

MEMORANDUM AUDIT REPORT ON
MEDICAL EXPENSE INSURANCE
RECOVERIES IN AFRICA

Audit Report No. 3-622-83-1
October 26, 1982

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
RIG/A/NAIROBI

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TO : Mr. R.T. Rollis, AA/M

FROM : Ray D. Cramer, RIG/A/Nairobi *R.D. Cramer*

SUBJECT: Memorandum Report on Medical Expense Insurance Recoveries in Africa
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Our review of medical expense recoveries at seven USAIDs in Africa disclosed that employees were not always filing claims with their insurance companies and refunding amounts recovered to the Government. The principle reason recoveries were not being sought was because confusion existed over who has responsibility for following-up to ensure that employees filed claims. We also found that USAIDs in Africa were still collecting \$35 for dependent medical treatment even though this requirement was eliminated by the Foreign Service Act of 1980. Additionally, regulations make employees accountable for amounts not recovered due to failure to file claims.

BACKGROUND

Foreign service regulations authorize principal or administrative officers at overseas posts to order medical services at Government expense for American employees of AID and their dependents. The Comptroller General has determined that employees and their dependents who receive medical care at Government expense and are covered by private medical insurance policies, shall claim and refund to the Government, payments under these policies. The Comptroller General has also ruled that employees who fail to recover insurance payments should be held liable to the Government for amounts they would have recovered had they filed a claim.

To ensure that these requirements are followed, AID regulations require the principal or administrative officer to send a letter to the employee giving instructions to file a claim for reimbursement under his medical insurance plan. Amounts received from the insurance company, less out of pocket expenses, are to be forwarded to the Mission Controller. AID regulations also require that "the Mission Controller take such action as may be necessary to effect recovery of amounts due the U.S. Government."

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Responsibilities For Effecting Insurance Recoveries Requires Clarification

The Regional Finance and Management Center (RFMC) maintains the accounting records for all AID elements in Kenya, as well as for 11 USAIDs located in Africa. A review of their records for the period from October 1979 through January 1982 indicates numerous medical expense payments being made with few insurance refunds being collected. The chart below illustrates what RFMC accounting records show the payment/recovery situation to be for a sample of the countries they service.

<u>USAID</u>	<u>Instances Where USAID Paid Employee Medical Expenses</u>	<u>Total Amount of Payments</u>	<u>Instances Where It Appears Recovery Should Be Made</u>	<u>Instances Where Employee Refunded Insurance Recovery To Government</u>
Kenya Complex	105	\$17,703	57	9
Lesotho	22	3,525	11	1
Zambia	8	680	3	2
Tanzania	20	4,160	9	2
Sudan	4	4,380	3	2
Zimbabwe	2	286	2	0
Swaziland	<u>12</u>	<u>3,826</u>	<u>8</u>	<u>1</u>
Total	173	\$34,560	93	17

The above schedule indicates that many employees were failing to file insurance claims when they should have; however, it was difficult to tell from RFMC records whether refunds should have been filed because medical payments reflected in RFMC records included pre-departure physicals which do not require a refund from the insurance company. Additionally, our visits to several USAIDs, as well as information we received through a questionnaire, indicated there were errors in RFMC records.

1/ Approximately \$16,000 was refunded. We estimate that an additional \$16,000 should have been recovered.

2/ It was assumed that a recovery should have been made if the payment exceeded \$75. Amounts under \$75 were probably for pre-departure physical expenses.

Our work at seven USAIDs revealed several instances where employees failed to file a claim with their insurance carrier. Several employees told us they had just submitted the claim or would do so immediately. We also identified a few instances where employees received refunds but failed to submit them to the Government. Three employees indicated refunds were made to the Controller's office that were not recorded in the medical claims account. Data on these instances have been turned over to RIG/II/N for follow up.

In our opinion, the main reason why claims were not filed is because there is confusion concerning who has responsibility for (a) ensuring that claims are submitted, and (b) subsequent follow up. AID regulations (HB 19, Sec. 10, D4h(1a) state that the Principal or Executive Officer is to inform the employee to file a claim, and the Controller has the responsibility to take action necessary to affect recovery. On the other hand, Foreign Affairs Manual (Section 3FAM 681.5-3) states that "Principal and Administrative Officers are responsible for ensuring that certain medical insurance benefits payable to American employees and their dependents for medical services at Government expense are recovered as repayments to the respective appropriated funds."

Handbook 19, Section 10D has two standards - one for the US and one for overseas - for recovering amounts paid from insurance companies. For the U.S., M/FM/SSD is to establish an accounts receivable on AID Bill for Collection, form 7-120. The account receivable is cross-referenced to and established in the same amount as the administratively approved voucher for payment of the related medical services. The receivable is supported by the copy of the letter to the employee requesting that a claim be filed with the insurance company. M/FM/SSD also is to take action as necessary to effect collection of the accounts receivable.

For overseas missions, the following procedures apply. The Principal or Administrative Officer of the post is to send a letter to the employee to file a claim. A copy of the letter is to be included in support of the administratively approved voucher transmitted to the Mission Controller for payment. The Mission Controller is to take such action as may be necessary to effect recovery.

The procedure to be applied overseas is informal and does not require the issuance of a Bill for Collection and the establishment of an accounts receivable. This is a significant weakness in collection control and must be corrected. In our opinion, the same procedures should apply overseas as in Washington.

In response to our draft report, FM advised us:

"The same basic procedures apply overseas as in Washington. M/FM/SSD only issues a Bill of Collection if there appears to be a problem with future collection of the insurance amount from the employee. We are aware of other USAID missions who follow this same procedure; i.e., USAID/Panama."

Handbook 19, Section 10D does not stipulate the same procedures for overseas as Washington. The Handbook states that a Bill for Collection is issued in AID/W, but doesn't require that one be issued overseas. Thus, we conclude that M/FM/SSD is not complying with the Handbook.

Preparation of a Bill for Collection only where there appears to be a problem with collection, in our opinion, provides no overall control. The reason for issuing a Bill for Collection is to establish an account receivable that must be followed up. We believe a Bill for Collection should be issued as the handbook states in all cases where a refund is due -- both in AID/W and overseas. Also use of a Bill for Collection in all instances would tighten control because it requires approval and support to write off the Bill for Collection.

In addition, regulations do not cover the diverse organization structures in Africa. Accounting records for most USAIDs in East and Southern Africa are centralized at the RFMC. However many USAID's in East and Southern Africa still have controllers, although RFMC maintains the official mission records.

Some examples of the various approval and payment combinations follow:

- Employees can have medical expenses paid at various locations. For example an employee can have expenses in his country of residence, South Africa, Kenya, Europe or the U.S., dependent upon the level of need for adequate medical care. If the expenses are incurred in his/her country of residence, the Executive Officer in that country is responsible for notifying the employee that a claim should be filed against the insurance carrier. The expenses will either be paid by the appropriate USA Controller or RFMC depending on which has certification authority.
- If the employee is evacuated to Europe or the U.S., the USAID Executive Officer is responsible for notifying the employee to file a claim. These medical expenses are paid by the USAID Controller, or RFMC if the Mission Controller has no record keeping function. We understand that the military hospital in Europe requires the employee to process a claim before being discharged from the hospital.

- Another possibility is that the employee is evacuated to Nairobi, Kenya for medical treatment. In this case the Executive Officer in Nairobi approves the expenditures and notifies the employee. RFMC certifies and pays the bills.
- Employees in the Botswana, Lesotho, and Swaziland USAID's may send their employees to South Africa for treatment. The applicable country USAID Executive Officer notifies the employees to file claims. The expenses are paid by the USAID Controller or RFMC.

The Director of RFMC (at the time of our audit) did not feel it was his responsibility to establish a follow-up system. He felt that follow-up was an administrative matter and hence should be done by the Executive Office. Controllers in two USAIDs felt that follow-up should be their responsibility even through RFMC maintained the records. Another USAID controller felt he should do the follow-up except for AID employees who received treatment in Nairobi. Additional confusion exists for the posts which had no Controller, as the Executive Officers did not feel it was their responsibility because the Controller's office (RFMC) should be responsible for collection of amounts owed AID.

Steps must be taken to insure that employees file claims against their insurance company, making it clear that if they don't file a claim they are personally liable to AID for the amount of the claim.

An account receivable has to be recorded against the employee so that an accounting record is established which requires follow up. Without such a record, receipts could be misappropriated by the employee when he collects from the insurance company and doesn't reimburse AID, or by an employee of the controllers office because there is no recorded receivable which must be cleared when payment is made.

The Controller (Mission Controller or RFMC), whichever has the official record keeping function for the Mission, should establish the accounts receivable and issue a Bill for Collection. The USAID Controller at the mission can provide assistance in the collection process to RFMC in those cases where RFMC has the record keeping function.

It should be reemphasized that the USAID Executive or Principal Officers are required to notify the employee of the employees responsibility to file a claim against his insurance carrier before the payment is processed by the Controller.

Conclusion and Recommendation

There is confusion over who has the responsibility for ensuring that employees file insurance claims, and over who has responsibility for following up to see that amounts are recovered by AID. Procedures do not require issuing a Bill for Collection to track, follow up and collect insurance refunds. This has resulted in employees failing to file claims and not refunding amounts recovered as required.

Recommendation No. 1

AA/M establish formal billing procedures to track and collect amounts due from employees for medical claims filed against their insurance carriers.

In response to our draft report, the combined response of FM, PM/ERS and SER/MO was:

"Procedures have been established for accounting for medical expenses. These procedures are found in HB 19 (10D), HB 29 (1F), 3 FAM 680, and 4 FAM 437. The post collection procedures are explained herein briefly. The post authorizing hospitalization and related medical expenses at Government expenses in overseas facilities performs the following:

- A. The post Principal or Executive Officer ascertains the insurance status of the person, enters the necessary information on the FS-569; Authorization for medical services for employees and/or dependents, and obtains the employee's signature.
- B. After the expenses have been incurred, the post Principal or Executive Officer prepares and administratively approves the DS-1486: Voucher of sub-voucher for medical services.
- C. The post Principal or Executive Officer then prepares a DSL-996 which is a form letter to the employee requesting the person to claim recoverable insurance benefits and reimburse the Government agency with the funds received.
- D. The post Principal or Executive Officer assists the employee with the preparation of insurance claims and the necessary supporting information regarding expenses paid by the agency.

E. The post Principal or Executive Officer submits the DS-1486 along with the attached bill and the FS-569 to the Mission Controller.

F. The Mission Controller audits, schedules and certifies the voucher, and sends it to the Disbursing Officer for payment.

G. A copy of the DSL-996 is sent to the Mission Controller by the Principal or Executive Officer and because the amount of reimbursement is generally indeterminate, the letter is held in a separately identified follow-up file until the reimbursement from the insurance company is received.

H. Upon receipt of the funds, the Mission Controller/Cashier's Office prepares an NC/A which is used to document both the billing and the collection transactions for posting in the accounts receivable ledger; thus the Mission Controller maintains memorandum control over medical receivables based on the copies of the DSL-996.

I. Both the Executive Officer and the Mission Controller are charged with follow-up responsibilities but the Mission Controller is ultimately responsible.

The problem seems to be one of lack of knowledge/compliance on the part of overseas mission personnel. AID will discuss medical expense procedures in the next newsletter to the field financial management staff."

Since the appropriate AID/W offices have clarified the explicit procedures to be followed by USAID Missions in accounting for medical claims, and stated they will disseminate this information to AID's field offices, we are not making a recommendation regarding issuing guidelines which ensure procedures are followed. However, we have retained the portion of the recommendation which requires issuing a Bill for Collection to establish an account receivable which must be collected or written off if not collected.

USAIDs Are Still Collecting \$35 Dependent Medical Deposit

All of the USAIDs we visited were still collecting a \$35 deposit when medical treatment was for a dependent. This requirement was discontinued by the Foreign Service Act of 1960. Apparently, the change was not adequately disseminated to USAIDs in Africa. We noticed that just recently Nairobi discontinued the practice.

Conclusion

USAIDs we visited were still collecting \$35 for dependent treatment even though this requirement was eliminated on April 1, 1981. In our draft report we recommended that AA/M issue instructions to USAIDs in East Africa, and possibly worldwide, that (a) the \$35 deductible for dependents is no longer required, and (b) the \$35 should be refunded in cases when \$35 was collected after April 1, 1981.

In response to our draft report, FM, PM/ERS and SFR/MO stated:

"Handbook 29 Transmittal Memorandum No. 29:51 dated 9/29/82 was sent worldwide stating changes to 3 FAM 680. One of the changes included was the elimination of the Dols. 35 charge. We agree that the Dols. 35 should be refunded in all cases where it was collected after April 1, 1981. A worldwide cable will be sent out to request missions to refund the money."

Within a few days we received a copy of an "AID Worldwide" cable (STATE 291080) which transmitted the essence of the Management Offices response to all AID posts. We have therefore deleted the recommendation which appeared in our draft report.

Employees Need To Be Informed Of Potential Liability For Not Filing Insurance Claims

The Comptroller General has ruled that employees who fail to recover insurance payments should be held indebted to the Government for the amounts they would have been entitled to had they filed a claim. Our review disclosed a few individuals who neglected to file claims. These employees should be liable for the amount not recovered.

The notice sent by the AID/Kenya Executive Office to employees instructing them to file a claim failed to inform them of their personal liability. The lack of any follow-up system also lessened the prospects of the employee filing a claim. Additionally, employees should have been instructed to file claims immediately, since insurance companies will only honor claims if they are filed within a stated time frame. (All insurance companies have a deadline for filing claims). For these reasons, it may be unfair to hold individuals who have not filed claims accountable.

Conclusion and Recommendations

Employees should be held accountable for amounts not recovered when they neglect to file claims; however, employees had not been informed of their personal liability. This should be done when the employee is told to process a claim against his or her insurance carrier.

Recommendation No. 2

AA/M instruct USAID's in East Africa and possibly worldwide, to (a) inform employees of their personal liability when insurance claims are not filed with their carrier, and (b) stress that claims be filed immediately because of time limitations imposed by insurance companies.

The combined response to our draft report (which contained this recommendation) from FM, PM/ERS and SER/MO stated:

"An AID General Notice was sent out dated 4/19/76 concerning both these points. This information is also clearly stated in HB 19 (10D) and 4 FAM 437. This information will again be sent out in the form of an AID General Notice."

Our review of HB 19, (10D) disclosed that it did not contain anything directly related to (a) an employees personal liability, or (b) time limitations imposed by insurance carriers. 4 FAM 437 does contain a section on the Comptroller General's decision of employees personal liability, and the proposed form letter to advise employees to submit a claim also contains the essence of that decision. 4 FAM 437 does not contain anything on insurance carrier's time limitations. We were unable to locate in Nairobi a copy of the 4/19/76 AID General Notice.

Since (a) HB 19, (10 D), which is the prime reference used by USAIDs, does not contain material directly related to the points in our recommendation, (b) the 4/19/76 AID General Notice is obviously outdated, and (c) we have not yet received a copy of the promised updated AID General Notice, we have retained our recommendation. Furthermore, the Handbook should be updated so it contains all pertinent information without reference to supplemental data.

Recommendation No. 3

AA/M ensure that AID Handbook 19, Section 10 D is updated so that all pertinent data on "Accounting For Medical Expenses" is presented in one place.

RFMC Needs To Improve Its Medical Payment Records

We noted several weaknesses in the records maintained by RFMC that need to be corrected. Postings to the account did not always indicate for whom the payment was made, who made the refund, or

whether it was for the employee or his dependents. The records did not differentiate between payments for physicals and medical expenses that require a claim against an insurance carrier. We could not locate the ledger cards for all of the missions for which RFMC has record keeping responsibility. For one USAID we could not identify the medical payments because they had been posted to the wrong account. We noted numerous payments from Executive Office records which were not reflected in RFMC accounts. We identified a few cases where insurance refunds were posted incorrectly. It appears that some of the refunds were subtracted as a disbursement from the account rather than being added to the total funds in the account. In addition, apparently some refunds were erroneously posted to wrong accounts because refunds said to be made by several employees were not posted to the medical expense account. It was almost impossible in some cases to tell from the records whether refunds were due the U.S. Government.

As noted out elsewhere in this report, internal controls over medical expense refunds from employees was poor. This is further exacerbated by records that did not readily reflect the amounts paid for each employee and their dependents that represent potential refunds.

Conclusion

RFMC medical claim records did not provide adequate control over medical payments, and refunds.

In response to our draft report, RFMC stated:

"RFMC believes the draft report fairly represents the situation as reviewed by RIG/A/Nairobi.

Since the review, RFMC has reconciled its records on medical claims paid for employees of the Kenya AID Complex with the appropriate records in the USAID/Kenya Executive Office for FY 1981 and FY 1982. Bills have been issued to those employees when we determined that insurance recoveries were due to the USG. To date, over \$12,000 has been collected and only 5 bills remain outstanding.

RFMC has established a follow-up system which sends a copy of the medical invoice paid by RFMC to the employee with a letter requesting the employee to submit a claim to his/her insurance company and to forward a copy of the claim to RFMC. RFMC will periodically follow-up until reimbursement is received."

In view of these improvements and pending Agency action on Recommendation No. 1, a specific recommendation to RFMC is not warranted.

List of Report Recipients

Field Offices

Regional Financial Management Center (RFMC)	3
USAID/Botswana	1
USAID/Kenya	1
USAID/Lesotho	1
USAID/Somalia	1
USAID/Sudan	1
USAID/Swaziland	1
USAID/Tanzania	1
USAID/Uganda	1
USAID/Zaire	1
USAID/Zimbabwe	1
AAO/Malawi	1
AAO/Zambia	1
AAO/Burundi	1
AAO/Djibouti	1
AAO/Rwanda	1
REDSO/EA	1

AID/Washington

AA/M	1
AA/AFR	2
LEG	1
GC	1
IG	1
M/FM	2
M/PM/ERS	2
M/SER/MO	2
M/FM/ASD	2
PPC/E	1
ST/DIU	4