United States General Accounting Office

GAO

Report to Congressional Committees

April 1999

FINANCIAL AUDIT

MedPAC's Fiscal Year 1998 Schedules of Expenditures and Budgetary Resources

GAO/AIMD-99-134

GAO

United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-281534

April 28, 1999

The Honorable William V. Roth, Jr.
Chairman
The Honorable Daniel Patrick Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable Bill Archer
Chairman
The Honorable Charles B. Rangel
Ranking Minority Member
Committee on Ways and Means
House of Representatives

The Honorable Thomas J. Bliley
Chairman
The Honorable John D. Dingell
Ranking Minority Member
Committee on Commerce
House of Representatives

This report presents the results of a financial-related audit of the Medicare Payment Advisory Commission's (MedPAC) Schedules of Expenditures and Budgetary Resources for the year ended September 30, 1998. MedPAC is an independent federal advisory body established by section 4022 of the Balanced Budget Act of 1997 (Public Law 105-33) which advises and makes recommendations to the Congress on issues affecting the Medicare program. Section 4022 of the act subjects MedPAC to periodic audits by the Comptroller General.

The General Accounting Office contracted with the independent public accounting firm of KPMG Peat Marwick LLP (KPMG) for the audit. The contract required that the audit be done in accordance with generally accepted government auditing standards. KPMG was not required to test compliance with laws and regulations except for compliance with the Anti-Deficiency Act which could have a direct and material effect on the schedules. KPMG's auditors' opinion is on page 6.

In its audit of the schedules, KPMG found:

- The schedules were reliable in all material aspects.
- Material weaknesses related to the segregation of disbursement responsibilities and the recognition of expenses and obligations.
- There was no reportable noncompliance with the provision of the law it tested.

KPMG disclosed material weaknesses and reported them in a separate management letter along with suggestions for improvement. In an exhibit to the management letter, KPMG provided comments and suggestions to MedPAC's management on less significant internal control matters. We have included the management letter on page 16. KPMG also requested comments from MedPAC's Executive Director on a draft of its audit report and management letter. In commenting on the report and management letter, MedPAC's Executive Director agreed with KPMG's findings and provided responses to the recommendations. MedPAC's responses are included in the management letter.

In connection with the contract, we reviewed the KPMG report and related working papers and, as necessary, made inquiries of KPMG representatives and MedPAC's management. Our procedures, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express opinions on MedPAC's schedules or compliance with the Anti-Deficiency Act. KPMG is responsible for the attached auditors' report, dated January 25, 1999, and for the conclusions expressed in the report. However, our review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted government auditing standards.

This letter is intended for use by the Congress, Department of Treasury, Office of Management and Budget (OMB), and MedPAC's management. We are sending copies of this report to Senator Arlen Spector, Chairman, and Senator Tom Harkin, Ranking Minority Member, Labor, Health and Human Services, and Education Subcommittee, Senate Committee on Appropriations; Representative John E. Porter, Chairman, and Representative David R. Obey, Ranking Minority Member, Labor, Health and Human Services, and Education Subcommittee, House Committee on Appropriations; the Honorable Robert E. Rubin, Secretary of the Treasury; the Honorable Jacob J. Lew, Director of OMB; and the Honorable Gail R. Wilensky, Chairman of MedPAC. This letter is a matter of public record and its distribution is not limited. Consequently, copies will be made available to others upon request. Should you or your staffs have any questions concerning our review of the audit, please contact me on (202) 512-4476 or Steven Haughton, Assistant Director, on (202) 512-5999.

Gloria L. Jarmon

Gloria L. Jarmon
Director, Health, Education and Human Services Accounting
and Financial Management Group

Contents

Abbreviations

MedPAC	Medicare Payment Advisory Commission
OMB	Office of Management and Budget

Audit of MedPAC's Schedules

Independent Auditors' Report

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report

The Comptroller General of the United States
United States General Accounting Office,

Gail R. Wilensky, Chair, and Murray N. Ross, Executive Director
Medicare Payment Advisory Commission:

Opinion on the Schedules

We have audited the accompanying Schedules of Experiditures and Budgetary Resources (the Schedules) of the Medicare Payment Advisory Commission (MedPAC) for the year ended September 30, 1998. The Schedules are the responsibility of MedPAC's management. Our responsibility is to express an opinion on the Schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Chapters 2 and 4 of *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedules' presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Schedules were prepared in conformity with the hierarchy of accounting principles and standards recommended by the principals of the Federal Accounting Standards Advisory Board. This hierarchy is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Schedules referred to above present fairly, in all material respects, the expenditures and changes in budgetary resources of MedPAC for the year ended September 30, 1998, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the Schedules taken as a whole. The information in the Overview is not a required part of the Schedules but is supplementary information required by OMB Bulletin No. 97-*01 Form and Content of Financial Statements*. We have considered whether this information is materially inconsistent with the Schedules. Such information has not been subjected to the auditing procedures applied in the audit of the Schedules, and accordingly we express no opinion on it.

Other Matters

We were specifically engaged to perform tests of MedPAC's compliance with applicable provisions of the Anti-Deficiency Act. The management of MedPAC is responsible for compliance with the Anti-Deficiency Act. As part of obtaining reasonable assurance about whether the Schedules are free of material misstatement, we performed tests of MedPAC's compliance with applicable provisions of the Anti-Deficiency Act, noncompliance with which could have a direct and material affect on the determination of the amounts in the Schedules. However, providing an opinion on compliance with those provisions of the Anti-Deficiency Act was not an objective of our audit and, accordingly, we do not express such an opinion.

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The results of our tests of compliance with the Anti-Deficiency Act described in the preceding paragraph, disclosed no instances of noncompliance.

We were not engaged to test compliance with other laws and regulations, which MedPAC may be subject to. Had we performed tests of MedPAC's compliance with other laws and regulations other matters may have come to our attention that would have been reported to you.

Distribution

This report is intended solely for the information and use of management of the General Accounting Office, the management of MedPAC, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 25, 1999
Washington, D.C.

Medicare Payment Advisory Commission Annual Financial Report

Medicare Payment Advisory Commission

Annual Financial Report

For the Fiscal Year Ended September 30, 1998

Medicare Payment Advisory Commission Overview

MEDICARE PAYMENT ADVISORY COMMISSION

OVERVIEW

History and Mission

The Medicare Payment Advisory Commission (the Commission) is an independent federal advisory body that advises and makes recommendations to the United States Congress on issues affecting the Medicare program. It was established under section 1805 of the Social Security Act (42 U.S.C. 1395 b-6) as added by section 4022 of the Balanced Budget Act (BBA) of 1997 (Public Law 105-33), which merged the Prospective Payment Assessment Commission (ProPAC) and the Physician Payment Review Commission (PPRC).

The creation of the Commission reflected a recognition by the Congress that with changes in the delivery of health care services—notably the growth of Medicare's risk contracting program and substitution across sites of care—an artificial separation of analytical capacity across two advisory bodies no longer made sense. Accordingly, the Commission's statutory mandate is quite broad. The Commission is charged with considering issues of payment, risk adjustment, risk selection, quality of care, access to care, and other major issues relating to the implementation and further development of the Medicare+Choice program. Its responsibilities with respect to Medicare's traditional fee-for-service program include considering methodologies for determining and updating payments for different types of health services, and studying the impact of payment policies on access to and quality of care for Medicare beneficiaries. In addition, the Commission also examines how Medicare payment policies affect the broader health care system and, in turn, how Medicare is affected by developments outside the program.

Organization and Operations

The Commission has 15 members who bring a wide range of expertise in the financing and delivery of health care services. Commissioners are appointed to three-year terms by the Comptroller General and serve on a part-time basis. Terms are staggered, with the terms of five Commissioners expiring each year. Effective May 1, 1999, the Commission's membership will increase to 17 members. A full-time Executive Director and a staff of about 30 analysts support the Commission. Analysts typically have backgrounds in economics, health policy, public health, or medicine.

The Commission's work is developed around an analytic cycle that begins in June of each year. Commissioners meet in early June to discuss the analytical issues and policy questions they wish to address in the coming year. Over the course of the summer, Commission staff will translate the results of that discussion into a research agenda. The primary outlets for the research conducted are recommendations issued in two reports. The statute requires the reports to be issued in March and June of each year. In addition to these reports, the Commission advises the Congress and the Health Care Financing Administration (HCFA) through other avenues, including testimony, formal comments on proposed regulations, and briefings to congressional staff.

In September 1999, the Commission will begin its yearly series of 2-day public meetings to discuss the results of staff research and to formulate recommendations. Also in 1999, the Commission will issue a report on graduate medical education and will begin issuing a series of short topical briefs.

Accomplishments and Research Agenda

The Commission issued its first required report in March 1998. This report addressed many issues and concerns and made a range of recommendations relating to many parts of the Medicare program. Specifically, the March report focused on two themes. First, the Commission analyzed whether the updates and other payment rates established by the BBA appear to be reasonable. Second, the Commission examined issues that HCFA should take into account as it implements the provisions of the BBA. The Commission focused on implementation of the Medicare+Choice program and looked at the four groups of services for which HCFA must develop new prospective payment systems. The four groups of services are those provided by skilled nursing facilities, home health agencies, rehabilitation hospitals, and hospital outpatient departments.

The June 1998 report covered a set of topics related to Medicare's role as a purchaser of health care services on behalf of its beneficiaries. First, the Commission examined service utilization patterns across related ambulatory and post acute settings. This work provided a backdrop for the Commission's deliberations on bringing consistency to the policies affecting providers who may furnish similar services. Second, the Commission looked at access to and quality of care for Medicare beneficiaries, both in the new Medicare+Choice program and in the traditional fee-for-service program. This work initiated the development of a framework for evaluating the quality of health care that Medicare pays for and whether that care is meeting the needs of beneficiaries.

Additional reports issued during the fiscal year included a report on Urban Critical Access Hospitals at the request of the House Committee on Appropriations. This report was delivered to the committee in December 1997. The Commission also produced two publications in the fall of 1997, a briefing book on selected Medicare payment policies and a chart book on Medicare risk plan participation and enrollment.

Financial Information

The creation of the Commission combined the assets and staff of both ProPAC and the PPRC. The estimated value of the assets transferred as of October 1, 1997 was $50,000. Additional financial information is provided below:

Net position balance represents unexpended appropriations as of September 30, 1998 as follows:

Unobligated – Not Available	$ 660,007
Undelivered orders	1,362,716
Total Net Position	$2,022,723

Cash balances as of September 30, 1998 represents unexpended appropriated funds as follows:

Unobligated – Not Available	$ 660,007
Undelivered orders	1,362,716
Accounts Payables/Payroll Accruals	273,514
Cash Balance	$2,296,237

Schedule of Expenditures

MEDICARE PAYMENT ADVISORY COMMISSION (MEDPAC)

SCHEDULE OF EXPENDITURES

For the year ended September 30, 1998

Administration and Management:		
Salaries	$	2,093,097
Benefits		531,726
Personnel Service Costs		2,624,823
Travel		96,859
User Charges		392,512
Communications and Utilities		621,469
Printing and Production		316,970
Supplies, Materials, and Equipment		81,576
Total Administration and Management		4,134,209
Data Development, Analysis, and Research		858,068
Total Expenditures	$	4,992,277

See accompanying note to the Schedules.

Schedule of Budgetary Resources

MEDICARE PAYMENT ADVISORY COMMISSION (MEDPAC)

SCHEDULE OF BUDGETARY RESOURCES
For the year ended September 30, 1998

Budgetary Resources Made Available		
Budget Authority	$	7,015,000
Unobligated Balances -Beginning of Period		-
Total Budgetary Resources Made Available	$	7,015,000
Status of Budgetary Resources		
Obligations Incurred	$	6,354,993
Unobligated Balances - Not Available		660,007
Total Status of Budgetary Resources	$	7,015,000
Obligations Incurred		
Salaries	$	2,093,097
Benefits		531,726
Personal Service Costs		2,624,823
Travel		100,448
User Charges		393,000
Communications and Utilities		590,614
Printing and Production		315,648
Supplies, Materials, and Equipment		116,842
Total Administration and Management		4,141,375
Data Development, Analysis, and Research		2,213,618
Total Obligations Incurred	$	6,354,993

See accompanying note to the Schedules.

Note to the Schedules

MEDICARE PAYMENT ADVISORY COMMISSION
NOTE TO THE SCHEDULES
SEPTEMBER 30, 1998

Note 1: Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedules of Expenditures and Budgetary Resources (the Schedules) present the expenditures, and budgetary resources and obligations, respectively of the Medicare Payment Advisory Commission (MedPAC, herein referred to as the Commission).

B. Financial Reporting Entity

The Commission is an independent agency within the Legislative Branch of the Federal Government. The Commission was created on October 1, 1997 under the Balanced Budget Act of 1997 [Public Law 105-33, Section 4022]. The Commission is charged with reviewing and making recommendations on payment policies under Title XVIII of the Social Security Act. The Commission is also required to submit two annual reports to the Congress containing the results of their reviews and recommendations on (1) payment policies for both the Medicare+Choice Program and the Medicare Fee-for-Service System, (2) the effect of Medicare payment policies on the delivery of health care services, and (3) the implications of changes in the broader health care system on Medicare. The annual reports are due no later than March 1 and June 1 of each year. The required reports were submitted in March and June of 1998.

C. Basis of Accounting

The Commission accounts for expenditures using the accrual basis of accounting and its obligations on a budgetary basis. The Schedules were prepared in accordance with the following hierarchy of accounting principles, which constitutes a comprehensive basis of accounting other than generally accepted accounting principles:

1. Individual standards agreed to by the Director of OMB, the Comptroller General, and the Secretary of the Treasury and published by OMB and the General Accounting Office.

2. Interpretations related to the Statements of Federal Financial Accounting Standards issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards."

3. Applicable requirements contained in OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*.

4. Accounting principles published by other authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting principles improves the meaningfulness of the financial statements.

D. Appropriation

The Commission receives an annual appropriation from Congress to cover salaries and expenditures. The annual appropriation is a one-year appropriation available for incurring obligations for a definite time period. The Congress appropriated $7,015,000 to the Commission to conduct its fiscal year 1998 activities. Sixty percent of its appropriation comes from the Federal Hospital Insurance Trust Fund and the remaining 40 percent is payable from the Federal Supplementary Medical Insurance Trust Fund.

MEDICARE PAYMENT ADVISORY COMMISSION
NOTE TO THE SCHEDULES
SEPTEMBER 30, 1998

E. Salaries

While conducting the business of the Commission (including travel time), members of the Commission are entitled to compensation at the per diem equivalent of the rate provided for level IV of the Executive Schedule under section 5315 of title 5, United States Code. Physicians serving as personnel of the Commission may be provided a physician comparability allowance by the Commission in the same manner as Government physicians may be provided such an allowance by an agency under section 5948 of title 5, United States Code, and for such purpose subsection (i) of such section applies to the Commission in the same manner as it applies to the Tennessee Valley Authority.

For purposes of pay (other than pay of members of the Commission) and employment benefits, rights, and privileges, all personnel of the Commission are treated as if they were employees of the United States Senate. However, pursuant to special statutory authority, the Executive Officer retains some benefits associated with executive branch employment carried over from a previous position. Subject to the review of the Comptroller General, the Commission employs and fixes the compensation of the Executive Director and such other personnel as may be necessary to carry out its duties without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. Salaries are recorded as expenditures in the period they are incurred.

F. Benefits

Employees in federal service prior to January 1, 1984 or with a service record prior to that date are covered under the Civil Service Retirement System (CSRS). Employees hired after that date are automatically enrolled in the Federal Employees Retirement System (FERS). Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA). The Commission makes contributions to the CSRS, FERS, and FICA and matches employee contributions to the thrift savings plan component of FERS at up to 5 percent of the basic pay. Employees under CSRS may contribute to the thrift savings plan but do not receive automatic or matching contributions from the Commission. The Office of Personnel Management is responsible for government-wide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities.

In addition, all employees are eligible to participate in the contributory Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance Program (FEGLIP) and may continue to participate after retirement.

The accompanying Schedule reflects only the payments made to the plans.

MEDICARE PAYMENT ADVISORY COMMISSION
NOTE TO THE SCHEDULES
SEPTEMBER 30, 1998

The benefit contributions made by the Commission for the fiscal year ended September 30, 1998 are as follows:

Pension Related Contributions:

FICA	$ 16,338	
CSRS	34,003	
FERS	346,744	
TSP	70,683	
Total Pension Related Contributions		467,768

Other:

FEHBP	$ 60,560	
FEGLIP	3,398	
Total Other Contributions		63,958
Total Contributions		$531,726

G. Travel

Travel expenditures include amounts authorized by the Executive Director of the Commission for members and staff who perform the work of the Commission away from home and their regular place of business. Travel is recorded as an expenditure in the period incurred.

H. Receipts and Disbursements

The U.S. Department of Treasury processes the Commission's cash receipts and disbursements.

I. Use of Estimates

The preparation of the schedules require management to make estimates and assumptions that affect the reported appropriations and expenditures during the reporting period. Actual results could differ from management's estimates.

Independent Auditors' Management Letter

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

January 25, 1999

The Comptroller General of the United States
United States General Accounting Office,

Gail R. Wilensky, Chair and Murray N. Ross, Executive Director
Medicare Payment Advisory Commission:

We have audited the Schedules of Expenditures and Budgetary Resources (the Schedules) of the Medicare Payment Advisory Commission (MedPAC) for the year ended September 30, 1998, and have issued our report thereon dated January 25, 1999. In planning and performing our audit of the Schedules we considered MedPAC's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedules. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in MedPAC.

Furthermore, our audit was not designed to, and does not, provide any assurance that a Year 2000 issue which may exist will be identified, on the adequacy of the MedPAC's remediation plans related to Year 2000 financial or operational issues, or on whether MedPAC is or will become Year 2000-compliant on a timely basis. Year 2000 compliance is the responsibility of management

However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are matters coming to our attention that, in our judgment, relate to significant deficiencies in the design or operation of internal control and could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Schedule. Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted the following matters involving internal control and its operation that we consider to be material weaknesses.

Disbursement Responsibilities

Comment
We noted that the Executive Officer orders goods and services, prepares and submits payment requests to General Services Administration (GSA), enters disbursements on MedPAC's database, and prepares financial reports reviewed by the Executive Director. The Executive Officer generally does not approve purchase orders, however, she is authorized to do so as a representative of MedPAC. As a result, errors or fraud may occur and not be detected in a timely manner.

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Recommendation
We recommend that the Executive Director, or an individual other than the Executive Officer, obtain and review a report of disbursements made, directly from GSA. We recommend that as part of the review process, the Executive Director or other individual, periodically select a sample of the disbursements and verify that the disbursements are supported and are proper.

Management Response
MedPAC is in the process of implementing a policy whereby the Executive Director will receive directly from GSA a report of disbursements made to enable him to review and determine the validity of a sample of those disbursements.

Expense Accounting Policy

Comment
We noted that MedPAC's September 30, 1998 actual expenses included a research contract totaling $582,921 and a research contract, which has not been awarded as of January 25, 1999, totaling $550,000. MedPAC believed that GSA's year-end accounting instructions requested MedPAC to submit expense information for these contracts. In addition, MedPAC was not aware that Statement of Federal Financial Accounting Standard (SFFAS) No. 1 states that expenses should be recorded when goods and services are received. Based on discussions with MedPAC management, MedPAC did not receive any services under these contracts prior to September 30, 1998. In accordance with SFFAS No. 1, both contracts totaling $1,132,921 should not have been recorded as expenses at September 30, 1998.

The research contract totaling $582,921 that had been awarded during the year ended September 30, 1998 was properly recorded as an obligation at September 30, 1998. However, the contract totaling $550,000 has not been awarded as of January 25, 1999 and should not have been recorded as an obligation at September 30, 1998.

Recommendation
We recommend that MedPAC develop and document an expense accounting policy which follows the requirements of SFFAS No. 1 paragraphs 74 to 80 and GSA's year end accounting instructions. We recommend that the policy indicate that MedPAC should only record expenses for the goods and services received prior to the cut off period.

In addition, we recommend that MedPAC develop and document an obligation accounting policy that follows the requirements of SFFAS No. 7 paragraph 96. We recommend that the policy indicate that MedPAC should only record obligations for new orders placed, contracts awarded, services received, and other similar transactions that occur prior to the cut off period.

Management Response
KPMG's comments in this area arose from MedPAC treatment of two specific research contracts, one that had been awarded during the 1998 fiscal year under which the contractor had begun working, the second was not awarded during the 1998 fiscal year. MedPAC obligated and expensed the full amount of both contracts to the 1998 fiscal year. All other contracts, orders, and similar transactions were appropriately treated. Based on KPMG's recommendation, we have clarified our accounting policies to assure that only awarded contracts will be obligated to a particular fiscal year and only costs actually expended during a fiscal year will be expensed to that year.

The conditions described above were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the Schedule, and this report does not affect our report on the Schedule dated January 25, 1999. We have not considered internal control since the date of our report.

We also noted other comments and suggestions that we do not consider to be reportable conditions. These comments and suggestions are included in an Exhibit.

This report is intended solely for the information and use of the General Accounting Office, the management of MedPAC, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Washington, D.C.

Exhibit

Medicare Payment Advisory Commission
Comments and Suggestions
September 30, 1998

Travel Approval

Comment
We noted that employees obtain approval for travel plans from the Executive Director prior to traveling, however, the Executive Director's approval is not always documented.

Suggestion
We recommend that the Executive Director document approval and provide the approval to the executive officer prior to the employee traveling.

Management Response
MedPAC concurs with KPMG's recommendation. All staff travel is and has been approved by the Executive Director. MedPAC has now implemented procedures to assure that such approval is documented for the record.

Payroll Responsibilities

Comment
We noted that the Office Manager prepares and submits the request for payroll action form (SF-52) to GSA, receives the notification of personnel action report (SF-50B) from GSA, and prepares and submits the time and attendance form (T&A form) to GSA. GSA sends the bi-weekly payroll information to the Executive Officer.

The Executive Officer reviews the bi-weekly payroll reports for consistency with prior reports and discusses any significant changes with the office manager. In the Executive Officer's absence, the office manager receives the payroll information from GSA and subsequently provides it to executive officer for their review.

Suggestion
We recommend that MedPAC require the Executive Officer or someone other than the Office Manager to open the GSA payroll information and provide the Office Manager the bi-weekly pay slips. As an alternative, we recommend MedPAC investigate the cost/benefit of having GSA send the bi-weekly pay slips directly to the Office Manager and all other payroll information directly to the Executive Officer.

Management Response
MedPAC is implementing a policy whereby the Executive Director receives the payroll information when the Executive Officer is unavailable.

Exhibit, Continued

Medicare Payment Advisory Commission
Comments and Suggestions
September 30, 1998

Expense Documentation

Comment
During our review of the expense documentation we noted the following:

- MedPAC did not have a signed agreement with one vendor, however, MedPAC is following an unsigned memorandum of understanding.
- MedPAC did not document approval for a conference expense, however, the Executive Director informed us that the expense was verbally approved.
- MedPAC's contract officer did not document receipt of services for a vendor expense, however, MedPAC informed us that the services were received.

Suggestion
We recommend that MedPAC maintain signed agreements for applicable expenses. In addition we recommend that MedPAC require individuals to document approval of expenses and require individuals that receive goods/services to document receipt of the goods/services, prior to paying the expense.

Management Response
The Commission agrees that is important to maintain current signed agreements and document receipt of goods and services and it has done so under most of its agreements. MedPAC is in the process of updating the two agreements identified by KPMG that did not meet this standard. In addition, the Commission is also structuring a process whereby receipt/approval of goods/services from all contractors will be confirmed prior to payment.

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