

Audit Report

The Social Security Administration's
National Remittance Process

A-04-16-50111 / March 2017



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: March 14, 2017 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: The Social Security Administration's National Remittance Process (A-04-16-50111)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration processed remittances accurately and timely.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

Gale Stallworth Stone

Attachment

The Social Security Administration's National Remittance Process

A-04-16-50111



March 2017

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) processed remittances accurately and timely.

Background

SSA receives remittances for a variety of reasons, but the majority are to repay overpaid benefits. Remittances primarily consist of checks/money orders and credit card charges. SSA also receives a small number of cash payments. SSA's Remittance and Accounting Unit (RAU) in the Mid-Atlantic Program Service Center is primarily responsible for processing remittances. However, SSA's field offices, teleservice centers, and Office of International Operations also process some remittances.

RAU receives remittances from individuals, employers, payroll processing contractors, Federal Courts, and banks. RAU is responsible for processing remittances it receives as well as the program-related remittances received in field offices. In Fiscal Year 2015, RAU processed over 1.7 million remittances, totaling over \$892 million.

Findings

While SSA processed remittances *accurately*, it did not process all remittances *timely*. As of April 22, 2016, RAU had 84,253 unprocessed checks (those RAU received without a remittance coupon), some almost 8-months-old. Without a remittance coupon, RAU cannot scan, process, or deposit checks until it identifies the associated remittance record. RAU also had 57,636 pieces of unopened mail, some pieces almost 2-months-old.

The processing delays caused an increase in the number of customers calling to question why SSA had not cashed their checks and/or continued sending them collection notices for payments they had already submitted. It also caused SSA to take unnecessary debt-collection actions against some individuals who had remitted payments.

On May 23, 2016, we alerted SSA's Commissioner about the significant backlog. In its response, SSA outlined actions it planned to take to eliminate the backlog and improve remittance processing. For example, SSA increased overtime, added RAU staff, and continued efforts to automate the remittance process.

Although SSA had eliminated the backlog we identified, as of October 28, 2016, RAU still had a significant workload that included about 3 months of unprocessed checks. Given its workload and the uncertainties about future resources and automation enhancements, we are concerned about RAU's ability to timely process remittances.

Recommendations

We recommend that SSA (1) establish timeliness standards for remittance processing, (2) complete efforts to automate the remittance process, (3) ensure RAU has adequate resources to prevent remittance backlogs, and (4) issue a reminder to technicians to contact beneficiaries when a name and address are provided to obtain the information needed to process remittances.

SSA agreed with our recommendations.

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ABBREVIATIONS

FY	Fiscal Year
MATPSC	Mid-Atlantic Program Service Center
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RAU	Remittance and Accounting Unit
SERS	Social Security Electronic Remittance System
SSA	Social Security Administration
SSI	Supplemental Security Income
TOP	Treasury Offset Program
Treasury	Department of the Treasury
U.C.C.	Uniform Commercial Code
U.S.C.	United States Code

Form

SSA-1099	<i>Social Security Benefit Statement</i>
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OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) processed remittances accurately and timely.

BACKGROUND

SSA receives remittances for a variety of reasons, but the majority of remittances are made to repay overpaid benefits. Remittances primarily consist of checks/money orders and credit card charges. SSA also receives a small number of cash payments. SSA's Remittance and Accounting Unit (RAU) in the Mid-Atlantic Program Service Center (MATPSC) is primarily responsible for processing remittances. However, SSA's field offices, teleservice centers, and Office of International Operations also process some remittances. Field offices process administrative fees through the Social Security Electronic Remittance System (SERS), a Web-based application that uses a check scanner and credit card processor for remittances. When a field office receives a program-related remittance, such as a payment to refund an overpayment, it completes the initial processing requirements and mails the remittances to RAU for deposit. Teleservice centers process credit card payments via telephone. The Office of International Operations processes the receipt of international funds.

With the exception of field office remittances, RAU receives remittances from

- individuals—primarily refunds for overpaid benefits,
- employers—garnished wages to recover overpaid SSA benefits,
- payroll processing contractors—garnished wages to recover overpaid SSA benefits,
- Federal Courts—restitution as part of Court decisions,
- representative payees¹—benefits conserved for certain beneficiaries, and
- banks—paper checks to RAU because SSA does not have the capability to receive electronic payments when individuals use online bill pay.

As shown in Table 1, RAU processed over 1.7 million remittances, totaling over \$892 million, in Fiscal Year (FY) 2015. This included over 475,000 remittances, totaling over \$600 million, SSA field offices received and sent to RAU for final processing.

¹ When a beneficiary cannot manage their financial affairs, SSA appoints a representative payee (for example, a relative, friend, or nursing home) to receive and manage his/her benefits. The representative payee may save the benefits for the beneficiary's later use. However, when a beneficiary's representative payee changes, the payee must return any saved funds to SSA, which it distributes to the new representative payee.

Table 1: Number of Remittances RAU Processed in FY 2015

Type of Remittance	Number of Remittances	Dollar Amount of Remittances
Sent Directly to RAU	1,290,372	\$288,857,522
Sent from SSA Field Offices	475,462	603,767,142
Totals	1,765,834	\$892,624,664

Source: SSA's Processed Remittance File.²

SSA administers several benefit programs, including Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI).³ The amount payable to an individual under these programs depends on various entitlement factors. A change in one or more of these factors may result in reduction or termination of benefits. While beneficiaries are required to report such changes to SSA, the Agency also performs various data-matching operations and eligibility redeterminations to identify these changes. However, until SSA identifies a change or the individual informs SSA of a change, SSA may pay an individual more than he/she is entitled to receive—an overpayment.⁴

When SSA overpays an individual, it first attempts to fully and immediately recover the overpayment.⁵ SSA sends an overpayment notice that explains the overpayment, requests a full refund, and informs the individual about his/her options to resolve the overpayment. If the individual does not contact SSA to resolve the overpayment or SSA denies the individual's request for resolution, SSA initiates recovery of the overpayment. When an individual is receiving benefits and does not repay the entire debt at once, SSA may partially or fully offset the overpayment against monthly benefits until the debt is repaid.⁶ SSA debtors who are not receiving benefits may agree to repay SSA under an installment agreement. Finally, SSA may attempt to recover overpayments through external collection efforts, such as wage garnishment, credit bureau reporting, and offsetting other Federal payments (including tax refunds).

Attached to SSA's overpayment billing notice is a remittance coupon. The billing notice instructs remitters to return the remittance coupon with their payment in a postage-paid, self-addressed envelope. The remittance coupon contains a scannable data line with information

² SSA's FY 2015 file of processed remittances included 1,770,368 remittances totaling \$898,620,878. Of these, SSA's Office of International Operations processed 4,534 remittances totaling \$5,996,214. Table 1 only includes remittances RAU processed.

³ SSA provides benefits to eligible individuals under Titles II and XVI of the *Social Security Act*. The Title II program covers workers and their dependents or survivors, while the Title XVI program covers eligible individuals with limited income and resources. *Social Security Act* §§ 201 *et seq.* and 1601 *et seq.*; 42 U.S.C. §§ 401 *et seq.* and 1381 *et seq.*

⁴ An overpayment is the total amount an individual received for any period that exceeds the total amount that should have been paid for that period. SSA, POMS, GN 02201.001 (July 20, 2010).

⁵ SSA, POMS, GN 02210.150 A. (October 16, 2008).

⁶ SSA, POMS, SI 02220.010 A.1 (July 28, 2010) and SSA, POMS, GN 02201.009 A and B (April 15, 2011).

RAU needs to associate the payment with the proper record and process the remittance. RAU staff matches each check with the remittance coupon before scanning. After RAU scans the checks and money orders, it sends them electronically to the Federal Reserve Bank for deposit.

To accomplish our objective, we visited RAU to observe and review the internal controls over the remittance process. To determine remittance processing accuracy, we tested a sample of FY 2015 remittances sent directly to RAU. We also assessed SSA's actions to resolve remittances it could not credit to a beneficiary's record. Appendix A provides more details regarding our scope and methodology.

RESULTS OF REVIEW

While SSA processed remittances *accurately*, it did not process all remittances *timely*. As of April 22, 2016, RAU had 84,253 unprocessed checks (those RAU received without a remittance coupon), some almost 8-months-old. Without a remittance coupon, RAU cannot scan, process, or deposit the check until it identifies the associated remittance record. RAU also had 57,636 pieces of unopened mail, some pieces almost 2-months-old.

The processing delays caused an increase in customers calling to question why SSA had not cashed their checks and continued sending collection notices for payments they had already submitted. It also caused SSA to take unnecessary debt-collection actions against some individuals who had remitted payments.

On May 23, 2016, we alerted SSA's Commissioner about the significant backlog. In its response, SSA outlined actions it planned to take to eliminate the backlog and improve remittance processing. For example, SSA increased overtime, added RAU staff, and continued efforts to automate the remittance process.

Although SSA had eliminated the backlog we identified, as of October 28, 2016, RAU still had a significant workload that included about 3 months of unprocessed checks. Given its current workload and the uncertainties about future resources and automation enhancements, we are concerned about RAU's ability to timely process remittances.

Remittance Processing Accuracy and Timeliness

SSA processed remittances accurately. For example, our review of 302 sampled remittances found that SSA credited the remittance amount to each beneficiary's overpayment balance. SSA also properly accounted for remittances when the remittance was a transaction other than an overpayment. However, SSA did not process all remittances timely. For example, as of April 22, 2016, RAU's workload report identified 57,636 pieces of unopened mail, some dating back to March 9, 2016 and 84,253 unprocessed checks, some dating back to September 1, 2015.

As shown in Table 2, RAU had no unopened mail or unprocessed checks at the end of FY 2012. However, the backlog of unopened mail significantly increased from about 4,000 pieces in FY 2015 to over 57,000 pieces in FY 2016. Additionally, over the same period, the number of unprocessed checks increased from 56,000 to over 84,000. Table 2 shows the unopened mail and unprocessed checks backlog by FY.

Table 2: Remittance Processing Backlog by FY

RAU's Remittance Backlog		
FY End	Unopened Mail	Unprocessed Checks
2012	0	0
2013	6,741	7,715
2014	21,906	25,629
2015	4,179	56,042
2016 (as of April 22, 2016)	57,636	84,253

Source: MATPSC's Debt Management Section Weekly Report.

SSA told us its goal was to process remittances timely. Also, the *MATPSC Field Office Remittance Guide* states “. . . the majority of payments received with coupons are deposited within days of receipt in the RAU . . .” an indication of RAU’s implied timely processing goals. However, SSA had no written timeliness standards for remittance processing. We acknowledge that RAU has various workloads that may require different processing times. For example, SSA told us RAU can readily scan, process, and deposit remittances it receives with a remittance coupon. In contrast, checks RAU receives without a remittance coupon require more time and resources to process. To better manage and enhance the remittance process, we believe SSA should determine reasonable processing times for its various workloads and establish timeliness standards for remittance processing.

Reasons for the Backlog

According to SSA, the remittance backlog primarily occurred for two reasons. First, although the number of remittance checks RAU received in FYs 2013 through 2015 remained constant at about 1.5 million, annually, staff size decreased 26 percent from 31 employees in FY 2012 to 23 in FY 2016, as shown in Table 3.

Table 3: RAU Staffing Levels by FY

Staff Position	Number of Staff Per FY				
	2012	2013	2014	2015	2016
Remittance Clerk	29	26	25	22	22
Lead Remittance Clerk/Accounting Technician	2	2	2	1	1
Totals	31	28	27	23	23

Note: FY 2016 numbers were as of May 2016.

Source: SSA's RAU.

Second, RAU received a large number of remittances without coupons, which delays the remittance process as RAU staff must perform additional research to identify the record associated with the remittance. For example, in FY 2013, RAU received about 317,000 remittances without coupons, and it received about 402,000 in FY 2016.

RAU's systems need the information printed on the remittance coupon to process a remittance. When remitters send a payment without a coupon, RAU diverts the remittance from the normal process. For these remittances, RAU staff must research SSA's systems to identify the record associated with the remittance and print a remittance coupon. If the remitter included his/her benefit claim number on the check/money order, staff can readily identify the record associated with the remittance. However, RAU conducts additional research to identify remitters who do not include the benefit claim number on the check/money order. This additional research requires more time and further delays when RAU can process the remittance. When RAU cannot identify the record associated with the remittance, it deposits and places the remittance in a suspense file. SSA must then take additional actions to associate the suspended remittance to the proper record.

Because RAU does not have the capability to receive electronic payments, when individuals use their bank's online bill payment system, banks sent paper checks to RAU without a remittance coupon. Similarly, employers and payroll processing companies sent SSA checks without a coupon when they remitted payments for administrative wage garnishments. As individuals increase their use of online banking to pay SSA debts, RAU will likely receive more checks without a remittance coupon or other debtor-identifying information recorded on the check. Unless SSA enhances its ability to receive electronic bank payments, we believe RAU will face an increasing challenge in processing remittances timely.

Effect on Customer Service and Related Workloads

The remittance backlog increased customer service workloads at SSA field offices and program service centers. Further, the backlog caused SSA to take unnecessary collection actions against beneficiaries and issue incorrect Forms SSA-1099. In addition, as the backlogs increased and became older, the number of unnegotiated returned bank checks increased. Delays in remittance processing increased the frequency of beneficiaries calling to question why SSA had not cashed their check and continued sending collection notices for payments they had already submitted. SSA officials explained that staff often could not answer such beneficiary questions because

remittance data may not have been available in SSA's debt management system because of the remittance backlog. In addition, SSA employees received customer inquiries about why their Form SSA-1099 did not reflect the benefits repaid to SSA in the previous tax year. Furthermore, in a May 2016 letter to SSA's Deputy Commissioner for Operations, the National Council of Social Security Management Associations expressed concern that the remittance backlog had increased the number of telephone calls and visitors at field offices inquiring about payments that had not been posted to their account.

Because of this backlog, SSA initiated unnecessary collection actions against some beneficiaries. When SSA does not process overpayment remittances for several months, the related debt appears past due in SSA's debt management system. The past-due rating triggers the Agency to use its external collection tools to recover the debt. For those SSA beneficiaries who are not receiving benefits, SSA may attempt to collect the debt by reporting it to a credit bureau,⁷ administrative wage garnishment,⁸ or Federal payment offset. SSA uses the Department of the Treasury's (Treasury) Treasury Offset Program (TOP) to offset a debt against an individual's Federal income tax refund or withhold other Federal or State payments.⁹ Additionally, when debts are past due, SSA continues sending collection letters and making calls.

Furthermore, SSA may offset beneficiaries' OASDI or SSI payments to collect an overpayment when they are in current pay status. If the offset reduces the monthly benefit payment below the Medicare premium amount, and the offset extends into the following year, the beneficiary must pay the monthly premium directly to the Centers for Medicare and Medicaid Services.¹⁰

Below are examples of instances when RAU did not process remittances timely, which resulted in SSA taking unnecessary collection actions against beneficiaries.

- In 2016, SSA received two checks, dated January 2 and February 4, 2016, from a former beneficiary who was repaying SSA under an installment agreement. However, RAU did not process and deposit the checks until March 4 and April 5, 2016, respectively. The delay in processing the January remittance caused the debt to appear longer than 45 days delinquent in SSA's debt management system. On February 1, 2016, SSA's automated system referred the debt to TOP, and, on February 17, 2016, Treasury offset the individual's \$1,939 tax

⁷ When a debtor is 2 or more months behind on OASDI installment payments or 45 days behind on SSI installment payments, SSA may report the late payment information to the national credit repositories. SSA, POMS, GN 02201.032 (March 9, 2016); SSA, POMS, GN 02201.031 (September 3, 2013); SSA, POMS, SI 02220.014 (March 9, 2016); and SSA, POMS, SI 02220.013 (September 5, 2013).

⁸ Under SSA's administrative wage garnishment provisions, the Agency may, without a court order, garnish the wages of a delinquent debtor (OASDI and SSI debts) and require that the employer withhold up to 15 percent of the employee's salary. SSA, POMS, GN 02201.040 (May 25, 2012).

⁹ Other Federal payments withheld, which are considered administrative offsets, may include reimbursement to Federal employees for travel and expense reimbursements, Office of Personnel Management pensions, Federal contractor payments, and State income tax refunds.

¹⁰ SSA, POMS, HI 01001.045.A (November 7, 2001).

refund to collect the debt. Although the individual made several requests for SSA to refund the tax offset, SSA was not required to refund the money collected through the tax refund offset because the individual still had an outstanding balance for the debt.¹¹

- After receiving a wage garnishment order from SSA, one beneficiary sent a \$2,495 check, dated November 6, 2015, to fully repay an overpayment. Because RAU did not deposit the check until January 21, 2016, SSA did not terminate the wage garnishment action until January 28, 2016. As a result, the beneficiary's employer withheld \$861 from the individual's salary. The beneficiary requested that SSA refund the garnished wages. As of October 11, 2016, SSA had only repaid \$143 of the excess garnished wages.
- One beneficiary sent a \$1,825 check, dated October 11, 2014, to SSA to fully repay an overpayment. However, RAU did not deposit the check until January 5, 2015. As a result, the beneficiary's account appeared delinquent in SSA's debt management system. Therefore, SSA began offsetting the beneficiary's monthly benefits in November 2014 until it recovered the full overpayment. Moreover, SSA stopped withholding and paying the beneficiary's Medicare premiums because of the offset, and the Centers for Medicare and Medicaid Services began sending the beneficiary premium payment notices. Ultimately, in May 2015, SSA began paying the monthly benefit and paid the past-due Medicare premiums.

The following examples illustrate how the remittance backlog limited SSA's ability to timely reallocate certain individuals' saved benefits and process claim actions that could increase a beneficiary's benefits.

- When a beneficiary cannot manage their financial affairs, SSA appoints a representative payee (for example, a relative, friend, or nursing home) to receive and manage his/her benefits. The representative payee may save benefits for the beneficiary's later use. However, when a beneficiary's representative payee changes, the payee must return any saved funds to SSA, which it distributes to the new representative payee. In one case, it took RAU almost 4 months to process a representative payee's \$2,977 check, dated October 30, 2015. The new payee contacted SSA several times to request it release the saved funds. SSA could not release the funds because RAU did not cash the check until February 17, 2016. The beneficiary died on February 10, 2016, several days before RAU processed the remittance. On September 30, 2016, SSA released the funds to the beneficiary's widow.
- In September 2015, a beneficiary filed a request with SSA to withdraw a claim from which she received reduced retirement benefits. To withdraw a claim, a beneficiary must repay SSA all benefits received under the claim. Accordingly, the beneficiary sent SSA a \$5,906 check dated September 18, 2015 to repay the benefits. However, RAU did not process the refund check until April 2016. While the refund check was pending in RAU, SSA could not process the individual's new application for full retirement benefits. When

¹¹ SSA, POMS, GN 02201.030 (March 9, 2016).

RAU processed the remittance and SSA the new application, it owed the beneficiary 5 months of benefits (from November 2015 through March 2016).

Finally, the number of checks the Federal Reserve Bank returned to SSA as non-negotiable increased by 226 percent between FYs 2013 and 2015. Table 4 shows the increase in returned checks and the relationship to the increase in the backlog of unprocessed checks.

Table 4: Increase in the Number of Returned Checks from FYs 2013 Through 2015

FY	Number of Returned Checks	Percentage Increase from FY 2013	Backlog of Unprocessed Checks at FY End
2013	8,693	-	7,715
2014	15,710	81	25,629
2015	28,360	226	56,042

Source: MATPSC's Debt Management Section Weekly Report.

Depending on a bank's policy, it may not honor a check that is 6-months-old or older. According to the Uniform Commercial Code (U.C.C.), "A bank is under no obligation to a customer having a checking account to pay a check, other than a certified check, which is presented more than six months after its date, but it may charge its customer's account for a payment made thereafter in good faith."¹² Because RAU did not track the date it received each unprocessed check, it did not know the number of checks 6-months-old or older it presented for deposit.

Resolving the Backlog

On May 23, 2016, we alerted SSA's Commissioner of our concerns about the significant backlog of unopened mail and unprocessed checks. In its response, SSA outlined actions to eliminate the backlog and improve remittance processing.

To reduce the backlog in the short term, SSA told us it had granted additional overtime hours for employees to open mail and process checks and planned to hire additional staff. Additionally, SSA planned to redesign its remittance coupon and return envelope to improve remittance processing. SSA expected that the coupon redesign would help ensure individuals return their payment coupons with appropriate identifying information, including a correct address.

On June 13, 2016, SSA announced¹³ that RAU would begin returning checks dated before January 1, 2016 to the beneficiary (these checks were at least 6-months-old and likely expired). SSA identified 22,306 checks dated before January 1, 2016. SSA stated it would research each

¹² U.C.C., Article 4, Part 4 § 4-404 (2002).

¹³ SSA, Administrative Message – 16035 (June 13, 2016).

check to determine whether it should deposit or return it to the remitter. SSA also stated it would include a notice with each returned check to explain SSA will not deposit the check and ask for a replacement check. As of August 5, 2016, of the 22,306 checks, SSA had returned 10,916 (49 percent) and processed and deposited 11,390 (51 percent).

In the long term, SSA acknowledged it will need to further automate the remittance process. According to SSA, since 2015, its Office of Financial Policy and Operations has collaborated with MATPSC to identify and evaluate various types of automation to improve the remittance process. In August 2016, SSA's Information Technology Investment Process Review Board approved the Remittance Modernization project and gave it priority for 2017. This project includes the following.

- Planning and analysis for using Treasury's *Pay.gov*¹⁴ service to collect program-related debt payments.
- Development and implementation of SERS to enable field offices to electronically process program-related remittances. As of the date of this review, field offices could only process administrative fees through SERS. Once SERS is implemented, field offices will no longer send paper remittances to RAU for processing. SSA stated it completed the SERS planning and analysis in FY 2016.

SSA also stated that the Remittance Modernization project included plans for implementing online bill pay, developing systems to accept electronic payroll remittances for wage garnishment payments, and streamlining the process for accepting U.S. court remittances.

After alerting SSA in May 2016, we continued monitoring the remittance backlog. Although SSA had eliminated the backlog we identified, RAU still had a significant workload of remittances. As of October 28, 2016, RAU had a workload of

- 62,805 unprocessed checks (checks with no remittance coupon), dating from August 4, 2016;
- 82,500 checks awaiting scanning and deposit, dating from September 23, 2016;
- 10,150 credit card payments awaiting processing, dating from August 29, 2016; and
- 6,486 pieces of unopened mail from the previous day.

SSA told us that RAU had 35 staff (an increase of 12 from May 2016 when we alerted SSA of the backlogs) and had acquired another scanner as of November 2016. SSA believes the additional staff and scanner will enable RAU to reduce its pending workloads and improve remittance processing times.

¹⁴ *Pay.gov* allows users to make secure electronic payments to Federal agencies. *Pay.gov* accepts many common forms of payments, including credit cards, debit cards, and direct debit.

While we acknowledge SSA's initiatives to address its remittance process, given its workload and the uncertainties about resources and automation enhancements, we have concerns about RAU's ability to process remittances timely. As such, we will continue monitoring SSA's remittance workload.

Suspended Remittances

SSA did not routinely contact beneficiaries to resolve remittances it could not credit to a beneficiary's record, as required by policy. When RAU receives a remittance without a coupon or a benefit claim number, RAU staff researches various SSA systems and a commercial people finder application to identify the beneficiary. If RAU identifies the beneficiary, it processes the remittance. When RAU cannot identify the beneficiary, it records the remittance information in a suspense file and deposits the check. When an address is available on the remittance, SSA told us it will attempt to send a letter to obtain the information needed to process the remittance. However, we found RAU did not routinely attempt to contact the remitter via written notice when the remittance included an address.

Our tests of 62¹⁵ suspended remittances identified 15 (24 percent) that included the beneficiary's name and/or address. As such, SSA could have contacted these beneficiaries to obtain the necessary information to process the remittances. However, SSA could not provide evidence it sent a follow-up letter on these 15 suspended remittances. As of April 19, 2016, SSA had 3,014 suspended remittances with no benefit claim number, totaling about \$2.2 million. Table 5 provides an aging schedule of suspended remittances with no benefit claim number.

Table 5: Aging Schedule of Suspended Remittances—No Benefit Claim Number

Age	Number of Remittances	Percent of Remittances	Dollar Amount of Remittances	Percent of Dollars Remitted
0 to 30 Days	468	15.5	\$303,458	13.7
31 to 60 Days	537	17.8	288,671	13.0
61 to 90 Day	72	2.4	34,192	1.6
91 to 120 Days	11	0.4	4,373	0.2
121 to 364 Days	720	23.9	675,729	30.5
365 to 730 Days	595	19.7	561,015	25.3
731 to 1,094 Days	253	8.4	131,001	5.9
1,095 to 1,459 Days	90	3.0	34,976	1.6
> 1,459 Days	268	8.9	180,330	8.2
Totals	3,014	100%	\$2,213,745	100%

Source: MATPSC's Remittance Suspense File as of April 19, 2016.

¹⁵ We randomly selected 50 and judgmentally selected 12 remittances that were in the suspense file for longer than 120 days.

We believe that issuing a reminder to technicians to contact beneficiaries when a name and address are provided to obtain the information needed to process remittances could help reduce SSA's remittance suspense file and inquiries to its field offices.

CONCLUSIONS AND RECOMMENDATIONS

Although SSA eliminated the backlog we identified in April 2016, RAU still had a significant workload that included about 3 months of unprocessed checks as of October 28, 2016. As such, we believe it is important that SSA complete efforts to automate the remittance process and ensure RAU has adequate resources to prevent remittance backlogs. We will continue monitoring SSA's remittance workload.

Accordingly, we recommend that SSA:

1. Establish timeliness standards for remittance processing.
2. Complete efforts to automate the remittance process.
3. Ensure RAU has adequate resources to prevent remittance backlogs.
4. Issue a reminder to technicians to contact beneficiaries when a name and address are provided to obtain the information needed to process remittances.

AGENCY COMMENTS

SSA agreed with our recommendations. The full text of SSA's comments is included in Appendix B.

OTHER MATTER

RAU Physical Security

During our visit, we identified several issues with RAU's physical security procedures. For example, RAU did not store remittances in locked file cabinets. We observed stored, unopened mail; unprocessed checks; and processed remittances awaiting destruction in boxes and containers throughout RAU. It is important to adequately secure remittances because they contain sensitive personally identifiable information, such as name, address, and bank/credit card account information.

We recognize that RAU had some controls to secure and account for remittances. For example, RAU controlled access to its office space with electronic keycard-activated locks and restricted access to authorized staff and supervisors. In addition, RAU staff recorded the number of remittances they transferred between the processing functions within RAU. However, we believe additional controls may be warranted given the volume of remittances processed combined with the number of staff and supervisors who have access to RAU. Specifically, we believe storing unprocessed and processed remittances in locked fireproof file cabinets and requiring that staff record the number of checks entered and removed from the secure storage would help RAU to better maintain accountability for remittances and further secure this sensitive personally identifiable information against loss or theft. Accordingly, we encourage SSA to assess RAU's physical procedures and enhance physical security controls where needed.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To achieve our objective, we obtained a data file from the Social Security Administration (SSA) of all remittances processed in Fiscal Year (FY) 2015 and coded as “direct” remittances (not received at an SSA field office). From this file, we identified a population of 1,294,906 remittances, totaling \$294,853,736. From this population, we initially selected all 29 remittances totaling over \$50,000 and randomly selected 275 remittances after excluding the 110 remittances of \$1 or less.

However, during our audit tests, we determined SSA’s Remittance and Accounting Unit (RAU) did not process 1 of the 275 randomly sampled remittances. We removed this remittance from our sample and randomly selected a replacement (which RAU processed). Also, for the 29 remittances greater than \$50,000, RAU did not process one of the remittances and we could not determine whether it processed one other. We removed these two remittances from our sample. We determined that our population included 4,534 remittances, totaling \$5,996,214, that the Office of International Operations processed. Table A–1 details our audit population and sample selections.

Table A–1: Audit Population and Sample

Remittance Type	Number of Remittances	Dollar Amount of Remittances	Sample Size	Sample Dollars
All Direct Remittances	1,294,906	\$294,853,736	N/A	N/A
Remittances of \$1 or Less	110	\$55	N/A	N/A
Remittances of \$50,000 or Greater (for 100 Percent Review)	29	\$2,039,598	27	\$1,933,019
Remittance Population for Random Sampling	1,294,767	\$292,814,083	275	\$46,788

Source: SSA’s Processed Remittance File.

We tested the sampled remittances to determine whether SSA processed and deposited the remittances accurately and timely.

Additionally, we:

- Reviewed applicable laws, SSA policies, procedures, and administrative and emergency messages.
- Observed RAU’s physical controls for securing checks, cash, and credit card remittances.
- Reviewed the internal and management controls for remittance processing.
- Met with Mid-Atlantic Program Service Center and RAU officials to obtain an understanding of the remittance process and the related internal controls.

- Obtained and reviewed weekly management reports for FYs 2013 through 2016 and for FY 2017 (as of October 28, 2016) that detailed remittance workloads.
- Obtained and reviewed the suspended remittance file as of April 19, 2016. We selected two samples to assess SSA's actions to resolve suspended remittances. Specifically, we randomly selected 50 remittances and selected 12 high dollar remittances from the 2,085 remittances in suspense longer than 120 days.

We conducted our review between March and November 2016 in Atlanta, Georgia, and Philadelphia, Pennsylvania. We relied on SSA's data file of all remittances that RAU processed in FY 2015. We determined the data files used for this review were sufficiently reliable to meet our objective. The principal entity reviewed was SSA's Office of Operations.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: February 24, 2017 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall /s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “The Social Security Administration’s National Remittance Process” (A-04-16-50111)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“THE SOCIAL SECURITY ADMINISTRATION’S NATIONAL REMITTANCE
PROCESS” (A-04-16-50111)**

General Comment

Conserving and properly accounting for U.S. taxpayer funds is among our highest priorities. We demonstrate our commitment by taking our responsibility to ensure accurate and timely completion of our remittance workload very seriously. We implemented an action plan in fiscal year (FY) 2016 to address the backlog in the Remittance and Accounting Unit (RAU). As part of that plan, we added 19 new hires to the RAU to address the manual remittance processing workloads. We are pleased to report that as of February 3, 2017, the RAU has no pending unopened mail or deposits.

We are also implementing short, mid, and long-term information technology solutions to reduce the manual burden of the remittance workload and streamline the remittance process. It is important to note that our current business process relies heavily on debtor use of a payment coupon. The payment coupon provides the agency the information necessary to timely process and associate the payment with the proper debt. Payments submitted without these coupons require extensive research to determine the proper debtor’s identity and corresponding debt.

Due to changes within the banking industry, such as online banking, bill pay, and employer submitted garnishments, the use of payment coupons is now obsolete. Our plans to automate the remittance process will move us to an electronic payment process, eliminating our reliance on payment coupons in the future. Our first automation initiative, the Social Security Electronic Remittance System, will allow debtors to remit credit card and check payments in our field offices. We anticipate national implementation of this system in calendar year 2017, which will reduce the volume of checks directed to the RAU.

Recommendation 1

Establish timeliness standards for remittance processing.

Response

We agree.

Recommendation 2

Complete efforts to automate the remittance process.

Response

We agree. We have a multi-year effort underway.

Recommendation 3

Ensure RAU has adequate resources to prevent remittance backlogs.

Response

We agree. As the audit was underway, we conducted analysis to determine appropriate staffing levels in the RAU. As a result, we increased staffing to support the volume of remittances the unit currently receives. As noted in the report, as of May 2016, we had 23 staff in the RAU. We are pleased to report that as of February 3, 2017, we increased staff in the RAU to 42. We will continue to assess staffing needs as we further automate the remittance process and reduce the volume of remittances the RAU processes.

Recommendation 4

Issue a reminder to technicians to contact beneficiaries when a name and address are provided to obtain the information needed to process remittances.

Response

We agree. The Mid-Atlantic Program Service Center has already issued a reminder to the RAU staff.

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