

DOCUMENT RESUME

00270 - [A0590652]

[Second Interim Report on Review of HUD's Accounting System for Billing and Collection of Federal Housing Administration Mortgage Insurance Premiums from Mortgagees]. E-114860; FGMSD-77-7. December 13, 1976. 3 pp.

Report to Carla Hills, Secretary, Department of Housing and Urban Development; by D. L. Scantlebury, Director, Financial and General Management Studies Div.

Issue Area: Accounting and Financial Reporting (2800).
Contact: Financial and General Management Studies Div.
Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Organization Concerned: Department of Housing and Urban Development: Federal Housing Administration.

Congressional Relevance: House Committee on Banking, Currency and Housing; Senate Committee on Banking, Housing and Urban Affairs.

An interim report is presented of a review of the Department of Housing and Urban Development's (HUD) accounting system for billing and collecting Federal Housing Administration mortgage insurance premiums. A questionnaire was sent to 200 mortgagees or about 59% of HUD's total insurance premium billings. Findings/Conclusions: Responses from 134 mortgagees indicated that about \$2.2 million in insurance premiums was due and being held in escrow accounts because mortgagees had not received bills from HUD. The delinquencies were caused primarily because the HUD master insurance file had not listed the respondents as the mortgagees of record. Previously reported weaknesses in HUD's accounting system include: (1) not following established procedure in controlling documents, (2) not sending all source document data to the computerized system and not reentering data initially rejected by the system, (3) not correcting errors reported by mortgagees, and (4) not controlling and coordinating transaction processing. Recommendations: The 134 respondents should be contacted to obtain a detailed listing of mortgages for which premiums are due. The amounts due should be collected and the master billing file corrected. Those mortgagees not covered by the questionnaire should be contacted to determine the extent of premiums due, and collection action should be initiated as appropriate. (RRS)



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

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

DEC 13 1976

B-114360

The Honorable
The Secretary of Housing
and Urban Development

Dear Mrs. Hills:

This is our second interim report on our review of HUD's accounting system for billing and collecting Federal Housing Administration (FHA) mortgage insurance premiums from mortgagees. This report is to bring to your attention the need to take prompt and aggressive action to collect \$2.2 million of unbilled mortgage insurance premiums due from mortgagees.

As part of our evaluation, we sent a questionnaire to 200 mortgagees who will pay HUD about \$139 million in insurance premiums during calendar year 1976. These mortgagees comprise about 59 percent of HUD's total insurance premium billings of over \$320 million.

MORTGAGEES ARE HOLDING UNBILLED
INSURANCE PREMIUMS

Responses from 134 of 163 mortgagees disclosed that about \$2.2 million in insurance premiums were due and being held in escrow accounts because the mortgagees had not received bills from HUD. (See table below.)

<u>Mortgagees who responded</u>	<u>Amounts of premiums due per mortgagee</u>	<u>Total premiums due</u>
26	\$34 to \$1,000	\$ 10,425
61	\$1,001 to \$10,000	251,379
37	\$10,001 to \$50,000	845,416
6	\$50,001 to \$100,000	440,029
4	over \$100,000	638,820
		<u>\$2,186,069</u>

We have given details on each mortgagee and the amount of unbilled premiums to HUD's Office of Finance and Accounting so that collection could be initiated immediately.

The delinquencies were caused primarily because the HUD insurance master file does not list the 134 respondents to our questionnaire as the mortgagee of record. In our May 4, 1976, report to you (FGMSD-76-54), we pointed out that many mortgages were being redirected between mortgagees, but HUD's master file was not updated to show the change. This resulted in subsequent bills being sent to the wrong mortgagee and this will continue until the master file is corrected.

As we also reported to you previously, these problems appeared to be caused by weaknesses in maintaining the master files and in operating HUD's accounting system. These weaknesses include (1) not following established procedures in controlling documents, (2) not sending all source document data to the computerized system and not reentering data initially rejected by the system, (3) not correcting errors reported by mortgagees, and (4) not controlling and coordinating transaction processing between the Office of Finance and Accounting and the Office of ADP Operations.

CONCLUSIONS

Although actions have been taken since our May 1976 report to improve collection efforts, it is evident that more needs to be done to improve the system of accounting for mortgage insurance premiums and to help insure that insurance premiums are collected in a timely and effective manner.

RECOMMENDATIONS

We recommend that you direct the Office of Finance and Accounting to:

- Contact the 134 respondents to our questionnaire and obtain a detailed listing of mortgages for which premiums are due and being held in escrow accounts.
- Collect the amounts due and correct the master billing file.
- Contact those mortgagees not covered by our questionnaire, determine the extent of premiums due and being held in escrow, and initiate collection action as appropriate.

We are continuing to review the system of accounting for insurance premiums at the HUD central office and at mortgagee offices to fully identify actions needed to achieve an effective system. We plan to issue an overall report at the completion of our review.

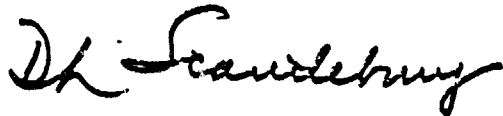
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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later 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 House and Senate Committees on Government Operations; the House and Senate Committees on Appropriations; the House Committee on Banking, Currency and Housing; and the Senate Committee on Banking, Housing, and Urban Affairs. Copies are also being sent to the Director, Office of Management and Budget.

We have discussed our findings with officials of the Office of Finance and Accounting so that they may initiate corrective action, and we would be pleased to discuss them further with you or your representatives. We request, however, that you advise us in writing of the actions taken on our recommendations.

Sincerely yours,



D. L. Scantlebury
Director