

**Memorandum**

Date . AUG 27 1992

From Deputy Inspector General
for Audit Services

Subject Follow-up on Weaknesses in Repatriation Program
(A-12-92-00026)

To Laurence J. Love
Deputy Assistant Secretary for
Program Operations

The attached final report presents the results of our follow-up review of the Office of Refugee Resettlement (ORR) Repatriation Program (RP). We followed up to ensure the ORR has acted on our previous recommendations and corrected the material weakness reported in Fiscal Year (FY) 1987. Additionally, we reviewed the corrective action review (CAR) completed by the Administration for Children and Families (ACF) in FY 1989.

We found that the recommendations from our previous report were implemented. Based on our review, the ORR has taken steps to improve the receipt of billing reports, but States are still submitting reports late, and in a small number of cases without adequate documentation. The material weakness is corrected, but the CAR had limited documentation related to the testing of corrective actions. Also, during the audit we observed that the RP had not established an allowance for doubtful accounts receivable. We found that as much as 90 percent of the accounts receivable are not collected. As a result, the accounts receivable as reported to the Department and external agencies is overstated.

In responding to our draft report, the Assistant Secretary for Children and Families concurred with the bulk of the report. The ACF staff is working with the Assistant Secretary for Management and Budget and the Health Resources and Services Administration to pursue these recommendations. In addition, two comments were made regarding the organizational changes and responsibilities resulting from creation of ACF. Appropriate changes were incorporated at the end of the report to reflect those comments. The full response is attached to the report as Appendix A.

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Please advise us regarding the status of corrective actions on our findings and recommendations within the next 60 days. If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Human, Family and Departmental Services Audits, at (202) 619-1175.


Thomas D. Roslewicz

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FOLLOW-UP ON WEAKNESSES IN
REPATRIATION PROGRAM**



A-12-92-00026

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for Audit Services

Subject Follow-up on Weaknesses in Repatriation Program
(A-12-92-00026)

To Laurence J. Love
Deputy Assistant Secretary for
Program Operations

This final report presents the results of our follow-up review of weaknesses in the Repatriation Program (RP). We also performed an assessment of the corrective action review (CAR) completed by the Administration for Children and Families (ACF). Our review found the Office of Refugee Resettlement (ORR) has taken steps to improve receipt of billing reports, but States are still submitting reports late--and in a small number of cases without adequate documentation. The material weakness is corrected, but documentation of items tested relating to future CARs should be improved. Also during the audit, we observed that the RP is maintaining a large percentage of uncollected accounts receivable, and had not established an allowance for doubtful accounts receivable or initiated action to write-off these uncollectible accounts receivable.

BACKGROUND

The RP reimburses expenses of returning stranded or destitute United States (U.S.) citizens from around the world to their place of residence in this country. The Department of State bears expenses of returning the individuals to U.S. soil. Individual States assist the repatriate once in the U.S. covering expenses of transport and temporary maintenance. The Department of Health and Human Services (HHS) coordinates the domestic portion of the RP, and reimburses the States for their expenses. The ORR administers the program for HHS (prior to August 1991, the RP was administered by the Office of Family Assistance). Any services or cash received by the repatriate is considered repayable to the ORR once the State is reimbursed. Following reimbursement to the State, the ORR establishes a loan receivable and bills the repatriate.

Within the Public Health Service, the Health Resources and Services Administration (HRSA) maintains the accounting records and debt collection system for the RP. The HRSA, as of March 31, 1992, reported RP accounts receivable of \$1,693,520 (this balance includes interest, penalties, and Department administrative costs). As of March 31, 1992, Fiscal Year (FY) 1992 collections amounted to \$55,418.68 or a little more than 3 percent of accounts receivable.

In addition to the HRSA accounting system, the ORR maintains a management information system known as the Repatriation Debt Collection System (RDCS). The RDCS includes information about the repatriate, loan amount, and program related data. The RDCS as of March 31, 1992, indicated 1,652 active cases ranging in amounts from \$46 to \$16,319. Some of those have been accruing expenses since 1988.

In our 1987 audit, (Review of Loan Collection Activities Under the U.S. Repatriation Program - CIN: A-12-87-03087), we recommended that the Department report inadequate controls in the RP as a material weakness.

The previous Office of Inspector General (OIG) audit found that the ORR: was not trying to recover loans made to individuals timely; waived loans without diligent collection action; had not tried to obtain State billings in a timely manner; did not provide adequate internal controls over Federal program funds by appropriately separating duties; and allowed one State to collect and reuse loan funds advanced by the ORR.

The OIG made recommendations that the ORR: promptly notify repatriates of their indebtedness; determine repatriates ability to pay and waive repayment only when justified; assess interest, penalties, and administrative costs; take action to get State billings timely; evaluate the effectiveness of existing internal control procedures over Federal funds; and evaluate the appropriateness and benefit of allowing States to collect and reuse loan funds. The agency concurred with the findings and recommendations.

Scope

The objectives of this review were to follow-up on the earlier OIG findings and to assess the adequacy of the

CAR. This review was performed in accordance with generally accepted government auditing standards. Our work was completed at ACF headquarters. We focused on loans made subsequent to our 1987 review. We tested the accuracy of data shown on the HRSA report of Repatriation Accounts referred to the Internal Revenue Service (IRS), examined States' Statistical Report and Statements of Expenditures, and conducted interviews of program and Department of State officials. For the items we tested, we found no instances of noncompliance with applicable laws and regulations. With respect to those items not tested, nothing came to our attention to cause us to believe that untested items were not in compliance with applicable laws and regulations.

RESULTS OF REVIEW

The ORR implemented changes that generally responded to our prior recommendations and corrected the material weakness, but minor weaknesses still exist in timeliness of State reporting of expenses, adequately documenting expenditures, and the presentation of accounts receivable by HRSA.

Follow-up On Previous Recommendations

The RP is now promptly notifying repatriates of their indebtedness. Generally, the ORR is sending the first request for repayment within 6 days from the date of State reimbursement. Subsequent notices are sent in 30-day intervals. One problem noted in the previous report related to locating the individual. The ORR now has expanded its efforts to locate repatriates for payment of their loans. The ORR accesses Department of State files for repatriate addresses, commercial collection agencies, and IRS taxpayer addresses.

During our previous review, we noted inadequate controls over the waiver process for forgiving debts. Currently, the use of waivers is restricted. Only the Assistant Secretary for Children and Families can grant them, and only when supported by adequate justification.

States continue to send their billing reports late. Time lags in billings cause increased problems locating repatriates. We reviewed 12 State billing reports. Of those, we found 11 were received 5 months or later from the date expenditures were paid.

We also found inadequate supporting documentation for expenditures in 3 of the 12 billing reports we reviewed. According to Action Transmittal FSA-REP-AT-89-B revision to RP Policy and Procedures, States are required to submit proper supporting documentation for unusual expenditures paid. Examples in which documentation would be necessary include medical services, hospitalization, and services not at routine cost. The three cases we identified were for medical/hospital services.

Previously, we observed repatriates were not being billed for interest, penalties and administrative costs. Repatriates are now billed for interest, penalties, and administrative costs. The amounts are accrued on the accounts receivable maintained by HRSA.

Adequate controls have now been implemented to account for program funds. Separation of duties has been improved since loans to repatriates are now recorded and included as accounts receivable at HRSA. The HRSA also processes collections.

The ORR Action Transmittal FSA-REP-AT-89-B revised policies for using funds advanced to States by the RP. The policy maintains that States receiving advance funding who collect repatriate debts directly and earn interest on the money, must pay the interest to the Federal Government. Our review of reporting by the State of Florida found no collections from repatriates. We traced the advance funding, using the monthly Statistical Report and Statement of Expenditures and State billing reports for FYs 1991 and 1990. There was no indication of the State collecting repatriate loans.

Assessment of the CAR

The CAR completed by ACF reviewed the correction of the material weakness, but could be improved by a more comprehensive, documented testing program. For some of the deficiency areas, including lateness of State billing reports and State's use of RP advances we found no documentation of any testing performed. Our follow-up showed the corrective actions had been completed, but the CAR provided no validation or testing to assure the corrections were operating as intended.

According to the CAR report, ACF staff reviewed 83 RP cases to verify correct documentation of the files and

accurate recording of accounts receivable. The outcome of the review satisfied the ACF staff member that internal controls were functioning and adequate. We could not validate the CAR results because ACF staff's working papers were not maintained indicating the 83 cases tested and specific findings.

OTHER MATTER

Accounts Receivable Overstated

The accounts receivable reported to the Department and external agencies by RP are overstated because amounts are uncollectible in many cases. The RP average for collection in the past 2 years has been 10 percent, which indicates up to 90 percent of accounts receivable remain uncollected. In our review of 23 repatriate accounts, we noted 12 of the accounts, with a February 24, 1992 balance of \$109,077, were incurred before 1990 and, except for one \$12.92 payment, no payments were indicated in the files between January 1990 to March 9, 1992. These accounts are being carried at full value as part of the current accounts receivable reported to the Department of the Treasury. We believe there is little potential for collecting money owed on old accounts. Accordingly, we believe RP should assess these cases and reflect the realizable accounts receivable in the Department and external reports by establishing an allowance for doubtful accounts. The amount in the allowance account could be estimated by using the prior year experience with collections on accounts receivable. The RP should initiate necessary actions to write-off those accounts receivable which meet Department criteria as uncollectible.

CONCLUSIONS

The follow-up review indicates the material weakness was sufficiently corrected to remove it from the classification as material, but some deficiencies still exist. For example, State billing reports are still being submitted late, and often with inadequate documentation supporting State expenditures. Loans to repatriates are now recorded and included as accounts receivable at HRSA. However, we found the RP does not maintain an allowance for doubtful accounts and has not taken action to write-off uncollectible accounts.

The CAR reviewed most of the corrective actions related to the material weakness. Our assessment generally concludes the report was adequate with the exception of those areas where documentation and more testing were needed. It was difficult to substantiate the sufficiency of testing without proper maintenance of working papers.

Recommendations

The material weakness is corrected, but some deficiencies still exist. We recommend the ACF require ORR to:

- o Reject billing reports that lack adequate documentation for unusual expenditures or claims.
- o Develop and include in the accounting records an allowance for doubtful accounts. Review and adjust the allowance account yearly based on collection experience.
- o Institute procedures for the write-off of uncollectible accounts receivable in accordance with Department policies.

In addition, we recommend the ACF to:

- o Maintain future CAR workpapers documenting the testing performed and test results for each material weakness reported to be corrected.

ACF RESPONSES AND OIG COMMENTS

The ACF concurred with the findings in our draft report, and is currently working with the Assistant Secretary for Management and Budget and HRSA to pursue these changes. The ACF expressed concern that two matters required clarification. We have addressed these concerns in the body of this report.

First, ACF noted: "No mention is made that the original audit was completed when the RP was administered by the Office of Family Assistance (OFA). The ORR had no responsibility for the RP until the reorganization of ACF was announced, approximately one year ago." (August 1991) To clarify this point we inserted in our background section "(prior to August 1991, the RP was administered by of the Office of Family Assistance)."

The second item ACF noted: "The report states, only the Director of ORR can grant waivers. At this time, only

the Assistant Secretary for Children and Families is authorized to issue waivers for repayment of repatriation-related debts." We observed that according to the U.S. Repatriate Program Operating Policies and Procedures manual, which refers to the Family Support Administration, the Director of OFA is authorized to waive loans (we found no update reflecting the reorganization). However, to clarify this situation, instead of Director of ORR, we will now reflect the "Assistant Secretary for Children and Families."

Additionally, the ACF thought we recommended "that all debt collection activities be transferred to the Health Resources and Services Administration (HRSA)." We did not make that recommendation.

A handwritten signature in cursive script that reads "Thomas D. Roslewicz". The signature is written in black ink and is positioned above the printed name.

Thomas D. Roslewicz



ADMINISTRATION FOR CHILDREN AND FAMILIES
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DATE: AUG 13 1992

TO: Thomas D. Roslewicz
Deputy Inspector General
for Audit Services

FROM: Assistant Secretary
for Children and Families

SUBJECT: Follow-up on Weaknesses in Repatriation Program
(A-12-92-00026)

This is to respond to your draft report presenting the results of your follow-up review of weaknesses in the Repatriation Program.

We concur with the bulk of the report, including your recommendations that all debt collection activities be transferred to the Health Resources and Services Administration (HRSA) and that the Repatriation Program institute a procedure for the write-off or write-down of old debts. We are currently working with the Assistant Secretary for Management and Budget and HRSA to pursue these changes. However, there are two matters of substantive fact which should be corrected. First, the previous Office of Inspector General audit of the Repatriation Program occurred when the program was administered by the Office of Family Assistance (OFA). The follow-up report implies that the Office of Refugee Resettlement (ORR) administered the program at that time. ORR did not assume responsibility for the Repatriation Program until the reorganization of the Administration for Children and Families was announced, approximately one year ago.

Secondly, the draft report states that "[o]nly the Director of ORR can grant [waivers],..." At this time, only the Assistant Secretary for Children and Families is authorized to issue waivers for the repayment of repatriation-related debts.

Thank you for the opportunity to comment on this draft report. If you have any questions on these comments, please do not hesitate to contact David Smith, Director, Division of State Legalization and Repatriation.

J Anne B. Barnhart
Jo Anne B. Barnhart