DEPARTMENT OF' HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services
REGION IV
61 Forsyth Street, Room 3T41
Atlanta, GA 30303-8909

Memorandum

Date: March 28, 2000

From: Regional Inspector General
for Audit Services, Region IV

Subject: Review of the Health Care Financing Administration's Regional Office Accounts Receivable in Region IV (CIN: A-04-99-030 15)

To: Rose Crum-Johnson, Regional Administrator
Health Care Financing Administration

The Office of Inspector General (OIG), Office of Audit Services (OAS) entered into an interagency agreement with the Health Care Financing Administration (HCFA) to assist HCFA in reviewing the Regional Office (RO) non-contractor accounts receivable balances at September 30, 1998 and March 3 1, 1999. In response to our draft report, HCFA officials generally, but not always, agreed with our conclusions regarding accounts receivable and our recommendations. The HCFA's response has been incorporated into our report and their response, in its entirety, has been included with this report as Exhibit V.

EXECUTIVE SUMMARY

Medicare accounts receivable primarily represent funds owed to HCFA by: (1) Medicare providers that HCFA's contractors overpaid for a variety of reasons; and (2) other entities who should have paid the claims as primary insurer when Medicare was the secondary payer.

The Medicare contractors are responsible for managing, including reporting and collecting, the majority of the accounts receivable balances. The HCFA's Central Office (CO) and ROs are responsible for managing the remaining balances. For financial reporting purposes, HCFA's non-contractor accounts receivable balances are taken from the: (1) Provider Overpayment Reporting (POR) system; (2) Physician/Supplier Overpayment Reporting (PSOR) system; and (3) Regional Office Status of Accounts Receivable Reports (HCFA Forms R75 1A and R75 1B).

We reviewed non-contractor and non-central office accounts receivable. The HCFA RO IV POR at September 30, 1998 totaled $89,620,5 13 in accounts receivable. At March 3 1, 1999, the accounts receivable increased to $183,775,666.

The HCFA RO IV PSOR at September 30, 1998 totaled $106,327,967 in accounts receivable. At March 31, 1999, the balance increased to $121,504,854.

OBJECTIVES

Our objectives for this review were to:

1. reconstruct/confirm and establish proper ending balances at September 30, 1998;

2. reconstruct/confirm accounts receivable activity for the first 6 months of Fiscal Year (FY) 1999;

3. recommend improvements to procedures to account for accounts receivable; and,

4. recommend adjustments, if necessary, to fairly present the ending balances of the accounts receivables at FY 1998 and at the end of the first 6 months of FY 1999.

SUMMARY OF FINDINGS

We judgementally selected four samples from the accounts receivable balances, one sample for each of the two POR systems and two PSOR systems. We used the following criteria to make decisions on the sampled balances: (1) the Medicare Intermediary and Carrier Manuals; (2) Public Law 104-134, The Debt Collection Improvement Act of 1996; and (3) HCFA Program Memorandum "Financial Reporting of Delinquent Debts Non-MSP Accounts Receivable." We also reviewed the most recent write-off decisions the HCFA RO IV staff made for our sample items. We then discussed on numerous occasions any differences with the HCFA RO IV staff.

We concluded that HCFA's accounts receivable balances in Region IV were overstated at September 30, 1998 and March 3 1, 1999 for various reasons. The HCFA RO IV staff adjusted some of the overstatements as a result of their write-off decisions. However, in our opinion, additional adjustments are necessary to fairly present the accounts receivable balances. The following table shows the overstatements at September 30, 1998 and March 3 1, 1999 and the amounts that need to be adjusted from the POR and PSOR as a result of these overstatements.

	9/30/98	3/31/99	Needed Adjustments (Net)
POR	$8,251,116	$33,510,412	$30,869,98 1
PSOR	$19,982,936	$3,201,662	$1,353,773

From our review of the contractor confirmation letters, the contractors identified one accounts receivable for the POR and three accounts receivable for the PSOR that the contractor recommended for transfer to the RO, but the RO had not transferred them at the time of our audit. However, the RO did not acknowledge nor make the transfer. In our opinion, these accounts receivable should have been transferred to the RO. Since the accounts receivable were on the POR and PSOR at a different location code, it should be noted that these accounts receivable would not change the overall total of the POR or PSOR.

RECOMMENDATIONS

To improve its procedures to account for its accounts receivable activity, we recommend RO IV:

- establish a system to systematically track and facilitate the RO monitoring the status of collection activities that account for cases transferred or referred to other locations, such as the Office of General Counsel (OGC), Department of Justice (DOJ), etc.;
- maintain case files on all accounts receivable, including those where collection responsibility is at another location, in a systematic and retrievable manner; and
- establish a system to periodically review accounts receivable to identify balances that have aged to a point where they are unrealizable including instances where reliable evidence indicates the non-existence of assets involving bankruptcies.

In response to our draft report, the HCFA RO IV staff generally, but not always, agreed with our conclusions regarding the accounts receivables and our recommendations. We have summarized their response to our draft report and inserted our comments to their response in the order presented. In their response, they stated the HCFA CO is developing a new system for tracking accounts receivable. We have attached the HCFA RO IV's response in its entirety as Exhibit V to our report.

INTRODUCTION

BACKGROUND

Medicare accounts receivable primarily represent funds owed to HCFA by: (1) Medicare providers that HCFA's contractors overpaid for a variety of reasons; and (2) other entities who should have paid the claims as primary insurer when Medicare was the secondary payer.

The Medicare contractors are responsible for managing, including reporting and collecting, the majority of the accounts receivable balances. The HCFA's CO and ROs are responsible for managing the remaining balances. For financial reporting purposes, HCFA's non-contractor accounts receivable balances are taken from the: (1) POR system; (2) PSOR system; and (3) RO Status of Accounts Receivable Reports (HCFA Forms R751A and R751B).

The POR and PSOR contain information on accounts receivable at the following non-contractor locations: the RO, the OGC, the DOJ at central or regional levels (DJA, DJB and DJR), the Debt Collection Center (DCC), the CO, the General Accounting Office (GAO) and the OIG.

We reviewed non-contractor and non-central office location codes. The HCFA RO IV POR at September 30, 1998 totaled $89,620,513 in accounts receivable at the DJR, ROA and GCR location codes. At March 31, 1999, the accounts receivable at these locations increased to $183,775,666.

The HCFA RO IV PSOR at September 30, 1998 totaled $106,327,967 at the OIG, ROA, DJR, DJB, GCR and GAO location codes. At March 31, 1999, the balance at these locations increased to $121,504,854.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this review were to:

1. reconstruct/confirm and establish the proper September 30, 1998 ending balances;

2. reconstruct/confirm accounts receivable activity for the first 6 months of FY 1999;

3. recommend policies and procedures necessary for proper accounting of accounts receivable activity; and

4. recommend necessary adjustments, if any, to fairly present the FY 1998 accounts receivable ending balances, as well as the first 6 months of FY 1999.

To accomplish our objectives, we did the following:

- Obtained printouts from HCFA CO of the Region IV PORs and PSORs for September 30, 1998 and March 31, 1999 and selected a sample of individual accounts receivable at these location codes - DJR, ROA, GCR, OIG, DJB, and GAO - for detailed review.

- Obtained copies of HCFA Forms H75 1 and R75 1 (forms Medicare contractors and HCFA RO staff use to report accounts receivable transfers between contractors and the HCFA RO) and verified the amounts to the various transfer reports for FY 1998 and for the 6-month period ending March 3 1, 1999.

- Contacted providers to confirm all balances transferred to HCFA RO IV.

- Reviewed documentation for four samples of accounts receivable (PORs at September 30, 1998 and March 3 1, 1999 and PSORs at September 30, 1998 and March 31, 1999).

- Obtained the listing of decisions the HCFA RO IV staff made during their review of accounts receivable and compared their decisions to our own conclusions about the accounts receivable in our samples.

- Held many discussions with the HCFA RO IV staff to determine the reasons for any differences between HCFA's decisions and OAS' conclusions.

We did not review Medicare Secondary Payor (MSP) overpayments since these were generally at the contractor level and consequently not within the scope of our RO review.

We judgmentally selected four samples from the accounts receivable, one sample for each of the two PORs and two PSORs. The samples were selected so each sample would contain at least 70% of the total dollars for each of the PORs and PSORs. In addition, we judgmentally selected additional balances or actions to ensure at least one accounts receivable was examined for every contractor represented in the accounts receivable balances.

The POR for September 30, 1998 contained 22 1 provider accounts receivable balances totaling $89,620,5 13 at the HCFA RO IV locations for which we were responsible. We selected 27 accounts receivable balances totaling $70,660,4 13 (78.8%) of the $89,620,5 13.

In sampling the POR for March 3 1, 1999, we identified the changes in accounts receivable from the September 30, 1998 to March 3 1, 1999 and sampled those changes. There were 15 1 changes amounting to $95,498,555. We selected 31 accounts receivable totaling $68,365,082 (72%) of the $95,498,555.

The PSOR for September 30, 1998 contained 861 provider accounts receivable balances totaling $106,327,967 at the RO IV location codes for which we were responsible. We selected 87 accounts receivable balances totaling $74,475,175 (70%) of the $106,327,967.

We sampled the March 3 1, 1999 PSOR in the same manner as the March 3 1, 1999 POR. We identified the changes in accounts receivable from September 30, 1998 to March 3 1, 1999 and sampled those changes. There were 209 changes amounting to $22,773,383 and we selected 33 of the changes totaling $20,66 1,397 (9 1%) of the $22,773,383.

We used the following criteria to make decisions on the sampled balances: (1) the Medicare Intermediary and Carrier Manuals; (2) Public Law 104-134, The Debt Collection Improvement Act of 1996; and (3) HCFA Program Memorandum "Financial Reporting of Delinquent Debts Non-MSP Accounts Receivable."

We also reviewed the most recent write-off decisions the HCFA RO IV staff made for our sample items and compared those decisions with the OAS decisions. We then discussed any differences with the HCFA RO IV staff on numerous occasions.

Our on-site review was performed from April 1999 through December 1999 at the HCFA and OAS offices in Atlanta. We exchanged information with the HCFA and OAS offices in Chicago, Illinois; Dallas, Texas; Kansas City, Missouri; Seattle, Washington; Boston, Massachusetts; Baltimore, Maryland; and San Francisco, California.

The HCFA RO IV's response is incorporated into our report and included in its entirety as Exhibit V to this report.

RESULTS OF REVIEW

At September 30, 1998, HCFA's RO IV was responsible for $89,620,5 13 in POR and $106,327,967 in PSOR non-contractor and non-central office accounts receivable balances. We sampled 79% and 70% of the total dollars in each universe of balances, respectively, for September 30, 1998. We also sampled 72% and 91%, respectively, of the accounts receivable balances on the POR and PSOR that changed between September 30, 1998 and March 3 1, 1999.

We concluded that HCFA's accounts receivable balances in Region IV were overstated for various reasons at September 30, 1998 and March 3 1, 1999. The HCFA RO IV staff adjusted some of the overstatements as a result of their write-off decisions. However, in our opinion, additional adjustments are necessary to fairly present the accounts receivable balances. The following table shows the overstatements at September 30, 1998 and March 3 1, 1999 and the amounts that need to be adjusted from the POR and PSOR as a result of these overstatements.

	9/30/98	3/31/99	Needed Adjustments (Net)
POR	$8,251,116	$33,510,412	$30,869,98 1
PSOR	$19,982,936	$3,201,662	$1,353,773

From our review of the contractor confirmation letters, the contractors identified one accounts receivable for the POR and three accounts receivable for the PSOR that the contractor recommended for transfer to the RO. However, the RO did not acknowledge nor make the transfer. In our opinion, these accounts receivable should have been transferred to the RO. Since the accounts receivable were on the POR and PSOR at a different location code, it should be noted that these accounts receivable would not change the overall total of the POR or PSOR.

We also identified some actions the HCFA RO IV staff could take to enhance existing policies and procedures to produce more timely collections and ensure accurate accountability over accounts receivable balances.

Exhibits I and II show the accounts receivable for which we concluded the POR and PSOR were incorrect. Exhibits III and IV show the items in our samples.

POR Balances Overstated

The POR balances in HCFA's Region IV accounts receivable were overstated by $8,25 1 ,116 at September 30, 1998 and by $33,510,412 at March 31, 1999. The amount to be removed from the PORs is $30,869,98 1. The overstatements occurred for the following reasons:

- no supporting documentation existed to ensure that the receivables were valid and accurately recorded ($3,061,055 for September 30, 1998);
- a collection was not posted to the POR ($2,045 for September 30, 1998);
- technical overpayments (estimated receivables recorded on the POR when providers do not file a cost report) were not removed from the POR when the provider subsequently filed a cost report ($1,233,056 for March 3 1, 1999);
- the elapsed ages of the accounts receivable balances reduced the probability they would be collected ($607,778 for September 30, 1998 and $25,636,335 for March 31, 1999);
- some providers had declared bankruptcy many years earlier and collection efforts were unsuccessful ($1,778,952 for September 30, 1998);
- the HCFA RO IV files contained evidence indicating the debt could not be collected ($2,801,286 for September 30, 1998); and,
- the March 3 1, 1999 POR contained duplicate accounts receivable for three debts amounting to $6,641,02 1.

We have described below the overstatements we noted and the specific adjustments the HCFA RO IV should make to more fairly present the accuracy and completeness of the POR. Exhibit I to this report contains the details of our review of all the POR balances in the two samples.

Unsupported Receivables

There was no documentation to support $3,06 1,055 in a receivable balance shown on the September 30, 1998 POR. The HCFA RO IV staff advised us that the case file for this receivable should be in the San Francisco HCFA RO. However, we were unable to locate a file on this accounts receivable. Based on the age of the accounts receivable (almost 8 years) and the inability to locate a file on the debt, we concluded the accounts receivable was unrealizable. The HCFA subsequently wrote-off this accounts receivable and no further adjustment is necessary to correct the POR.

Collections

In one instance, a contractor made a collection on September 27, 1995 for a portion of a debt after transferring the debt to the HCFA RO. The HCFA RO IV did not reduce the balance on the September 30, 1998 POR by the $2,045 collected. However, HCFA has subsequently corrected the error.

Technical Overpayments - Cost Reports Subsequently Filed

A "technical" accounts receivable, an accounts receivable based on an unfiled cost report, was not removed from the March 3 1, 1999 POR, Information in the case file indicated the cost report in question was filed in October 1998. The accounts receivable of $1,233,056 should be removed from the POR.

Age of the Accounts Receivable

Three accounts receivable totaling $607,778 should not have been on the September 30, 1998 POR because of their age. These accounts receivable were from 3 to 6 years old without any collections on the debts and the case file did not contain any evidence of litigation or bankruptcy. The HCFA should remove these amounts from the POR.

Ten accounts receivable totaling $25,636,335 should not have been on the March 3 1, 1999 POR because of the age of the debt -- they were from 2 to 4 years old. We did not note any special circumstances that would otherwise warrant these accounts receivable being reported on the POR. The HCFA recently wrote-off one of the 10 accounts receivable ($4,080,586). However, the remaining nine accounts receivable totaling $21,555,749 should be written-off as well. These nine accounts receivable case files were in the Dallas HCFA RO and we obtained a memorandum from that office stating the accounts should be written-off. However, based on our conversations with HCFA personnel in Dallas, this action has not been taken.

Age of Provider Bankruptcies

In two instances totaling $1,778,952, providers were identified as being in bankruptcy and HCFA reported the accounts receivable on the September 30, 1998 POR. According to HCFA personnel, it is policy to maintain accounts receivable balances for providers in bankruptcy. However, the circumstances of these bankruptcies indicate the amounts should not have been on the POR.

In one instance, the bankruptcy occurred in 1987 and the provider number was assumed by another entity. There have been attempts to collect from both providers without any success. Although some legal remedies may still be available because the provider number was assumed by another provider, the recovery of a debt of this age is doubtful enough that it should not be reported as an accounts receivable. However, HCFA has subsequently removed this from the POR.

In another instance, the provider bankruptcy occurred in 1986 without any subsequent collections on the debt. We were informed by a RO IV staff that there is some possibility of a compromise. We recommend the amount not be shown as a receivable on the September 30, 1998 POR, since recovery is uncertain. However, we agree the HCFA RO should continue to monitor any further developments in the matter.

Evidence That Accounts Receivable Were Unrealizable

In three instances, there was information in the case files indicating the accounts receivable were unrealizable. Therefore, they should not be included in the September 30, 1998 POR. All three accounts receivable involved provider bankruptcies and the accounts were active for that reason. However, other circumstances indicate they should not have been on the POR.

In the first instance, the bankruptcy, which occurred in January 1991, involved a provider with a debt of $1,392,979. We found a document in the file from OGC stating there were no assets. A second document (the bankruptcy papers) stated that as of January 1991 all assets had been liquidated. This amount should not have been on the POR. Another debt for $1,266,035 with similar circumstances owed by this provider should not have been on the POR. These amounts have subsequently been removed from the POR.

The third instance involves a bankrupt provider with a debt of $142,272. This bankruptcy occurred in 1988. A letter in the case file from DOJ attorneys indicates there are no funds available to pay the debt (letter dated January 14, 1994). Therefore, the amount should not have been on the September 30, 1998 POR. The amount has subsequently been removed form the POR.

Duplicate Amounts for Accounts Receivable

In three instances, we noted an overstatement of accounts receivable because more than one entry appears on the POR for the same debt (same cost report period).

Apparently, initial estimates of the providers' debts were recorded on the POR for September 30, 1998. The contractor subsequently revised the estimates and transferred them to the RO. However, both the initial and the revised amounts were recorded in the POR as of March 3 1, 1999. As a result, the March 3 1, 1999 POR includes $6,641,021 in accounts receivable (initial estimates) that should have been removed from the POR when the contractor revised the estimates. The duplicates should be removed from the POR.

HCFA's Response

The HCFA stated with respect to Part A accounts receivable that 18 of the 25 items for which we concluded there was a problem (that is, they were either incorrectly stated on the PORs and/or they needed to be adjusted) had been transferred to another region and were not the legal responsibility of HCFA RO IV. Accordingly, the HCFA did not further address these 18 accounts receivable in their response.

Additionally, HCFA noted that in one other instance, an account receivable we identified as being overstated had been adjusted at the time of our review. In another instance, HCFA said an account receivable we recommended be written-off - should be kept active because of the continuing prospect of collection.

OIG Comments

While we agree that the case folders for 18 accounts receivable had been moved to another HCFA RO for possible further action, the accounts receivable were not transferred but still reported on the HCFA RO IV PORs. Hence, reporting responsibility continued to reside with HCFA RO IV and the amounts continued to be reported as viable accounts receivable when they were not. The other region involved indicated an intent to write-off the accounts receivable, but failed to do so. As a result, the amounts continued to be overstated on HCFA RO IV PORs. We believe this situation, with reporting responsibility and collection responsibility residing at two different locations, points out the need for a tracking system as discussed in our first recommendation.

We selected the sample items for review and for consideration of whether or not they should have been on the POR at September 30, 1999. We agree that for the sample item mentioned above, HCFA had written-off the amount during the initial stages of our review. However, because the amount was included on the September 30, 1998 POR and was selected as a sampling unit, we had no choice but to include it for our review. While our review concluded the amount was overstated on the September 30, 1998 POR, we noted that HCFA RO IV had subsequently adjusted the account balance. We agree that no further action is necessary.

Regarding the one account receivable we suggested be written-off and HCFA indicated should be kept active, we stated in our draft report the amount should not be reported as a receivable but that HCFA RO should continue to track the receivable through any possible remaining litigation. Our reasoning was based on both the age of the bankruptcy involved (since 1986) and the uncertainty of the results of any continuing litigation. We believe this is the appropriate action.

PSOR Balances

We found RO IV's accounts receivable balances were overstated by $19,982,936 at September 30, 1998 and by $3,201,662 at March 3 1, 1999 for various reasons:

- no supporting documentation existed to ensure that the receivables were valid and accurately recorded ($3,8 18,193 for September 30,1998);

- the age of the accounts receivable were such that the probability of collection was unlikely ($14,067,489 for September 30, 1998 and $3,200,500 for March 31,1999);

- evidence in the case file showed an Administrative Law Judge had closed the accounts receivable on August 13, 1998 ($2,097,247 for September 30, 1998); and,

- information in the case file showed the amount on the PSOR was overstated ($7 for September 30, 1998) and contractor confirmation information showed an overstatement of $1,162 for March 3 1, 1999.

We have described the specific adjustments the HCFA RO IV staff should make to more fairly present the accuracy and completeness of the PSOR at September 30, 1999. Exhibit II of this report contains the details of our review of the PSOR balances in the two samples. Our specific observations are as follows.

Unsupported Receivables

We found no documentation at the HCFA RO to support the existence of $3,8 18,193 (six accounts receivable) reported on the September 30, 1998 PSOR. Based on the age of the accounts receivable and the inability to locate files on the debts, the accounts receivable are probably unrealizable. The HCFA has now written-off the six accounts receivable.

Age of the Accounts Receivable

We noted 26 accounts receivable totaling $14,067,489 that should not have been on the September 30, 1998 PSOR. The ages of the accounts receivable were from 2 to 6 years old without any collections on the debts and no evidence of litigation or bankruptcy. The HCFA wrote-off 25 accounts receivables during their recent write-off actions.

We also noted five accounts receivable totaling $3,200,500 that should not have been on the March 3 1, 1999 PSOR because of the age of the debt -- they were from 2 to 6 years old. There were no special circumstances that warranted reporting them as accounts receivable despite their age. The HCFA wrote-off the five accounts receivable during their recent write-off actions.

Closure by Administrative Law Judge

One account receivable totaling $2,097,247 on the September 30, 1998 PSOR was closed by an Administrative Law Judge on August 13, 1998. Subsequently, HCFA properly wrote-off this accounts receivable.

Contractor and Case File Amount Discrepancies

We noted one receivable totaling $615,570 on the September 30, 1998 PSOR which was overstated by $7 according to information in the case file. We also noted an account receivable totaling $185,296 on the March 3 1, 1999 PSOR which was overstated by $1,162 according to the contractor confirmation. These accounts should be adjusted to reflect the correct receivables balance.

Re-establish Accounts Receivable

An accounts receivable of $1,354,942 was on the March 3 1, 1999 PSOR. However, during HCFA's write-off project which took place after March 3 1, 1999, they wrote-off the $1,354,942. The accounts receivable was not 2 years old and should remain active. If the accounts receivable is not re-established, it will understate the September 30, 1999 PSOR.

HCFA Response

The HCFA RO disagreed with our conclusions on four Part B accounts receivable. In the first instance, HCFA RO said that the amount shown as overstated on the September 30, 1998 PSOR should be reduced by $2,097,247 because this account was subsequently closed by HCFA. In two other instances, (receivables of $615,570 and $1,354,942) HCFA RO said they wrote-off the accounts based on their understanding of our recommendations gained during our meetings with them. In the last instance, HCFA RO stated that an unrecorded recovery of $1,162 was immaterial to the total amount of the debt ($185,296) and should not be included in our report as a recommended adjustment.

OIG Comments

Regarding the $2,097,247 the HCFA RO said should not be shown as an overpayment on the POR, we evaluated whether or not the amount should have been on the POR at that time and concluded that it should not have been. Subsequently, HCFA properly closed the account and we concurred with this decision. As a result, while we reported the amount as overstated as of September 30, 1998, we acknowledged that HCFA corrected this account subsequent to that time.

Regarding the two accounts receivable the HCFA RO wrote-off based on their understanding of our recommendations as discussed in numerous meetings, we believe the circumstances warrant the accounts be retained as active accounts receivable but be transferred to another location for further collection activity. Apparently, there was a misunderstanding as a result of a meeting prior to issuance of our draft report. The recommendations in the draft report, in our opinion, are the appropriate action for the two accounts receivable. If HCFA RO has additional valid reasons for writing-off these two accounts receivable other than an apparent misunderstanding then this may justify doing so.

Concerning the account receivable with the unrecorded recovery of part of the debt, our review did not include a materiality threshold but was instead designed to evaluate the actual balances of the sampled accounts receivable as precisely as possible. Accordingly, when we identified a difference of any amount for a given accounts receivable (such as the recovery in this instance) which had not been posted, we recommended the account be adjusted to the correct balance.

Transfers to the RO

The HCFA policies permit the Medicare contractors to refer accounts receivable to the RO after they have exhausted their own collection efforts. Generally, except as noted previously in this report, the contractors agreed with the amounts reported to them in our confirmation letters. However, in some instances the contractors could neither confirm nor deny the transfers. Some of these occurred because the transfers had been made by predecessor contractors and the contractor with current responsibility for the providers could not locate the records of the transfers. However, the contractors did identify one accounts receivable for the POR and three accounts receivable for the PSOR that the contractor recommended for transfer to the RO. It should be noted that we did not review these accounts receivable. Therefore, we made no decision as to the validity of the accounts receivable. The accounts receivable are described below.

One accounts receivable for $25,268 was recommended for transfer to the RO IV on December 3 1, 1995. According to HCFA RO IV staff, the accounts receivable should have been accepted by them and was not. Therefore, the location code for this accounts receivable should be changed to ROA from intermediary for the September 30, 1998 and March 3 1, 1999 POR. However, HCFA RO IV staff included this accounts receivable in the write-off project.

Two provider accounts receivable totaling $26,787 were recommended for transfer to the RO IV. These two provider accounts receivable represent 24 cases for the two providers. Since the cases were small dollar amounts and the cases were recommended for transfer on the same date, per HCFA, they can be combined into two accounts receivable - one for each provider. The HCFA RO IV staff agreed the two cases should have been accepted and the location code changed to ROA from carrier on the PSOR for September 30, 1998 and March 3 1, 1999.

The remaining accounts receivable was for $35 1,8 10 and was recommended for transfer on October 16, 1998. Per HCFA RO IV staff, this accounts receivable should have been accepted and transferred to the RO PSOR. The location code should be changed to ROA from carrier for this accounts receivable for the March 3 1, 1999 PSOR.

Therefore, HCFA RO IV staff should change the location code for the two accounts receivable totaling $26,787 to ROA from carrier on the September 30, 1998 PSOR and change the location code to ROA from carrier for one accounts receivable totaling $35 1,8 10 on the March 3 1, 1999 PSOR.

HCFA's Response

The HCFA requested specific information on these four accounts receivable. They could not identify them.

OIG Comments

The information will be provided. However, these four accounts receivable were discussed with the HCFA RO staff and they agreed the accounts should have been transferred to the RO and they were going to transfer them.

CONCLUSIONS

We concluded that the POR and PSOR balances for both September 30, 1998 and March 3 1, 1999 were overstated. In some instances, the overstatements were corrected as a result of the HCFA write-off decisions. However, additional adjustments are still necessary to accurately reflect the balances on the POR and PSOR. The following table shows the amounts that should be removed from HCFA's financial statements for the specified time period.

	9/30/98	3/31/99	Needed Adjustments (Net)
POR	$8,251,116	$33,510,412	$30,869,981
PSOR	$19,982,936	$3,201,662	$1,353,773

We believe the overstatements occurred for three primary reasons.

- The RO may not always be informed timely of actions taken at other locations for accounts which RO IV is ultimately responsible. This can include instances of where, for jurisdictional purposes, the case files are located in other HCFA ROs (for example, some RO IV accounts receivable case files were in Dallas and San Francisco).

- Accounts receivable sometimes age to the point that they are unrealizable. However, they are still reported as accounts receivable on the POR and/or PSOR.

- Bankruptcies are commonly maintained as active accounts receivable although there may be information available that indicates the accounts are not viable.

RECOMMENDATIONS

1. We recommend the RO IV POR and PSOR be adjusted for the following amounts: $30,869,981 for the POR and $1,353,773 for the PSOR. See Exhibits I and II for details.

HCFA's Response - OIG Comments

The HCFA's responded to these amounts individually and the responses have been added at the appropriate place in the report. Our comments to these responses follow each one.

2. We noted the RO's diligence in tracking actions on many accounts receivable; however, we believe there is a need to establish a mechanism for systematically tracking and monitoring the status of collection activities. This should include those accounts receivable where case files are at other locations and where other offices, such as the DOJ, should be taking collection activities. A log should be established to track cases referred to the OGC, DOJ, etc, to include specified dates/time frames for follow-up actions by the RO.

HCFA's Response

The HCFA RO generally agreed with this recommendation. The HCFA is in the process of creating a new system which will be called the Medicare Accounts Receivable System (MARS). This system will replace the POR and PSOR systems and should allow for the tracking of an accounts receivable regardless of which contractor, RO, or governmental agency has jurisdiction of the case. The HCFA RO IV has an Access database designed to control accounts receivable cases and all action on those cases. This database is called the Part B Overpayment Processing System or POPS. This system has been adopted by the New York Regional Office and the Philadelphia, Seattle, and San Francisco are in the process of adopting POPS. In addition, POPS is being adapted to accommodate Part A accounts receivable.

OIG Comments

We noted in some instances after accounts receivable had been transferred to other locations, there was no consistent follow-up or monitoring of subsequent activities. As a consequence, we noticed where there had been some actions (or the absence of any actions for a long period of time) at other locations. These actions or inactions should have resulted in a change in the status of a given account receivable on the Region IV POR/PSOR, however, they did not. While the POPS system provides useful information to Region IV reviewers, we do not believe, as evidenced by the results of our review, that it fully provides the tracking and monitoring capabilities needed. In addition, the POPS is not reconciled to the PSOR. We found instances where accounts receivable on the PSOR were not recorded in the POPS and where accounts receivable were recorded in the POPS and not on the PSOR. Also, the POPS does not allow for the posting of payments received or the tracking of accounts receivable across jurisdictional boundaries. Any system that is developed for tracking and monitoring accounts receivable should include the essential ability to monitor the activities involved with a given account. In our opinion the present mechanisms employed do not satisfy that requirement.

3. We noted eight instances where we could not locate a case file for the accounts receivable (in two instances the case files should have been in the San Francisco HCFA RO). We recommend the HCFA RO IV maintain a case file on all accounts receivable including those where collection responsibility is at another location. Also, the case files should be maintained in a more systematic and retrievable manner.

HCFA's Response

The HCFA RO IV disagrees with this recommendation. The HCFA states that a case file is maintained for all cases within the Atlanta RO's legal jurisdiction. They do not, however, maintain a case file when a case is transferred to another RO which has legal jurisdiction. They stated that when the collection responsibility was transferred to another HCFA RO that it was neither practical nor feasible to keep a file at the HCFA RO IV for these accounts receivable. In addition, HCFA stated that all Part A case files in their jurisdiction were found. For Part B case files, they were able to locate 97% of the 396 case files requested by the OIG. Also, additional staff and storage space would be required to maintain case files for which another RO is responsible.

OIG Comments

As indicated in our report, there were instances where accounts receivable crossed jurisdictional boundaries (an entity other than HCFA RO IV was involved in the collection process) and the results of such collection activities were not always reflected in the RO IV reporting documents; e.g., PORs. We believe if case files are maintained in a systematic manner on all such cases at RO IV, this problem may be remedied. We also recognize that if HCFA develops a tracking mechanism that incorporates the ability to track and monitor the status of cases at any given time or location that case files may not need to be maintained in the present fashion. Also, during our review, we had problems locating case files. The Part A case files were maintained in filing cabinets in a systematic manner. However, the Part B cases were not filed in a systematic manner. We found case files in boxes, on desks and under desks. It took the HCFA RO more than 2 months from the date of request for the files to locate them for us. Therefore, a more systematic and retrievable system is needed.

4. The RO should establish a systematic means to periodically review accounts receivable to identify those which have aged to a point where they are unrealizable. In addition, accounts receivable involving bankruptcies should not always be kept active. If the circumstances justify removal, the accounts receivable should be removed from the POR and PSOR.

HCFA Response

In general , HCFA RO IV agreed with this recommendation, but cited a need for additional staff to implement it and also stressed that accounts receivable involving bankruptcy should only be adjusted on the basis of valid definitive documentation.

OIG Comments

Both the OIG and HCFA RO IV agree on the need to implement this recommendation; however whether additional staffing is warranted was beyond the scope of our review. Regarding accounts receivable that involve bankruptcies, we agree that valid evidence should be obtained before such receivables are written-off. The HCFA RO IV should periodically review the status of these accounts.

Other HCFA Comments

The HCFA RO IV commented that our report needed to be clarified with respect to any review of MSP accounts receivable. The HCFA also implied that some of the totals in the “Needed Adjustments” column of the exhibits to our report appeared to be incorrect. They demonstrated this by showing how they thought our table should look, compared to how we had it in our report.

OIG Comments

Our report has been clarified with respect to the MSP accounts receivable. Regarding the totals of needed adjustments, these totals include both recommended increases and recommended decreases to accounts receivable and, accordingly, the totals for the needed adjustments include both recommended increases and recommended decreases. For instance. the amount of $1,353,773 of total needed PSOR adjustments is an aggregate amount that includes three different adjustments - two negative and one positive.

The amounts in our report address three different points in time; the accuracy of the POR/PSOR balances as September 30, 1998 and March 3 1, 1999 and the need to make adjustments as of the time our field work was being conducted at the HCFA RO IV. We believe the amounts in our report are accurate for those dates. However, the realizability of any given account receivable may change over the course of time for various reasons; such as the conclusion of bankruptcy action, the termination of an investigation, the collection of debts or the aging of the accounts. Any of these actions could cause the needed adjustments to change after our work was completed. In our opinion, the needed adjustments were valid as of the time we performed the work, accordingly, we have not changed any of the amounts in the report. If events have subsequently occurred, such as described above, they should be taken into consideration by HCFA in making the needed adjustments.

We thank the HCFA RO IV staff for the cooperation and courtesy they extended to us during this review. As previously noted, our review was conducted during the same time as the HCFA write-off project. Although the HCFA RO IV staff had their own mandated tasks on the HCFA write-off project, they always took time to patiently work with us on our review.

Final determination as to actions taken on ail matters reported will be made by the Department of Health and Human Senices. We request that you respond to the HHS Action Official listed below with the status of actions taken on recommendations within 60 days of the report issue date.

Michael D. Hergis
for Charles J. Curtis

Attachments

Direct Reply to HHS Action Offkial:
Jeff Chaney
HHS / HCFA / CO / OFM
N3- 1 l-07, North Building
7500 Security Boulevard
Baltimore, Maryland 21244-1850

EXHIBIT I

Summary of AIR 9-30-98

Part A Sample

Sample #	9/30/98 POR Balance	OIG Recommended change to 9/30/98 POR Balance	OIG Reason Code	Present HCFA Actions	Final Recommended Changes
11	$1,392.979	($1,392,979)	1	closed	none
12	$1,266.035	($1,266,035)	1	closed	none
13	$946.575	($946,575)	2	cnc	none
14	$3,061,055	($3,061,055)	3	closed	none
18	$832.377	($832,377)	2	active	($832,377)'
21	$102.689	($102,689)	5	active	($102.689)
22	$142,201	($142,201)	5	active	($142,201)'
25	$142,272	($142,272)	1	closed	none
27	$362,888	($362,888)	5	active	($362,888)'
5	$6,042,912	($2,045)'	6	adjusted	none
15	$3,216,055	none	4	active	*
16	$2,042.958	none	4	active	*
17	$1,382,008	none	4	active	t
TOTAL	$20,933,004	($8,251 ,116)			($1,440,155)

Reasons:

1. Evidence in file indicates no assets,etc.
2. Age of bankruptcy and no collection renders account doubtful
3. No file found for the AIR
4. These amounts are duplicated on the 3/31/99 POR they should be removed from 3131199 POR ($6,641,021)
5. Age of the A/R and no collection makes recovery unlikely
6. Collection made by contractor and not posted to POR

EXHIBIT I

Summary of A/R 3-31-99

Part A Sample

Sample #	3/31/99 POR Balance	OIG Recommended change to 3131199 POR Balance	OIG Reason Code	Present HCFA Actions	Final Recommended Changes
1	$1,660,479	($1,660,479)	1	active	($1,660,479)
4	$2,286,278	($2,286,278)	1	active	($2,286,278)
6	$1,233,056	($1,233,056)	2	active	($1,233,056)
10	$3,146,134	($3,146,134)	1	active	($3,146,134)
11	$4,080,586	($4,080,586)	1	CNC	None
13	$1,156,811	($1,156,811)	1	active	($1,156,811)
15	$1,145,752	($1,145,752)	1	active	($1,145,752)
16	$3,717,046	($3,717,046)	1	active	($3,717,046)
17	$6,523,665	($6,523,665)	3,1	active	($6,523,665)
18	$4,028,399	($4,028,399)	31	active	($4,028,399)
23	$3,150,198	($3,150,198)	I	active	($3,150,198)
21	$2,986,059	($1,382,008)	3	active	($1,382,008)
Total	$35,114,463	($33,510,412)			($29,429,826)

Reasons:

1. A/R is over 2 years old at 3/31/99.Based on age and intent by Dallas HCFA RO to write off this amount w believe it should be written off. No special circumstances.
2. Cost Report was filed (10/19/98) which should have removed provider overpayment from PORS
3. The correct amounts on POR are respectively $3,307,610,$1,985,441 and $1,604,051.

There are additional amounts of $3,216,055, 2,042,958 and 1,382,008 on the POR at ROA for the same cost report period that should not be there. As of write off date because of age of the A/R and concurrence by Dallas HCFA RO ail amounts (with the exception of $1,604,051) should be removed from the POR.

EXHIBIT II

Summary of A/R 9-30-98

Part B Sample

Sample #	9/30/98 PSOR Balance	OIG Recommended change to 9130198 PSOR Balance	OIG Reason Code	Present HCFA Actions	Final Recommended Changes
35	$615,570	($7)	3	*Active	($7)
22	$823,012	($823,012)	1	CNC	$0
54	$452,424	($452,424)	5	Closed	$0
7	$2,097,247	($2,097,247)	6	Closed	$0
43	$522,789	($522,789)	1	CNC	$0
49	$473.506	($473,506)	1	CNC	$0
55	$440,609	($440,609)	1	CNC	$0
62	$391,831	($391,831)	1	CNC	$0
24	$733,838	($733,838)	1	CNC	$0
65	$379,594	($379,594)	1	CNC	$0
71	$339,877	($339,877)	1	CNC	$0
18	$904.713	($904,713)	1	CNC	$0
46	$503,44 1	($503,441)	1	CNC	$0
19	$878,720	($878,720)	1	CNC	$0
12	$1,558,085	($1,558,085)	1	CNC	$0
86	$284,339	($284.339)	1	CNC	$0
50	$472,346	($472,346)	1	CNC	$0
69	$35 1,848	($351,848)	1	CNC	$0
57	$428,904	($428,904)	1	CNC	$0
41	$544,189	($544,189)	1	CNC	$0
61	$393,421	($393,421)	1	CNC	$0
84	$292,814	($292,814)	1	CNC	$0
85	$291,731	($291,731)	1	CNC	$0
87	$278.763	($278,763)	1	CNC	$0
45	$512,227	($512,227)	1	CNC	$0
23	$765,845	($765,845)	1	CNC	$0
44	$521,774	($521,774)	1	CNC	$0
36	$598,158	($598,158)	1	CNC	$0
16	$1,106,240	($1,106,240)	5	Closed	$0
30	$678,008	($678,008)	5	CNC	$0
38	$587,415	($587,415)	5	Closed	$0
29	$690,760	($690,760)	5	CNC	$0
81	$303,346	($303,346)	5	Closed	$0
64	$381,115	($381.115)	1	CNC	$0
Total	**$20,598,499**	**($19,982,936)**			**($7)**

*- Only the amount needs to be adjusted not the status code.

Reasons:

1. CNC due to age of A/R (2 to 6 years)and no collection activity
2. AIR less than 2 years old transfer to DCC
3. PSOR amount was overstated according to contractor confirmation letter
4. This reason has been deleted as it no longer applies.
5. No file found/Adjust to $0
6. Closed by Administrative Law Judge on 8/13/98

EXHIBIT II

Summary of A/R 3-31-99

Part B Sample

Sample #	3/31/99 PSOR Balance	OIG Recommended change to 3/31/99 PSOR Balance	OIG Reason Code	Present HCFA Actions	Final Recommended Changes
9	$391,102	($391,102)	1	CNC	$0
10	$351,848	($351,848)	1	CNC	$0
12	$1,354,942	None	2	CNC	$1,354,942
22	$596,708	($596,708)	1	Closed	$0
24	$185,296	($1,162)	3	*Active	($1,162)
27	$358,412	($358,412)	1	CNC	$0
30	$1,502,430	($1,502,430)	1	CNC	$0
31	$754,959	None	4	CNC	$0
Total	**$5,495,697**	**($3,201,662)**			**$1,353,780**

*- Only the amount needs to be adjusted not the status code.

Reasons:
1. CNC due to age (2 to 6 years)of A/R and no collection activity nor litigation or bankruptcy
2. **A/R** less than 2 years old transfer to DCC
3. PSOR amount was overstated according to contractor confirmation letter
4. Keep active case is in bankruptcy

EXHIBIT III

Sample #	POR Principal Bal. 09/30/98	RECOMMENDATION: Write-Off: Principal Amt to be Written-off	RECOMMENDATION: Write-Off: Reason Code	RECOMMENDATION: Transfers: Amt to be Transferred	RECOMMENDATION: Transfers: Transfer to Loc	Adjusted RO Principal Bal. 09/30/98
1	$1,790,988		1. G,I			
2	$5,522,405		1,4	$5,522,405	DJA	
3	$4,661,086		4. A	$4,661,086	DJA	
4	$1,862,559		4. A,I.	$1,862,559	DJA	
5	$6,042,912		4. A,I& 5.B	$6,040,867	DJA	$6,040,867
6	$25,799,701		4. A,I	$25,799,701	DJA	
7	$3,015,298		4. A,I	$3,015,298	DJA	
8	$1,595,130		4. A,I	$1,595,130	DJA	
9	$2,497,359		1. C,G			
10	$1,063,329		1. C,G			
11	$1,392,979	$1,392,979	2. D,H			
12	$1,266,035	$1,266,035	2. D,H			
13	$946,575	$946,575	3.E			
14	$3,061,055	$3,061,055	3. H,J			
15	$3,216,055		1			
16	$2,042,958		1		I	
17	$1,382,008		1			
18	$832,377	$832,377	3.L			
19	$3166.588		1			
20	$200,056		1. C,F			
21	$102,689	$102,689	13. M			
22	$142,201	$142,201	3			
23	$363,520		1,4	$363,520	DCC	
24	$236,497		4.M	$236,497	DCC	
25	$142,272	$142,272	2. D,H			
26	$752,893		1. C,G			
27	$362,888	$362,888	3. G.J			
Totals	$70,660,413	$8,249,071		$49,097,063		$6,040,867

EXHIBIT III

Sample #	POR Principal Bal. 03/31/99	RECOMMENDATION Write-Off Principal Amt to be Written-off	Write-Off Reason Code	Transfers Amt to be Transferred	Transfers Transfer to Loc	Adjusted RO Principal Bal. 03/31/99
1	$1,660,479	$1,660,479.00	3.G,N			
2	$1,141,773		4.F,M	$1,141,773	DCC	
3	$6,120,969		4.F,M	$6,120,969	DCC	
4	$2,286,278	$2,286,278.00	3.G,N			
5	$1,724,499		4.F,M	$1,724,499	DCC	
6	$1,233,056		5			$0
7	$3,861,713		1			
8	$1,804,494		1.C			
9	$1,996,985		4: F,M	$1,996,985	DCC	
10	$3,146,134		3			
11	$4,080,586	$4,080,586.00	3.G,N			
12	$5,699,471		4. F,M	$5,699,471	DCC	
13	$1,156,811	$1,156,811.00	3.G,N			
14	$6,288,918		1.C			
15	$1,145,752	$1,145,752.00	3.G,N			
16	$3,717,046	$3,717,046.00	3.G,N			
17	$3,307,610		1			
18	$1,985,441		1			
19	$1,238,726		4.F,M	$1,238,726	DCC	
20	$4,586,643		4.F,M	$4,586,643	DCC	
21	$1,604,051		4,	$1,604,051.00	DCC	
22	$1,173,564		4.F,M	$1,173,564	DCC	
23	$3,150,198	$3,150,198	3			
24	$1,433,053		4.F,M	$1,433,053	DCC	
25	$1,508,294		4 F,P	$1,508,294.00	DCC	
26	$1,311,400		4.F,M	$1,311,400	DCC	
27	$0		No decision			
28	$0		No decision			
29	$0		No decision			
30	$0		1			
31	$1,138		1. H,R			
Totals	$68,365,082	$17,197,150		$29,539,428		$0

EXHIBIT III

Write-off Reason Codes	
1. - Keep Active	A. Transfer to DJA for litigation
2. - Write-off closed	B. Collection was made but not recorded
3. - Write-off CNC	C. Bankruptcy Case
4. - Transfer	D. Provider has no assets
5. - Adjustment	E. Refer to DJA for litigation
	F. A/R is less than 2 years old
	G. A/R is 2 to 6 years old
	H. A/R is 6 to 10 yeats old
	I. Under investigation for fraud
	J. Unsupported/No file
	K. Debt revised
	L. A/R is over 10 years old
	M. No evidence that A/R cross serviced for collection
	N. Should be submitted to Treasury for possible offset
	O. Cost report filed
	P. Change locaton code to reflect accountability
	Q. Written Off properly
	R. Payment received in last year
	NDN- No decision needed

EXHIBIT IV

Sample #	PSOR Principal Bal. 09/30/98	RECOMMENDATION: Write-Off: Principal Amt to be Written-off	Reason Code	Transfers: Amt to be Transferred	Transfer to Location	Adjusted RO Principal Bal. 09/30/98
1	$8,169,430		14.A	$8,169,430	DCC	
2	$4,104,588		4.A	$4,104,588	DCC	
3	$2,909,417		1.I			
4	$2,817,976		1.I			
5	$2,703,834		4.A	$2703,834	DCC	
6	$2,244,252		1.I			
7	$2,097,247	$2,097,247	2.B			
a	$1,808,262		1.C			
9	$1,786,073		4.A	$1,786,073	DCC	
10	$1,717,064		4.A	$1,717,064	DCC	
11	$1,706,371		4.A	$1,706.371	DCC	
12	$1,558,085	$1,558,085	3.G			
13	$1,485,937		1.I			
14	$1,399,655		4.J	$1,399,655	DJA	
15	$1,225,740		1.I			
16	$1,106,240		5			$0.00
17	$1,087,585		14.A	$1,087,585	DCC	
18	$904,713	$904,713	3.G			
19	$878,720	$878,720	3.G			
20	$874,579		1.I			
21	$824,548		14.A	$824,548	DCC	
22	$823,012	$823,012	3.G			
23	$765,845	$765,845	13.G			
24	$733,838	$733,838	3.G			
25	$726,925		f4.A	$726,925	DCC	
26	$719,329		4.A	$719,329	DCC	
27	$717,916		4.A	$717,916	DCC	
28	$705,784		1.C			
29	$690,760		5			S0.00
30	$678,008		5			$0.00
31	$647,983		4.A	$647,983	DCC	
32	$636,813		4.A,F	$636,813	DCC	
33	$627,680		1.C			
34	$616,304		f4.A	$616.304	DCC	
35	$615,570		4.A & 5.D	$615,563	DCC	$615563.00
36	$598,158	$598,158	13.G			
37	$595,152		4.A,F	$595,152	DCC	
38	$587,415		5			S0.00
39	$565,727		1			
40	$544,911		14.A.F	$544,911	DCC	
41	$544,189	$544,189	3.G			
42	$539,444		4.A	$539,444	DCC	
43	$522,789	$522,789	3.G			
44	$521,774	$521,774	13.G			
45	$512,227	$512,227	13.G			
46	$503,441	$503,441	3.G			
47	$503,074		1			
48	$474,322		4.A,F	$474,322	DCC	
49	$473,506	$473,506	13.G			
50	$472,346	$472,346	3.G			

EXHIBIT IV

Sample #	PSOR Principal Bal. 09130198	RECOMMENDATION: Write-Off: Principal Amt to be Written-off	RECOMMENDATION: Write-Off: Reason Code	RECOMMENDATION: Transfers: Amt to be Transferred	RECOMMENDATION: Transfers: Transfer to Location	Adjusted RO Principal Bal. 09/30/98
51	$470,987		1.I			
52	$469,017		1			
53	$459,269		4.A,F	$459,269	DCC	
54	$452,424		5			$0.00
55	$440.609	$440,609	3.G			
56'	$435,079		1.I			
57	$428,904	$428,904	3.G			
58	$409,423		1.I			
59	$403,573		1 C			
60	$397,786		4:A	$397,786	DCC	
61	$393,421	$393,421	3.G			
62	$391,831	$391,831	3.G			
63	$389,197		4.J	$389,197	DCC	
64	$381,115	$381,115	3.G			
65	$379,594	$379,594	3.G			
66	$368,791		4.A,F	$368,791	DCC	
67	$363,832		4.A,F	$363,832	DCC	
68'	$353,680		1.C			
69	$351,848	$351,848	3:G			
70	$345,156		1 I			
71	$339,877	$339,877	3:G			
72	$334,368		4.J	$334,368	DCC	
73	$333,300		4.A,F	$333,300	DCC	
74	$332,832		4.A,F	$332,832	DCC	
75	$332,805		4.A,F	$332,805	DCC	
76'	$325,712		1.C			
77	$320,636		4.A,F	$320,636	DCC	
78	$320,565		4.A,F	$320,565	DCC	
79	$318,742		4.A,F	$318,742	DCC	
80	$311,414		1.I			
I 81	$303,346		5			$0.00
82	$297,888		4.J			
83	$295,949		4.J	$295,949	DCC	
84	$292,814	$292,814	3.G			
85	$291,731	$291,731	3.G			
86	$284,339	$284,339	3.G			
87'	$278,763	$278,763	3.G			
Totals	$74,475,175	$16,164,736		$34,901,882		$615.563.00

EXHIBIT IV

Sample #	PSOR Principal Bal. 03/31/99	RECOMMENDATION: Write-Off: Principal Amt to be Written-off	RECOMMENDATION: Write-Off: Reason Code	RECOMMENDATION: Transfers: Amt to be Transferred	RECOMMENDATION: Transfers: Transfer to Location	Adjusted RO Principal Bal. 03/31/99
1	$369,349		1.F			
2	$388,770		I.F			
3	$255,982		4.A	$255,982	DCC	
4	$512,786		4.A	$512,786	DCC	
5	$252,977		4.A	$252,977	DCC	
6	$947,718		4.A	$947,718	DCC	
7	$649,973		4.A	$649,973	DCC	
8	$767,059		4.A	$767,059	DCC	
9	$391,102		3G.			
10	$351,848	$351,848	3			
11	$554,632		4.A	$554,632	DCC	
12	$1,354,942		4.A	$1,354,942	DCC	
13	$1,504,983		4.A	$1,504,983	DCC	
14	$668,089		1.C			
15	$717,084		4.A	$717,084	DCC	
16	$297,206		4.A	$297,206	DCC	
17	$365,896		4.A	$365,896	DCC	
18	$277,431		4.A	$277,431	DCC	
19	$223,052		4.A	$223,052	DCC	
20	$78		1.C			
21	$0		No decision			
22	$596,708	$596,708	3G.			
23	$187.408		4.A	$187,408	DCC	
24	$185,296		1.I & 5.0			$184,134
25	$1,055,432		4.A	$1.055,432	DCC	
26	$0		No decision			
27	$358.412	S358.412	3.G			
28	$0		No decision			
29	$413,894		4.A	$413,894	DCC	
30	$1.502.430	$1.502.430	3.G			
31	$754,959		1.C			
32	$191,620		4.A	$191,620	DCC	
33	$1,569,946		1.C			
Totals	$17,667,062	$3,200,500		$10,530,075		$184,134

Write-off Reason Codes	
1.	Keep Active
2.	Write-off closed
3.	Write-off CNC
4.	Transfer
5.	Adjustment
A -	No evidence that AIR has been cross-serviced for collection
B -	Closed by Administrative Law Judge
C -	Bankruptcy Case
D -	PSOR and supporting documentation do not agree
E -	Unsupported- No file found
F -	Less than 2 years old
G -	A/R is 2 to 6 years old
H -	A/R is 6 to 10 years old
I -	Under investigation for fraud
J -	Referred for fraud investigation
K -	HCFA closed
L -	At DCC

REGION IV - ATLANTA
Health Care Financing Administration

MEDICARE . MEDICAID
Health Cue Financing Administration

Memorandum

bate: February 1, 2000

From: Dale K Kendrick, Associate Regional Administrator
Division of Financial Management and Program Initiatives

Subject: Response to Draft Report (CIN: A-04-99-03015)

To: Charles J. Curtis, inspector General for Audit Services, Region IV

This memorandum is in response to your draft report (CIN: A-04-994301 5) dated December 23, 1999. Our comments will follow the same order as your draft report.

BACKGROUND

The background section of your report mentioned Medicare Secondary Payer (MSP) accounts receivable; but did not make it clear that MSP receivables were not included in the scope of your review. Please clarify in the final report that your review did not include MSP receivables.

TRANSFERS TO THE RO

The "'Transfers to the RO" section of your draft report presents three accounts receivable that were identified by contractors during your confirmation of accounts receivable balances in the Atlanta Regional Office (RO). The accounts were identified as having been transferred to the RO but not updated to the Regional Office location (ROA) on the Provider Overpayment Report (POR) for the one Part A receivable, or tie Physician Supplier Overpayment Report (PSOR) for the two Part B receivables. The draft report and attached exhibits do not contain sufficient information for the RO to identify and respond to the cases at issue. We ask that either sufficient information be provided to specifically identify the cases so that we may respond or that this section be deleted from your final report

CONCLUSIONS

The draft report concludes that accounts receivable balances in the Atlanta Regional Office were significantly overstated at September 30, 1998 and March 31, 1999. While we agree that some accounts receivable balances were overstated, we do not agree with the amounts as presented in your draft report. Your report includes the following table to illustrate the overstatement for September 30, 1998, and March 31, 1999, and the amounts that need to be removed from our records.

	9/30/98	3/31/99	Needed Adjustments
POR	$8,251,116	$33,510,412	$30,869,981
PSOR	$1 9,643,059	$3,201,662	$1,695,988

Due to a major project initiated by our Central Office, we were already involved in a determination of whether accounts receivable in our office were collectible. Based upon the approval of our Central Office and input from your office, we have taken all necessary actions to address the collectibility of cases within our legal jurisdiction reported as needing additional adjustments in your report. While we agree some accounts receivable were overstated, we believe that a more accurate amount would be as follows:

	9/30/98	3/31/99	Needed Adjustments
POR	$3,749,906	$4,080,586	$0
PSOR	$18,501,259	$4,555,442	$0

EXHIBIT I – Summary of A/R 9-30-98 and 3-31-99 Part A Samples

The Results of Review and Conclusions sections of the draft report summarize the OIG's opinion as to the total amount overstated in the Part A accounts receivable for September 30, 1998, and March 31, 1999 in a table as follows:

	9/30/98	3/31/99	Needed Adjustments
POR	$8,251 ,116	$33,510,412	$30,869,981

At the time the OIG began their review in May 1999, we were already involved in a large write off project initiated by HCFA Central Office. Of the 25 cases included in Exhibit I, 16 were included in a list sent by HCFA Central Office for the Atlanta Regional Office to make a write off determination. Of the 16 cases only case # 11 in the March 31, 1999 sample was in the physical possession of and within the legal jurisdiction of the Atlanta Regional Office. The other 15 cases were referred by the applicable fiscal intermediary to the appropriate Regional Office which had jurisdiction to make the write off determination recommendation. The other 9 cases were identified by the OIG in their sample review of cases open as of September 30, 1998 and March 31, 1999. Of the 9 additional cases: sample # 25 with a current balance of $142,272 in the September 30, 1998, sample was written off by HCFA Central Office in May 1999 and was already closed when the OIG selected it as one of their sample cases.

Of the 25 sample cases, only seven debts were ever under the jurisdiction of the Atlanta Regional Office. While the other 18 cases totaling $33,098,659 were listed on the Atlanta Provider Overpayment Report (POR), these cases had been physically transferred by fiscal intermediaries to another Regional Office which had legal jurisdiction over the litigation at issue (e.g. bankruptcy). To allow your office to review these cases, we advised your staff of the Regional Office locations where the 18 cases had been transferred by the fiscal intermediaries.

Of the seven cases which had been at the Atlanta Regional Office's jurisdiction; six were at either the Office of General Counsel (OGC) or Department of Justice (DOJ) location and one (as discussed above) was closed by HCFA Central Office, at the time the OIG initiated it's review. We have neither taken , nor do we plan to take any action on the 18 cases which are not under the jurisdiction of the Atlanta Regional Office. Therefore, you should exdude the 18 cases not within our jurisdiction from this report. Our response will be limited to those six remaining open cases that had been at one time under the jurisdiction of the Atlanta Regional Office. A detailed response to findings on the six cases in the September 30, 1998, and March 31 , 1999, samples is induded as Attachment A to this response.

While we believe that the recommendations on the six remaining accounts receivable totaling $8,520,597 are unjust, we have taken the action recommended by the OIG on five of these cases. As instructed by HCFA Central Office, the five cases were properly adjusted or written off as currently not collectible (CNC) or tie off closed (WOC) on the POR. We completed these actions before the OIG draft report was issued on December 23, 1999.

We do not agree with the OIG's recommendation on the one remaining case # 18 with a current balance of $832,377 that was included in the September 30, 1998 sample. The OIG recommended that we write off this case as CNC. The receivable in this bankruptcy case is collectible because sufficient funds are presently held in escrow to liquidate the debt Even though the bankruptcy was filed in 1986, negotiations and activity have been ongoing continuously since then on this case. We believe that it is not appropriate to report this debt as currently not collectible as the OIG recommended. Since the case is in an active litigation status which should recover the debt, it would not be appropriate to report the case as CNC and forward it to the Debt Collection Center and subsequently to tie Department of Treasury for collection. We consulted with both out Regional Office of General Counsel and with our Central Office on this bankruptcy case. Both our OGC and HCFA CO concur with our recommendation that the account should remain at the DOJ location until the ongoing litigation to secure payment of this receivable is completed.

Therefore, we would revise the OIG's table to present the Part A overstatement that was within the Atlanta Regional Office's jurisdiction as follows:

	9/30/98	3/31/99	Needed Adjustments
POR	$3,749,906	$4,080,586	$0

EXHIBIT II - Summary of AR 9-30-98 and 3-31-99 Part B Samples

The Resutts of Review and Conclusions sections of the draft report summarize the OIG's opinion as to the total amount overstated in the Part B accounts receivable for September 30, 1998, and March 31, 1999 in a table as follows:

	9/30/98	3/31/99	Needed Adjustments
PSOR	$19,643,059	$3,201,662	$1,695,988

As previously noted, at the time the OIG began their review in May 1999, we were already involved in a large write off project initiated by HCFA Central Office. Of the 42 cases included in Exhibit it, 34 were included in a list sent by HCFA Central Office for the Regional Office to make a write off determination recommendation. The other 8 cases were identified by the OIG in their sample review of cases open as of September 30, 1998 and March 31, 1999. Of the 8 additional cases: sample # 7 with a current balance of $2,097,247 in the September 30, 1998, sample was already closed when the OIG selected it; and sample #24 with a current balance of $185,296 in the March 31, 1999, sample was kept active or open on the PSOR in accordance with the OIG's recommendation. Of the remaining 40 cases, all were properly written off as CNC or WOC on the PSOR before the draft report was issued on December 23, 1999. A detailed response to the findings on the September 30, 1998, and March 31, 1999, samples is included as Attachment B to this response.

As stated above, sample case #7 in the 9130198 sample was already closed at the time the OIG selected it in their sample. This should reduce the amount overstated for 9/30/98 by $2,097,247.

Sample case # 35 (9/30/98) with a balance of $615,570 should be included as overstated because HCFA wrote off as CNC based on the OIG's September 21, 1999, documented comments on HCFA's write off recommendations.

Comments were deleted because they pertain to matters no longer discussed in this report.

Sample case # 12 (3/31/99) with a balance of $1,354,942 should be included as overstated because HCFA wrote off as CNC based on the OIG's September 21, 1999, documented comments on HCFA's write off recommendations.

Sample case # 24 (3/31/99) with a balance of $185,296 should not be included as overstated because the amount of $1,162 identified by the OIG's confirmation with the contractor as an overstatement is immaterial.

Therfore, we would revise the OIG's table to present the Part B overstatement as follows:

	9/30/98	3/31/99	Needed Adjustments
PSOR	$18,501,259	$4,555,442	$0

RECOMMENDATIONS

The OIG recommends that HCFA Regional Office should :

- Establish a system to systematically track and facilitate the RO monitoring the status of collection activities accounting for cases transferred or referred to other locations, such as the OGC, 003, etc

While we believe that the above recommendation has national implications for all HCFA offices, we would like to address the steps which have been implemented by the Atlanta Region. On the Part B side we have had an Access database that is designed to control accounts receivable cases transferred to the and any and all actions on the case. This Access database is named the Part B Overpayment Processing System or POPS. Our POPS system has been adopted by the New York Regional Office. POPS is also being adapted at this point to accommodate Part A accounts receivable and is in the process of being adopted by the Philadelphia, Seattle, and San Francisco Regional Offices to control both Part A and Part B cases. Until there is a national program put in place to control accounts receivable, POPS should enhance control of accounts receivable cases within the Regional Offices. However, the OIG draft report does not address the adequacy of POPS in tracking Part B accounts receivable in the Atlanta Regional Office.

There is an ongoing project to replace the Provider Overpayment Reporting system which includes the POR tracking system for Part A accounts receivable and the PSOR tracking system for Part B accounts receivable. The new system is to be called the Medicare Accounts Receivable System (MARS). This new system should give HCFA the ability to track all accounts receivable regardless of which contractor, Regional Office, or governmental Agency has jurisdiction of the case. This should address many of tie OIG's recommendations regarding a system to systematically track and monitor accounts receivable.

The OIG recommends that HCFA Regional Office should :

- Maintain case files on all accounts receivable, including those where collection responsibility is at another location, in a systematic and retrievable manner.

A case file is maintained for all cases within the Atlanta Regional Office's legal jurisdiction that are subsequently transferred to OGC, DOJ, etc. However, we do not maintain a case file when a case is transferred by a fiscal intermediary to another Regional Office which has legal jurisdiction over the case. We do not agree with this recommendation because it is not feasible or practical to maintain a case file on accounts receivable when another regional office is responsible for the case. Part A staff has been impacted tremendously by the Balanced Budget Act of 1997 and the litigious tendency that prevails in the current environment Additional staff and additional storage space would be required to maintain case files for which another regional office is responsible.

All Part A cases within our jurisdiction that were included in the OIG's samples were found and given to the OIG for their review purposes. Of the 396 Part B sample cases requested by the OIG, we were able to locate all but 12 of the cases selected. We were able to locate approximately 97 % of the Part B cases requested by the OIG. While we believe that we should always try to improve our filing systems, we consider a 3% error rate to be immaterial. We therefore disagree with this portion of your recommendation.

The OIG recommends that HCFA Regional Office should :

- Establish a system to periodically review accounts receivable to identify balances that have aged to a point where they are unrealizable, including instances where reliable evidence indicates the non-existence of assets involving bankruptcies.

The OIG recommends that the RO establish a systematic means to periodically review accounts receivable to identify those which have aged to a point where they are unrealizable. The write-off project and the timely referral of debts to the Debt Collection Center and the Department of Treasury should alleviate this situation considerably. We agree with this recommendation, however, additional staff would be needed.

The review reveals that HCFA and OIG have different philosophies regarding removing accounts receivable that are in bankruptcy from the POR. HCFA requires tangible, definitive documentation to support closing all accounts receivables. Bankruptcy is litigation which should be allowed to take its course.

We recognize the importance of accurate financial records and are committed to improving out performance. This is a formidable task because of the large number of Medicare providers served by Region IV contractors, the impact of the BBA, and the tendency of providers to file legal action against the government

Thank you for the opportunity to comment on your draft report. If you have any questions, please contact Ron Smith, Chief, Medicare Financial Management Branch at (404) 562-7304.

September 30, 1998 Part A Sample Findings

HCFA and the OIG operated under different parameters in determining debts to be written off or written off as CNC. HCFA specified that debts in bankruptcy not be considered for the write off project. Bankruptcy is litigation and it is impossible to predict the court's decision. However, OIG included debts in bankruptcy in its samples. An equitable assessment of the performance of the regional office can be made only if the two agencies work within the same parameters. Therefore, we believe the OIG's recommendations on the six accounts receivable in bankruptcy in the 9/30/98 sample that total $4,582,283 are unfair, Again, all of these debts were at OGC or DOJ.

Of the six accounts receivable in bankruptcy in the September 30, 1998 sample, one of the debts (sample # 25, balance of $142,272) was actually written off at the conclusion of litigation action by our Central Office in May 1999. Since the OIG's sample was for the period ended September 30, 1998, this debt was included in their sample even though it was closed prior to the OIG initiating their review.

HCFA's practice is to remove overpayments involved in bankruptcies from the POR onty upon receipt of written notice from the Just& Department handling the litigation. The Federal Claims Collection Act specifies the dollar amounts of debts that HCFA, OGC, and Department of Justice have the authority to write-off or compromise. Only the Department of Justice has the authority to write-off or compromise debts greater than $500,000.

The OIG included two debts involved in the same bankruptcy action in its sample. (sample # 11, balance of $1,392,979 and sample # 12, balance of $1,266,035) The OIG states that the case file contained a document from OGC stating there were no assets and a second document stating that all assets had been liquidated. Clearly an informal memorandum from OGC is not sufficient authority to close out the debt Upon review of the case file, we could not locate the second document the OIG was referring to. Possibly the OIG was referring to a document regarding the Trustee's intention to sell property of the estate, however, such a document is not sufficient authority to dose out the debt No action was taken to dose the accounts receivable on the POR because clear and definitive documentation was not received from Justice, which had jurisdiction of the case. However, based on direction received from our Central Office, we wrote these debts off as dosed on the POR.

Another account receivable (sample # 5, balance of $6,042,912) in bankruptcy was at the Department of Justice location on the POR and the fiscal intermediary made a $2,045 recoupment. The OIG noted that the POR was not updated for this recovery. The POR contains a systems edit to prevent an office from accessing and changing an account receivable that is at another location. The regional office annotated the case file so the recovery would be accounted for when the debt was resolved. The $2,045 recovered is immaterial against the debt of $6,042,912, which almost assuredly wii be written off when the bankruptcy is settled. The account receivable has been adjusted on the POR to reflect the $2,045 recoupment.

Another account receivable in bankruptcy (sample # 13, balance of $946,575) also required definite approval for write-off from the Department of Justice. However based upon our Central Office's agreement with the OIG's recommendation, we wrote the debt off as CNC on the POR.

The OIG recommended the final account receivable in bankruptcy (sample # 18, balance of $832,377) be written off as currently not collectible (CNC). Debts that are reported as CNC are sent to the Debt Collection Center and subsequently to the Department of Treasury for further collection efforts. This overpayment is involved in a bankruptcy in which funds are presently in escrow to liquidate the debt Even though the bankruptcy was filed in 1986, negotiations and activity have been ongoing continuously since then. The Atlanta OGC and our Central Office agreed that the account should remain open at the Justice location because the litigation should result in full recovery of this debt It is not appropriate to send debts in litigation to the Debt Collection Center and the Department of Treasury for collection until the litigation is complete.

Attachment A

March 31, 1999, Part A Sample Findings

Only one account receivable (sample # 11, balance of $4,080,586) in the OIG's March 31, 1999 sample was under the jurisdiction of the Atlanta Regional Office. This debt was written off as CNC on the POR for subsequent referral to the Debt Collection Center and the Department of Treasury. This debt was included in the write off project list of debts referred to the Regional Office by the Central Office. Thus, this debt was addressed outside of the OIG review.

September 30, 1998 Part B Sample Findings

Of the 34 cases totaling $20,598,499 identified in the report as causing an overstatement of HCFA's accounts receivables as of September 30, 1998, we agreed with the OIG on 32 cases that the case should be written off as either Currently Not Collectible (CNC) or Write Off Closed (WOC). The two cases, totaling $955,447, on which we have not yet agreed are identified in Exhibit II Page 1 under the Final Recommended Changes column.

The two cases reported as requiring final recommended changes were originally listed on a schedule dated September 21, 1999, provided by the OIG. This list contained write off decision differences between Region IV OIG and HCFA One of the two cases sample #35 (Provider # 69WBCCR balance of $615,570) was induded on the list with the following OIG Decision:

> "Transfer because it is less than two years old and there is no evidence of referral to Treasury. Adjust because amounts on PSOR and supporting documentation ($615,563) do not agree"

When we evaluated this comment, we understood that the OIG desired that this case be referred to the HCFA Debt Collection Center (DCC) which in turn could refer the case for Treasury offset and ultimately to a private collection agency to attempt collection. Since accounts written off as currently not collectible (CNC) are subsequently referred to the DCC for further collection action, we believe that our original write off recommendation of CNC was correct We consulted with our Central Office on this decision and were told it would be sufficient to write this off as CNC. We explained this rational to OIG staff and thought they understood and agreed with our decision. As far as the $7 overstatement of the accounts receivable based on the OIG" confirmation of the case with the Carrier, We believe this amount is immaterial considering the size of this overpayment. The outstanding balance of $615,570 should be included in the OIG report as overstated for September 30, 1998.

Comments were deleted because they pertain to matters no longer discussed in this report.

Attachment B

Comments were deleted because they pertain to matters no longer discussed in this report.

March 31, 1999 Part B Sample Findings

Of the 8 cases totaling $5,495,697 identified in tie report as causing an overstatement of HCFA's accounts receivables as of March 31, 1999, we agreed with the OIG on 6 cases that the case should be written off as either Currently Not Collectible (CNC) or Write Off Closed (WOC). The two cases, totaling $1,353,780, on which we have not yet agreed are identified in Exhibit II Page 1 under the Final Recommended Changes column.

The two cases reported as requiring final recommended changes were originally listed on a schedule dated September 21, 1999, provided by the OIG. This list contained tie off decision differences between Region IV OIG and HCFA One of the two cases, sample #12 (Provider # 000033443, balance of $1,354,942) was included on the list with the following OIG Decision:

Transfer, no evidence of cross servicing"

When we evaluated this comment, we understood that the OIG desired that this case be referred to the HCFA Debt Collection Center (DCC) which in turn could refer the case for Treasury offset and ultimately to a private collection agency to attempt collection. We interpreted the 'no evidence of cross servicing "to indicate that the case should be sent to the HCFA DCC. Since writing the case off as currently not collectible would eventually send the case forward for further collection action through the DCC, we wrote this case off as CNC. We consulted with our Central Office on this decision and were told it would be sufficient to write these off as CNC. We explained this rational to OIG staff and thought they understood and agreed with our decision. The outstanding balance of $1,354,942 should be induded in the OIG report as overstated for March 31, 1999. However, this case should not be included in tie draft report as requiring additional needed adjustments because this case was written off as CNC prior to the issuance of this draft report

The Exhibit II for the 3/31/99 sample lists sample #12 as no change to the 3/31/99 PSOR Balance and then to unaccountably list this case as increasing the PSOR balance for 3/31/99 by $1,354,942. The confusion continues when the report recommends that the PSOR be decreased by $1,695,988 which includes the $1,354,942 balance from sample # 12.

The OIG in their draft report has listed this case as overstating by $1,354,942 accounts receivable as of 3/31/99. However, if they maintain their recommendation to transfer this case to DCC, without writing the case off as CNC, it does not overstate accounts receivable. If the OIG stays with their decision to report this cases as active, then they must change the wording on page ii of the Executive Summary and Page 4 of the draft report. If the OIG agrees with our input of the case as CNC, then no additional changes are needed because tie case has already been written off as CNC on the PSOR.

The other case, sample # 24 (Provider # 000098616 balance of $185,296) was also included on the OIG's September 21, 1999, schedule with the following OIG Decision:

Attachment B

"Keep active, under investigation for fraud. PSOR amount and supporting documentation do not agree. Adjust amount to $184,134.'

When we evaluated this comment, we agreed that the case should be kept active or open because it was not included on the original write off determination list from CO. We did confirm that there was no active fraud investigation open on this provider. We did not consider the $1,162 reported as an overstatement on the PSOR to be a material difference, considering that it represents less than one percent of the total balance outstanding. The $1,162 difference should not be included in the OIG report as overstated for March 31, 1999.