

Audit Report

The Social Security Administration's
Field Office Remittance Process

A-08-13-13034 / May 2014

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 2, 2014 **Refer To:**
To: The Commissioner
From: Inspector General
Subject: The Social Security Administration's Field Office Remittance Process (A-08-13-13034)

The attached final report presents the results of our audit. Our objective was to assess the Social Security Administration's field office remittance process.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

The Social Security Administration's Field Office Remittance Process

A-08-13-13034



May 2014

Office of Audit Report Summary

Objective

To assess the Social Security Administration's (SSA) field office (FO) remittance process.

Background

SSA FOs receive checks, money orders, cash, and credit card payments for Medicare premium payments and Title II/XVI overpayment refunds. They also collect fees for services. SSA defines these payments as remittances.

FOs input remittance information in SSA's Debt Management System (DMS). DMS generates forwarding instruction sheets for remittances, such as fees for services, which SSA's Office of Finance processes for deposit. DMS generates a scannable payment coupon for remittances, such as overpayment refunds, that FOs mail to SSA's debt management section at the Mid-Atlantic Program Service Center (MATPSC) for deposit.

For discrepant remittances, MATPSC may notify the originating FO for corrective actions or correct the discrepancies themselves. If MATPSC does not receive and verify remittances within 20 days of FO input, DMS generates an initial alert for the originating FO on day 21. DMS generates a follow-up alert on day 42 and a final alert on day 60 for those initial alerts not cleared by FOs.

Our Findings

FOs did not always accurately process remittances or timely clear alerts. For example, of the approximately 458,000 remittances FOs processed from August 1, 2011 through July 31, 2012, over 44,000 (10 percent) contained discrepancies that generated initial alerts for corrective actions. Of these initial alerts, DMS generated over 11,000 follow-up alerts (day 42) and over 5,700 final alerts (day 60) to FOs.

Our review of SSA's Debt Management System and NY Debt Management Release 2 application found SSA did not generally track and summarize the causes of remittance discrepancies or reasons FO personnel did not clear alerts within 60 days. According to MATPSC, some FOs sent remittances to the wrong entity or cleared unverified alerts before MATPSC received the remittances. In addition, one FO told us it waited 60 days to clear any alerts because it wanted to ensure MATPSC had sufficient time to receive and process its remittances before determining whether there were issues. We believe SSA could better manage its remittance process by tracking and summarizing the causes of remittance discrepancies and reasons FOs did not clear alerts within 60 days. SSA could use such information to help reduce duplication of effort and best use the Agency's limited resources.

SSA is developing an automated fee collection system to streamline its non-program remittance process. Although SSA will initially use the system to collect non-program fees, it also plans to collect program fees later. SSA plans to implement this system for non-program remittances in two phases with full implementation to begin in the last quarter of 2014.

Our Recommendation

As SSA continues developing a streamlined remittance process, we recommend it track and summarize the causes of discrepant remittances and reasons FOs did not clear alerts within 60 days.

SSA agreed with our recommendation.

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ABBREVIATIONS

| | |
|--------|--|
| CSI | Centers for Security and Integrity |
| DMS | Debt Management System |
| eFOR | Electronic Field Office Remittance Program |
| FO | Field Office |
| MATPSC | Mid-Atlantic Program Service Center |
| OIG | Office of the Inspector General |
| RFOR | Field Office Remittance Input |
| SERS | Social Security Electronic Remittance System |
| SSA | Social Security Administration |

OBJECTIVE

Our objective was to assess the Social Security Administration's (SSA) field office (FO) remittance process.

BACKGROUND

SSA has approximately 1,300 FOs in the United States and its territories. FOs receive checks, money orders, cash, and credit card payments for Medicare premium payments and Title II/XVI overpayment refunds. They also collect fees for services.¹ SSA defines payments for premiums, program debts, or fees as remittances.²

FOs input remittance information³ in SSA's Debt Management System (DMS) using its Field Office Remittance Input (RFOR) screen or the Electronic Field Office Remittance Program (eFOR), a Web-based application.⁴ Once FOs enter the data, DMS generates a customer receipt and either a forwarding instruction sheet or a scannable payment coupon. For example, DMS generates forwarding instruction sheets for such remittances as fees for services, which SSA's Office of Finance processes and deposits.⁵ DMS generates scannable coupons for those remittances that FOs send to SSA's Debt Management Section at the Mid-Atlantic Program Service Center (MATPSC)⁶ for processing and deposit, such as overpayment refunds.⁷

Because MATPSC's objective is to ensure timely deposit, it attempts to resolve discrepant remittances when possible. For discrepancies it cannot resolve, MATPSC may notify the originating FO for corrective actions.⁸ If MATPSC does not receive and verify remittances within 20 days of FO input, DMS generates an initial alert for the originating FO on day 21.

¹ SSA charges fees for non-program-related services, such as providing non-program related benefit information or verification.

² SSA, POMS, GN 02403.001.A (January 4, 2013). However, SSA's policy states that unendorsed returned benefit checks are not remittances.

³ Remittance information input by FOs may include a numberholder's Social Security number and name; remittance type; remittance amount; Trust Fund associated with the remittance; and remitter's name, address, and telephone number.

⁴ The eFOR application contains the same fields as the RFOR screen in DMS. The information FOs input in eFOR transmits to the RFOR screen for processing. The eFOR program propagates data from various SSA systems of records when information is available for a numberholder.

⁵ SSA, POMS, GN 02403.012 (April 2, 2014) and GN 02403.030 (January 19, 2012). FOs also forward remittances to entities, such as SSA's Office of Earnings Operations and the Centers for Medicare and Medicaid Services.

⁶ For reporting purposes, we use the term "MATPSC" to refer to SSA's Debt Management Section in its National Remittance Processing Center. MATPSC also processes remittances it receives directly from the public.

⁷ SSA, POMS, GN 02403.001.A (January 4, 2013).

⁸ SSA, POMS, GN 02403.065.B (November 17, 2008). Such discrepancies may include a missing refund or FOs recorded a different amount than the remittance.

DMS generates a follow-up alert on day 42 and a final alert on day 60 if the FO does not clear its initial alert.⁹ Although SSA policy does not provide a specific timeline for FOs to clear alerts, SSA's system automatically notifies the appropriate SSA regional Centers for Security and Integrity (CSI) when FOs under its purview have alerts over 60 days old. While FOs are responsible for clearing remittance alerts, CSIs help investigate and assist FOs in resolving alerts over 60-days-old. Furthermore, SSA places deposited remittances it cannot associate with a correct account or Trust Fund in a suspense file for further review and resolution. According to MATPSC, they work with SSA's accounting office to resolve remittances in suspense.

To accomplish our objective, we obtained a receipt file of remittances FOs processed through DMS from August 1, 2011 through July 31, 2012. During this time, FOs received over 458,000 remittances totaling over \$391 million.¹⁰ From this file, we identified remittances where DMS generated an alert. We visited the FO with the greatest number of alerts and the FO with the highest number of remittance receipts to gain a better understanding of the remittance process at FOs. We also visited MATPSC to discuss its role and experience with the FO remittance process. Finally, to determine the management information SSA collected for discrepant remittances,¹¹ we reviewed SSA's DMS and NY Debt Management Release 2 application.¹² Appendix A provides additional information on our scope and methodology.

RESULTS OF REVIEW

FOs did not always accurately process remittances or timely clear alerts. For example, of the approximately 458,000 remittances FOs processed from August 1, 2011 through July 31, 2012, over 44,000 (10 percent) contained discrepancies that generated initial alerts for corrective actions. Of these initial alerts, DMS generated over 11,000 follow-up alerts (day 42) and over 5,700 final alerts (day 60) to FOs.

Our review of SSA's DMS and NY Debt Management Release 2 application found SSA did not generally track and summarize the causes of remittance discrepancies or reasons FO personnel did not clear alerts within 60 days. According to MATPSC, some FOs sent remittances to the wrong entity or cleared unverified alerts before MATPSC received the remittances. In addition, one FO told us it waited 60 days to clear any alerts because it wanted to ensure MATPSC had sufficient time to receive and process its remittances before determining whether there were issues. We believe SSA could better manage its remittance process by tracking and summarizing the causes of remittance discrepancies and reasons FOs did not clear alerts within 60 days. SSA

⁹ SSA, POMS, GN 02403.050.C (July 23, 2012).

¹⁰ The FO remittance receipt file also contained over 270,000 records of unendorsed benefit checks, which we excluded from our analysis.

¹¹ We define discrepant remittances as any remittance MATPSC corrected before processing or those that DMS generated an alert.

¹² FOs use SSA's NY Debt Management Release 2 application as a workload control and for management information on their Title 2 debt management workload.

could use such information to help reduce duplication of effort and best use the Agency's limited resources.

SSA is developing an automated fee collection system to streamline its non-program remittance process. SSA plans to implement the system for non-program remittances in two phases, with full national rollout to begin in the last quarter of 2014. Although SSA will initially use this system to collect only non-program fees, it plans to expand the functionality in the future to collect program fees.

FOS Did Not Always Accurately Process Remittances or Timely Clear Alerts

FOS did not always accurately process remittances or timely clear alerts. For example, of the approximately 458,000 remittances FOS processed from August 1, 2011 through July 31, 2012, over 44,000 (10 percent) contained discrepancies that generated initial alerts for corrective actions. Of these initial alerts, DMS generated over 11,000 follow-up alerts (day 42) and over 5,700 final alerts (day 60) to FOS. Table 1 shows the approximate dollar amount for remittances on the alert list.

**Table 1: FO Remittances with Alerts
August 1, 2011 Through July 31, 2012**

| Type of Alert | Number of Alerts Generated | Dollar Amount (Approximation) |
|------------------------------|----------------------------|-------------------------------|
| Initial (Day 21) | 44,220 | \$45.5 million |
| Follow-up (Day 42) | 11,065 | \$12.1 million |
| Final (Day 60) | 5,715 | \$6.5 million |

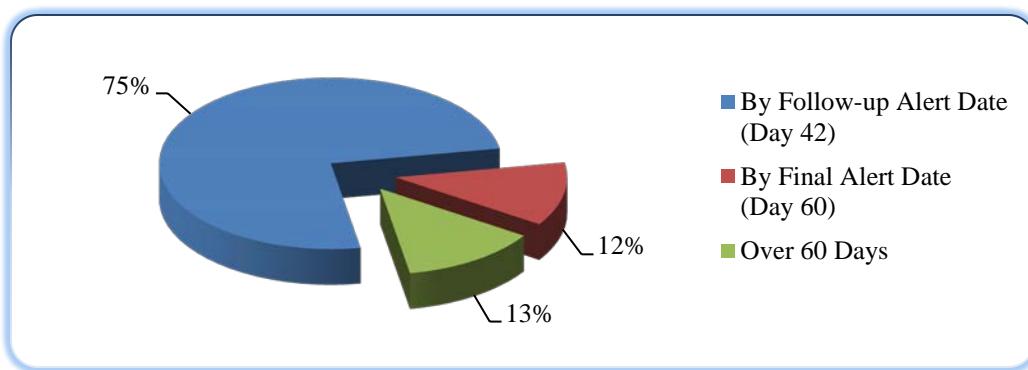
Source: OIG Analysis of FO Remittance Receipts

Over 90 percent of the remittances with alerts during our audit period were related to program payments. Approximately 59 percent was for overpayment refunds, and 33 percent was conserved fund payments.¹³

¹³ SSA, POMS, SI 01120.022.A (February 9, 2006). A representative payee who has conserved or invested funds for a beneficiary but is no longer serving as payee must return the funds to SSA for reissuance to either the successor payee or beneficiary.

As shown in Figure 1, FOs resolved 75 percent of the initial alerts before DMS generated a follow-up alert and cleared another 12 percent before the 60-day final alert was generated. Although FOs resolved 87 percent of these alerts within 60 days, 13 percent remained on the alert list for over 60 days.¹⁴ Because of SSA systems limitations, we could not determine when FOs cleared these alerts or how many dropped out of the system after 2 years. However, as of February 2014, we had identified 23 remittances that remained on the alert list from 578 to 728 days.

Figure 1: Resolution of Initial Alerts from August 1, 2011 Through July 31, 2012



Source: OIG Analysis of FO Remittance Receipts

We also discussed FO remittance issues with other entities that processed and deposited SSA's remittances. For example, the Department of the Treasury told us it received 458 erroneous remittances, totaling about \$459,000, from January 2012 through August 2013 and mailed them to MATPSC. In addition, SSA's Office of Finance¹⁵ told us there were ongoing remittance issues, such as incomplete documents. Furthermore, the Office of Payment and Recovery Policy issued several administrative messages to FOs regarding these issues.¹⁶ Finally, SSA's Office of Earnings Operations told us that FO remittances were often incomplete, and it worked closely with FOs to improve the process.

SSA Did Not Track or Summarize Key Information on Discrepant Remittances

Our review of SSA's DMS and NY Debt Management Release 2 application found SSA did not generally track and summarize the causes of remittance discrepancies or reasons FO personnel

¹⁴ SSA's statistics for the 12 months following our audit period showed that the percentage of remittances over 60 days increased to about 28 percent and decreased to about 12 percent as of September 5, 2013.

¹⁵ SSA's Office of Finance processes administrative fees.

¹⁶ Administrative Message, *Temporary Suspension of Office of Finance Returning Verified SSA-414-U3 to Field Offices* (November 6, 2013) and *Reminder – Fee Remittance Processing* (November 17, 2012).

did not clear alerts within 60 days. However, MATPSC cited several reasons why FOs did not always accurately process remittances or timely clear alerts. For example, MATPSC told us that some FOs sent remittances to the wrong entity when personnel entered incorrect Trust Fund codes.¹⁷ MATPSC also stated that SSA could reduce Trust Fund coding discrepancies by requiring that FOs use eFOR because it streamlines the remittance process by propagating account holder information from various SSA systems of records. However, SSA instructs FO personnel to use DMS' RFOR screen, and SSA's *Field Office Remittance Troubleshooting Guide* instructs personnel to use either DMS or eFOR.¹⁸ Given conflicting guidance and the potential to reduce discrepancies, we encourage SSA to clarify when FOs should use eFOR or DMS to process remittances.

MATPSC further stated that FOs sometimes cleared their unverified alerts before MATPSC received the remittances. When this occurred, the automated coupons DMS generated were no longer valid. As a result, MATPSC reentered the remittance information to create a valid coupon, which is important because it facilitates posting of remittances to appropriate accounts. In addition, one FO we visited told us it waited 60 days to clear its alerts. According to the FO, it wanted to ensure that MATPSC had sufficient time to receive and process its remittances before determining whether there were any issues. Furthermore, SSA did not collect information on the complaints it received from remitters whose accounts it had not properly credited or FOs that input the discrepant remittances.

We believe the lack of centralized management information may hinder SSA's ability to manage its remittance workload effectively and evaluate FO performance. Although SSA's NY Debt Management Release 2 application provides the number and age of remittances, SSA does not track and summarize the causes of remittance discrepancies or reasons FO personnel did not clear alerts within 60 days. SSA could use such information to help reduce duplication of effort and best use the Agency's limited resources.

SSA Is Developing a Streamlined Remittance Process

SSA is developing an automated fee collection system to streamline its non-program remittance process. The Social Security Electronic Remittance System (SERS) will assist FO staff and managers in processing and collecting fees in a secure environment. Specifically, SERS will manage orders, create transactional documents, process payments, provide management information reports, and send accounting events to SSA's accounting system. FO personnel will process requests, and SERS will accept payment methods, such as credit cards and checks. As a result, FO personnel will no longer compile and send paper checks and credit card forms for non-program collections to SSA's Office of Finance.

¹⁷ Trust Fund codes allow SSA to deposit remittances to the proper accounts.

¹⁸ SSA, *Field Office Remittance Troubleshooting Guide*, January 2011.

SSA plans to implement SERS for non-program remittances in two phases with full national rollout to begin in the last quarter of 2014. Although SSA will initially use SERS to collect only non-program fees, it plans to expand the functionality in the future to collect program fees.

CONCLUSIONS

Our review of remittance data determined that FOs processed thousands of discrepant remittances that generated alerts for corrective actions. Although FOs resolved 87 percent of these alerts within 60 days, 13 percent remained on the alert listing for over 60 days. Our review of SSA's DMS and NY Debt Management Release 2 application found SSA did not generally track and summarize the causes of remittance discrepancies or reasons FO personnel did not clear alerts within 60 days.

We commend SSA on its initiative to streamline the remittance process. However, when SSA personnel process discrepant remittances or do not clear alerts timely, the Agency often duplicates its efforts. Given the importance of effectively using the Agency's limited resources, we believe SSA would benefit by taking additional steps to enhance its remittance process.

RECOMMENDATION

As SSA continues developing a streamlined remittance process, we recommend it track and summarize the causes of discrepant remittances and reasons FOs did not clear alerts within 60 days.

AGENCY COMMENTS

SSA agreed with our recommendation. The Agency's comments are included in Appendix B.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed Social Security Administration (SSA) policies and procedures.
- Obtained a file of 458,036 remittances generated by SSA's field offices (FO) from August 1, 2011 through July 31, 2012.¹ From this file, we identified remittances with alerts.²
- Queried SSA's Debt Management System and NY Debt Management Release 2 application³ to determine whether SSA tracked and summarized remittance information.
- Visited SSA's National Remittance Processing Center (MATPSC) in Philadelphia, Pennsylvania. We also visited FOs in Indianapolis, Indiana, and Nashville, Tennessee, to observe and discuss FOs' role in the remittance process and identify FO-related issues.
- Interviewed Centers for Security and Integrity staff at the Birmingham Social Security Center in Birmingham, Alabama, to discuss remittance issues they observed.

The SSA entity reviewed was the Office of Public Services and Operations Support under the Office of the Deputy Commissioner of Operations. Our review of internal controls was limited to obtaining an understanding of the remittances on the receipt file that originated from SSA's FOs.

We conducted our audit from November 2012 through February 2014 in Birmingham, Alabama. We determined the remittance data were sufficiently reliable for purposes of our review and conducted this performance 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 conclusion based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

¹ The remittance FO receipt file also contained over 270,000 records of unendorsed benefit checks. We did not include these items in our count because SSA's policy states that unendorsed returned benefit checks are not remittances. SSA, POMS, GN 02403.001.A (January 4, 2013).

² SSA FOs input remittance information in SSA's Debt Management System, which generates alerts when remittances are not verified and processed within 20 days of FO input.

³ FOs use SSA's NY Debt Management Release 2 application as a workload control and for management information on their Title 2 debt management workload.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 10, 2014 **Refer To:** S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "The Social Security Administration's Field Office Remittance Process" (A-08-13-13034) -- 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 FIELD OFFICE REMITTANCE
PROCESS” (A-08-13-13031)**

Recommendation

As SSA continues developing a streamlined remittance process, we recommend it track and summarize the causes of discrepant remittances and reasons FOs did not clear alerts within 60 days.

Response

We agree. We will review the current unverified remittance alert process and explore options to centralize unverified remittance management information. We plan to complete this review by the end of fiscal year 2014.

Appendix C – MAJOR CONTRIBUTORS

Theresa Roberts, Director, Atlanta Audit Division

Jeff Pounds, Audit Manager

Kozette Todd, Senior Auditor

Janet Matlock, Senior Auditor

Hollie Calhoun, Senior Auditor

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