

DOCUMENT RESUME

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[Review of the Social Security Administration's Accounting System for Accounts Receivable]. FGMSD-77-32; B-159687. September 6, 1977. 6 pp.

Report to Secretary, Department of Health, Education, and Welfare; by Harold L. Stugart (for D. L. Scantlebury, Director, Financial and General Management Studies Div.).

Issue Area: Income Security Programs (1300); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Div.

Budget Function: Income Security: General Retirement and Disability Insurance (601); Income Security: Federal Employee Retirement and Disability (602); Miscellaneous: Financial Management and Information Systems (1002).

Organization Concerned: Social Security Administration.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance.

A review of the Social Security Administration's (SSA's) accounting system for accounts receivable, including related billing and collection procedures, showed that the Administration's procedures and practices for recording and controlling accounts receivable did not comply fully with the principles, standards, and related requirements prescribed by the Comptroller General. Findings/Conclusions: More than \$742 million in overpayments was not reported as receivables and many followup collection actions were not made promptly. Although some overpayments may eventually prove to be uncollectible, accounting controls over all overpayments are necessary to protect the interests of the Government and to present fairly the financial position of the agency. Effective supervisory reviews are necessary to assure that followup actions are taken promptly. Recommendations: The Secretary of Health, Education, and Welfare should direct the Commissioner of SSA to establish accounting controls over all overpayments and include all overpayments as accounts receivable on SSA's statement of financial condition. Guidelines should be established to determine a reasonable allowance for unrecoverable overpayments. The Secretary should also require the Commissioner to emphasize the need for increased supervisory review to assure that adequate collection efforts are taken by all service centers.

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20348

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

03452

B-159687

SEP 06 1977

The Honorable
The Secretary of Health, Education,
and Welfare

Dear Mr. Secretary:

This report reviews the Social Security Administration's (SSA's) accounting system for accounts receivable, including related billing and collection procedures. This review was part of a multiagency review on which we plan an overall report to the Congress.

In April 1970 the Comptroller General approved principles and standards and a design for a departmentwide or umbrella-type accounting system for the Department of Health, Education, and Welfare. SSA was to submit a design of its accounting system for approval at a later date. We are presently evaluating this design--accounting records to be maintained, financial reports to be produced, etc.--for conformance with prescribed principles and standards.

Our review showed that SSA's procedures and practices for recording and controlling accounts receivable did not comply fully with the principles, standards, and related requirements prescribed by the Comptroller General. Specifically, we found that

--more than \$742 million in overpayments was not reported as receivables and

--many followup collection actions were not promptly made.

We reported SSA's lack of control over overpayments to retirees and other beneficiaries to the Secretary of Health, Education, and Welfare and the Commissioner of Social Security in 1961 and 1967 (B-114836, July 25, 1961, and March 13, 1967). Your Department's internal auditors also reported this problem to the Commissioner in 1971.

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(90117)

SCOPE OF REVIEW

We reviewed SSA's reporting of accounts receivable as of September 30, 1976, to the Secretary of the Treasury. Our review was made at the SSA Headquarters in Baltimore, Maryland.

We also reviewed collection practices at SSA's Mid-Atlantic Program Service Center in Philadelphia, Pennsylvania. Although only one program service center was included in our review, all six program service centers operated under standard SSA procedures.

During our review, we examined the practices and procedures SSA used to account for and report accounts receivable. Our review of collection practices and procedures covered the Bureau of Retirement and Survivors Insurance and the Bureau of Disability Insurance. These collection practices only applied to beneficiaries who were not currently receiving benefits because, when an individual is still receiving benefits, the overpayments are recouped through a reduction in future benefits.

Our review concentrated on overpayments which had been discovered by SSA, and we did not assess the reliability of SSA's computer system to determine the fairness of recorded accounts receivable. However, we are examining SSA's accounting system, including detailed testing of the procedures used in the data processing operations to determine if procedures and practices are effective in minimizing overpayments and can be relied upon to produce accurate accounting data. Because of this ongoing review we did not test the accuracy and validity of data produced by the system. Consequently, we could not determine the impact of computer system errors on the amounts of recorded accounts receivable.

ACCOUNTS RECEIVABLE NOT REPORTED

SSA's statement of financial condition did not include \$742 million in accounts receivable resulting from overpayments of benefits to retirees, health insurance intermediaries, and other beneficiaries. The SSA statement also excluded additional receivables for which estimates were not available during our review. The receivables were not reported because (1) the formal accounting and reporting system did not include overpayment data accumulated by the management information systems of the

operating bureaus and (2) two of the operating bureaus had not fully implemented a system designed to compile data on all overpayments.

Accounts receivable should be promptly and accurately recorded and reported. Proper accounting for receivables is an important form of control because it provides management with a systematic record on total overpayments, amounts recouped, adjustment actions taken, and the overall effectiveness of recovery actions.

As of September 30, 1976, SSA reported \$90.9 million in accounts receivable to the Department of the Treasury. These receivables included \$7,930,544 due from other Government agencies for reimbursable work and \$82,989,069 due from States for supplemental security income payments. These reported amounts did not include the cumulative accounts receivable resulting from overpayments compiled by the management information systems of the four operating bureaus. The following schedule summarizes the unreported amounts, much of which are a result of overpayments in prior years.

<u>Bureau</u>	<u>Amounts of unreported overpayments</u> (millions)
Supplemental Security Income	\$441.7
Health Insurance	141.7
Retirement and Survivors Insurance	84.8
Disability Insurance	<u>74.0</u>
Total	<u>\$742.2</u>

This schedule represents only a portion of the total unreported overpayments for the Bureau of Retirement and Survivors Insurance and the Bureau of Disability Insurance. These bureaus were developing a computerized system to control, account, and report overpayments. The first phase has been implemented and the system now compiles data on overpayments to individuals no longer entitled to benefit payments. These overpayments, amounting to \$84.8 million for retirement and survivors insurance and \$74 million for disability insurance, are included in the above schedule.

The computerized system will, when the second phase is completed, compile data on overpayments to individuals currently receiving benefit payments. These payments are now shown only on the master beneficiary records of retirees and other recipients. It is intended that these overpayments will be collected through deductions from future payments, and the second development phase of the system will provide data on these receivables. SSA personnel believe these receivables constitute a substantial portion of all overpayments.

Conclusion

Although some overpayments may eventually prove to be uncollectible, we believe that accounting controls over all overpayments, including those made to individuals whose entitlement has not yet ceased, are necessary to protect the interests of the Government and to present fairly the financial position of the agency. SSA could then use this information to analyze and evaluate the volume and the causes of the overpayments and to take action to reduce the number of overpayments.

Recommendations and agency action

We recommend that you direct the Commissioner of SSA to establish accounting controls over all overpayments and include all overpayments as accounts receivable on SSA's statement of financial condition. We also recommend that guidelines be established to determine a reasonable allowance for unrecoverable overpayments.

We understand that SSA has been developing policies and procedures for reporting overpayments to the Treasury. We were further advised that, as of September 30, 1977, the overpayments to retirees and other recipients will be reported as accounts receivable on the statement of financial condition.

NEED FOR TIMELY ACTION TO RECOVER OVERPAYMENTS

The Mid-Atlantic Program Service Center was not making sufficient followup efforts to recover overpayments.

The SSA procedures provide for the initial notice of overpayment and a collection letter to be sent to the beneficiary when an overpayment is identified. If SSA does not receive a reply, a demand letter is sent at 30-day intervals.

We reviewed the Center's collection practices for overpayments made under the retirement and survivors insurance and the disability insurance programs. The automated collection system was notifying the beneficiaries of the amount of overpayments, the reasons for overpayments, and requesting repayment. However, the Center was not acting promptly. We examined 117 randomly selected overpayment cases and found that, after the initial notice of overpayment and request for repayment, 49 case files, or 42 percent, contained no indication that followup collection action had been taken. These 49 cases had been dormant for more than 1 year.

We discussed the lack of followup action on collection efforts with responsible personnel at the Center. Although we could not determine the exact cause of this problem, personnel turnover, unfamiliarity with the collection system, and a need for closer supervision appeared to be the main contributing factors.

Conclusions

Effective supervisory reviews are necessary to assure that followup actions are taken promptly. Closer adherence to established collection procedures would result in a higher rate of collection or other appropriate disposition. Also, as receivable age, they become increasingly difficult to collect. Although our review was limited to one of six program service centers, other centers may be encountering similar problems.

Recommendation

We recommend that you require the Commissioner of SSA to emphasize the need for increased supervisory review to assure that adequate collection efforts are taken by all service centers.

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SSA officials agreed with the contents of this report. We would appreciate being informed of the actions you plan to take in regard to our recommendations.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the

Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen, House Committees on Government Operations and Appropriations and the Senate Committee on Governmental Affairs; the Director, Office of Management and Budget; the Secretary of the Treasury; and the Commissioner, Social Security Administration. Because of their expressed interest, we are also sending copies to Congressman Newton I. Steers and Senator Robert Packwood.

We wish to express our appreciation for the cooperation received during this review.

Sincerely yours,


D. L. Scantlebury
Director