner of Social Security  
Department of Health, Education,  
and Welfare



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

OPSS

CIVIL DIVISION

March 12, 1969

Dear Mr. Habermeyer:

Herewith for your information is a copy of our report to the Commissioner of Social Security on the need for improvement in internal controls over the automatic data processing system used by The Travelers Insurance Company in making Medicare payments.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Joseph P. Rother, Jr.", written in dark ink.

Joseph P. Rother, Jr.  
Assistant Director

Enclosure

Mr. Howard W. Habermeyer  
Chairman, Railroad Retirement  
Board

cc: Director, CD  
Associate Director, CD  
(Mr. Philip Charam)  
Regional Manager, Chicago  
OPSS ✓