

ALAN G. HEVESI  
COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

August 10, 2006

Antonia C. Novello, M.D., M.P.H., Dr. P.H.  
Commissioner  
Department of Health  
Corning Tower  
Empire State Plaza  
Albany, NY 12237

Re: Medicaid Claims Processing Activity  
October 1, 2005 - March 31, 2006  
Report 2005-S-63

Dear Dr. Novello:

According to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution and Article II, Section 8 of the State Finance Law, we audited the Medicaid claims processed by the Department of Health (Department) during the period October 1, 2005 through March 31, 2006.

**A. Background**

The Department administers the State's Medicaid program which was established under Title XIX of the Federal Social Security Act to provide needy people with medical assistance. In New York, this program is funded jointly by the Federal, State, and local governments. Its management information and claims processing functions are handled through the State's eMedNY system, which the Department implemented on March 24, 2005. During the period October 1, 2005 through March 31, 2006, eMedNY processed over 161 million Medicaid claims totaling more than \$19.9 billion.

**B. Audit Scope, Objective and Methodology**

We audited the weekly Medicaid payments processed by eMedNY during the six months ended March 31, 2006. The objective of our audit was to determine whether Medicaid payments to medical service providers were supported by edited and approved claims.

We did our audit according to generally accepted government auditing standards. To accomplish our audit objectives, we used computer audit tools to determine whether medical payments to providers were appropriate. We also interviewed Department officials, reviewed applicable sections of federal and State laws and regulations, and examined the Department's relevant payment policies and procedures.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members, some of whom have minority voting rights, to certain boards, commissions, and public authorities. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

### **C. Results of Audit**

During the period October 1, 2005 through March 31, 2006, our weekly audit of Medicaid payments determined payments were supported by edited and approved claims. However, our post payment review of claims during this period identified inappropriate payments totaling almost \$4.7 million. We reported these issues separately to the Department in the following reports: *Duplicate Medicaid Payments to Fulton County Ambulance* (Report 2006-S-30); *HIV Pre-test Counseling* (Report 2006-S-34); and *Duplicate Medicaid Payments to Clinics* (Report 2006-S-35). These inappropriate payments occurred because eMedNY did not include controls to detect and prevent these improper payments.

We provided a draft copy of this report to Department officials for their review and comment. A complete copy of the Department's response is included as Appendix A.

Major contributors to the report include Warren Fitzgerald, Earl Vincent, Dennis Buckley, Wendy Matson, Chris Morris, Nancy Cecot and Martin Patterson. We wish to thank the management and staff of the Department of Health for the courtesies and cooperation extended to our auditors during this review.

Sincerely yours,

Sheila A. Emminger  
Audit Manager

cc: Lisa Ng, Division of the Budget  
Tom Howe, Department of Health

**DOH** STATE OF NEW YORK  
DEPARTMENT OF HEALTH

Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Antonia C. Novello, M.D., M.P.H., Dr.P.H.  
*Commissioner*

Dennis P. Whalen  
*Executive Deputy Commissioner*

July 25, 2006

Sheila A. Emminger, Audit Manager  
Office of the State Comptroller  
Division of State Services  
State Audit Bureau  
110 State Street, 11<sup>th</sup> Floor  
Albany, New York 12236

Dear Ms. Emminger:

The Department of Health is pleased to note that the Office of the State Comptroller's draft audit report 2005-S-63 on Medicaid Claims Processing Activity – October 1, 2005 through March 31, 2006 did not contain any recommendations.

Thank you for the opportunity to comment.

Sincerely,



Dennis P. Whalen  
Executive Deputy Commissioner

cc: Mr. Charbonneau  
Mr. Griffin  
Mr. Howe  
Ms. Napoli  
Ms. O'Connor  
Mr. Reed  
Mr. Seward  
Mr. Wing