IMMIGRATION BENEFITS

INS Not Making Timely Deposits of Application Fees
September 29, 2000

The Honorable Lamar Smith
Chairman, Subcommittee on Immigration and Claims
Committee on the Judiciary
House of Representatives

Dear Mr. Chairman:

One of the Immigration and Naturalization Service's (INS) primary functions is to provide services or benefits that facilitate entry, residence, employment, and naturalization of legal immigrants. To recover the costs that it incurs in providing benefits, INS is authorized to charge fees to recipients of INS services.\(^1\) Individuals who apply for INS benefits must send their application form and appropriate fee, if any, to one of INS' 4 regional service centers or 33 district offices. Federal agencies, including INS, are generally required by Department of the Treasury regulations to deposit fees totaling $5,000 or more on the same day or day after they are collected.

This report responds to your request that we determine the (1) extent to which INS made timely deposits of the fees that it collected from aliens who applied for benefits, and (2) potential costs to the government if INS fee deposits were not timely. In responding to your request, we analyzed data on applications\(^2\) that INS received during fiscal year 1999 and fees that INS was to deposit into the Immigration Examinations Fee Account (IEFA)\(^3\) in the U.S. Treasury.

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\(^1\) Generally, INS has discretion to waive application fees for applicants who establish that they are unable to pay the fee.

\(^2\) Our analyses included both applications and petitions received by INS. Aliens submit applications to INS when they seek benefits for themselves, such as U.S. citizenship. Petitions are filed on behalf of aliens, such as when employers petition on behalf of employees or parents petition on behalf of children. For purposes of this report, the term “application” is used to refer both to applications and petitions.

Results in Brief

Because the data maintained by INS were not complete, we were unable to fully determine the extent to which INS complied with Department of the Treasury regulations requiring that receipts totaling $5,000 or more be deposited on the same day if they were received prior to the deposit cutoff time, or the next day if they were received too late to meet the cutoff time. INS maintained initial application acceptance processing data for its four service centers, which handled about 75 percent of the applications received. However, INS did not maintain such data for its 33 district offices, which handled the remaining 25 percent of applications received.

In fiscal year 1999, INS service centers did not generally make timely fee deposits. Whereas Treasury requires that fees totaling $5,000 or more be deposited on the same day or the day after they are received, INS took, on average, at least 12 additional days beyond Treasury’s time requirement. We estimate that the resulting interest cost to the government, or the cost for interest incurred on debt or other obligations, was about $640,000 in fiscal year 1999. Our estimates are conservative because we did not have data on certain phases of the fee deposit process—such as the amount of time that applications remained unopened in service center mailrooms—that may have caused additional delays in the time taken to deposit fees. Any additional delays would have increased the amount of interest cost to the government. We also found that INS’ contract for application processing services provided the contractor with more time to make fee deposits than is allowed by Treasury regulations.

We are making recommendations for INS to improve its information on timeliness and comply with Treasury regulations. INS generally agreed with our findings and recommendations and said that making timely and accurate fee deposits is an agency priority. However, INS expressed several concerns about our methodology, which we address near the end of this report.

Background

The Department of the Treasury, in its role as chief financial agent of the federal government, is responsible for effectively managing the cash operating accounts and debt financing to ensure sufficient funds are available to meet the financial obligations of the federal government when they become due. This involves investing excess cash balances in interest-bearing accounts, holding cash at the Federal Reserve, or issuing marketable debt securities to the public when estimated cash outlays are expected to exceed estimated cash receipts. To accomplish effective cash

\[\text{By initial application acceptance processing, we mean the initial clerical stages of handling incoming applications, prior to adjudication by INS examiners.}\]
management, federal agencies are required to use cash management practices and techniques that will accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.

At INS’ four service centers, which maintain automated initial application acceptance processing data, contractors process applications in two stages. First, in the mailroom, INS contractor clerks are to open incoming mail, sort it according to type of application form, and screen each application to ensure that it is signed and that the proper fee is enclosed. If either the signature is missing or the fee amount submitted is incorrect, the application is to be rejected and returned to the applicant. For each non-rejected application, a clerk is to prepare an application file. Second, in data entry, clerks are to enter data from all applications, except naturalization applications, into INS’ Computer Linked Application Information System (CLAIMS). Fees are to be separated from the application, data on the fee is to be entered into the computer, and the fee is to be prepared for deposit. For naturalization applications, the checks are to be separated before all the application data are entered into CLAIMS. Fees are to be en route to deposit within one workday of data entry. They are to be deposited for credit into the IEFA account of the U.S. Treasury. At the end of each work shift, INS’ contractor is responsible for recording the number of accepted applications of each type received and processed during the shift, and the number remaining unprocessed at the end of the shift. The contractor uses the Automated Task Order Management System (ATOMS), an internal corporate management tool, to record this information and monitor its workload and productivity. Applications are to be processed in the order in which they were received.

In fiscal year 1999, INS deposited $628 million into IEFA.

INS maintained initial application acceptance processing data for its four service centers, which together accounted for 75 percent of applications that INS received in fiscal year 1999. However, such data were not maintained for INS’ 33 district offices, which accounted for approximately 25 percent of applications received. Therefore, we could not calculate how long district offices took to process applications and deposit fees, or what additional costs the government may have incurred if deposits were not timely.
Our analysis of fiscal year 1999 data indicated that INS service centers did not, on average, deposit application fees within the time period required by Treasury regulations. In addition, INS provided more time to its contractor to make fee deposits than is allowed by Treasury regulations. To reduce the processing float and improve the availability of funds, Department of the Treasury regulations require that federal agencies deposit fees totaling $5,000 or more on the same day that they are received prior to the deposit cutoff time. Money received too late in the day to meet the deposit cutoff time is to be deposited on the following business day.\(^5\) Collections totaling less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, deposits are to be made by Thursday of each week, regardless of the amount accumulated. According to INS officials, service centers receive more than $5,000 in application fees each day. INS requires its contractor to complete initial application acceptance processing (i.e., key data into a computer system on the application and fee) within 2 workdays after the applications are received, and to ensure that fees are en route to deposit within 1 workday of completing initial application acceptance processing.

In fiscal year 1999, INS service centers took, on average, at least 12 additional days beyond Treasury's time requirement to make fee deposits. Because INS often did not deposit its cash receipts, cash that would otherwise have been invested in an interest-bearing account, disbursed to settle financial obligations, or used to buy back debt securities to lower financing costs remained idle. We estimate that the resulting interest cost to the government, or the cost for interest incurred on debt or other obligations, was about $640,000 in fiscal year 1999. Our figures on time and cost are lower-bound estimates because we did not have data to determine the amount of time that (1) applications remained unopened in service center mailrooms, or (2) it took service centers to deposit fees after completing data entry. In addition, we did not have data to determine how much additional cost INS may have incurred if district offices did not deposit fees on the same day of or the next day after receipt.

Our analysis indicated that, throughout fiscal year 1999, there were delays in making fee deposits in each of the four service centers. Although there may have been several reasons for the delays, our analysis indicates that a 1999 change in the naturalization application fee may have been associated with an increase in INS' application workload. The increase in workload was temporary, but it may have contributed to delays in processing applications. On January 15, 1999, the fee for naturalization applications

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increased from $95 to $225. During the month of the fee increase, service centers received a total of about 274,000 naturalization applications, substantially more than in any prior or subsequent month of the fiscal year. In January, the number of naturalization applications received was over 3 times greater than the number received in October or November 1998, over 2 times greater than the number received in December 1998, and over 7 times greater than the number received during any single month from February to September 1999. Counting all application types, the total number of applications received by INS service centers in January 1999 was about 496,000, while no more than 379,000 applications were received during any other month of the fiscal year. Although we did not have the data to determine whether most of the applications that INS received in January arrived before January 15, it is possible that applicants sought to submit their applications prior to January 15 in order to avoid paying the higher fee, thereby contributing to a large application workload, processing delays, and untimely fee deposits.

In a September 1998 management letter report to INS, the Justice Inspector General noted INS’ lack of timeliness in making fee deposits. Based on a sample of INS cash receipts from fiscal year 1998, the Inspector General found that INS did not consistently and in a timely manner deposit and record the cash receipts.

INS officials told us that they are aware that a discrepancy exists between Treasury’s fee deposit requirement for agencies and INS’ performance requirement for its service center contractor. They acknowledged that INS’ contract for initial acceptance application processing provides up to 3 days for the contractor to deposit fees totaling $5,000 or more, whereas Treasury’s requirement is that such amounts be deposited on the same day of or the next day after receipt. They said that in their next contract for service center operations support services, which is to be awarded on September 30, 2000, they planned to require the contractor to conform with Treasury’s deposit guidelines.

INS has some procedures in place to determine whether its offices have made timely fee deposits. From September 1998 through September 1999, INS’ Office of Internal Audit conducted seven reviews as part of INS’ Program for Excellence and Comprehensive Tracking (INSpect). INSpect reviews are internal reviews of district offices and service centers. Since 1995, INS’ Office of Internal Audit has conducted such management effectiveness reviews of agency field offices. INSpect reviews are to focus on areas that are vulnerable to fraud, waste, abuse, or mismanagement; determine compliance with rules, regulations, and procedures; and assess management effectiveness. The functions reviewed include finance, records, files and forms,
include procedures for determining whether fees totaling $5,000 or more are deposited within 24 hours of receipt. In its INSpect reviews, INS determines compliance with the fee deposit requirement by using a 24-hour criterion. Of the seven reviews, INS found that three districts deposited fees within 24 hours of receipt, and that one district did not. In the remaining three reviews, covering two service centers and one district office, INS did not cover the timeliness of deposits. According to INS officials, application acceptance processing at these three locations was done by contractor staff, and INS quality analysts were responsible for monitoring their performance.

Scope and Methodology

To determine the extent to which INS service centers made timely fee deposits in fiscal year 1999, we analyzed data from the ATOMS database, which contained the contractor's daily data on the number of applications received, processed, and pending at the service centers. We used the data to estimate the average number of days it took INS to make fee deposits beyond Treasury's time requirement. We calculated the average by summing the total number of excess processing days in fiscal year 1999 and dividing by the total number of applications processed during that year. To obtain the total number of excess processing days, we summed the number of applications that remained unprocessed each day in each service center's mail room and data entry stage for each application type over all the days of the fiscal year.

We estimated the interest cost to the government for each application type by first multiplying the application type's fee by the total number of excess processing days and the fiscal year 1999 Marketable Treasury Bill average interest rate of 4.9 percent. We then divided the result by the number of days in the fiscal year. To obtain the total interest cost, we summed the interest cost accumulated each excess day in each service center's mail room and data entry for each application type over all the days of the fiscal year.

We did not independently verify the reliability or completeness of the ATOMS database. However, key contractor staff assured us that ATOMS data integrity was high, and we performed limited testing to determine if data were accurately entered into the ATOMS database.
The appendix provides additional detail on our methodology for calculating excess processing days and the associated interest cost to the government.

We performed our work between October 1999 and July 2000 in accordance with generally accepted government auditing standards.

**Conclusions**

INS did not have the data necessary to determine how long district offices took to deposit application fees after applications arrived in their mailrooms. Based on data that were available, we estimate that in fiscal year 1999, INS service centers did not make timely deposits of applications fees, resulting in about $640,000 in interest cost to the government. In addition, INS’ contract for application processing services provided more time for the contractor to deposit fees than is allowed by Treasury regulations.

**Recommendations**

We recommend that the INS Commissioner

- institute procedures for recording information on application acceptance processing at district offices to include data that would permit INS to monitor district compliance with Treasury deposit regulations,

- implement INS plans to require that the contractor make fee deposits in accordance with Treasury regulations,

- determine which service centers and district offices do not comply with the fee deposit requirement and why the noncompliance occurs, and

- take appropriate action to ensure that timely fee deposits are made.

**Agency Comments and Our Evaluation**

We requested comments on a draft of this report from the Attorney General and the Secretary of the Treasury.

The Treasury Department had no comments on the draft report. On September 13, 2000, we met with INS’ Associate Commissioner for Service Center Operations, Assistant Director for Internal Audit, and other INS officials to obtain their oral comments on the draft report. INS generally agreed with our findings and agreed with our recommendations in principle. It stated that making timely and accurate fee deposits is a priority for INS and a working group has been formed to examine cash management practices. However, INS expressed several concerns about our review, including (1) our focus on a fiscal year that INS considered to be atypical because of changes in application fee structure, (2) our use of
the contractor's ATOMS database for determining fee deposit timeliness, and (3) uncertainty about how we did our analyses.

With respect to INS' concern that fiscal year 1999 was atypical because INS changed its application fee structure during that year, we agree that fiscal year 1999 was atypical in this particular respect. We present analysis results in this report that indicate that the January 15, 1999, change in the naturalization fee may have contributed to an increase in workload and processing delays. However, the report also notes that the Justice Inspector General found problems with INS fee deposits in fiscal year 1998. We have no basis for determining how typical or atypical application acceptance processing was in fiscal year 1999 relative to other years. A number of factors—including changes in fees, laws, policies, and agency priorities—can affect the number of applications received by INS and the amount of time INS takes to process them. INS is responsible for timely processing of applications regardless of the year-to-year fluctuation in receipts. Our specific reason for focusing on fiscal year 1999 was that we were asked to review data from 1999 and it was the most current year for which complete data were available.

With respect to INS' concern that the contractor's ATOMS database was not designed to track time frames for processing applications and therefore may not have been an appropriate information source for determining fee deposit timeliness, we disagree. Prior to deciding to use ATOMS data, we consulted with INS officials about what data system(s) were available to address the objectives of our review. We learned that ATOMS contained daily workload data that could be used to provide a useful measure of fee deposit timeliness and interest cost. We also learned that ATOMS was, and still is, the only comprehensive data system containing information on every application type submitted to INS. Finally, as we indicate in the report, although we did not independently verify the reliability or completeness of the ATOMS database, we did limited testing to determine if data were accurately entered into ATOMS. We also interviewed the key contractor staff responsible for managing the system and they assured us that data integrity was high. Although INS acknowledged that making timely fee deposits can be problematic, it remained skeptical about the number of excess days that we obtained in our calculations. INS indicated that it planned to engage in efforts to use its own data—rather than contractor-maintained data—to monitor the timeliness of fee deposits in the future.

Finally, with respect to INS' questions about how we did our data analyses, we provided an explanation in our meeting, and we added a Scope and
Methodology appendix to the report that expanded our description of the analytic approach. Additionally, during the course of the review, we engaged in three meetings with INS officials and technical staff to discuss our methodology. We believe that the information we have added to the report clarifies our analytic methodology.

We are providing copies of this report to Representative Sheila Jackson Lee, Ranking Minority Member of your Subcommittee; Senators Spencer Abraham and Edward Kennedy, Chairman and Ranking Minority Member, Senate Judiciary Subcommittee on Immigration; the Honorable Janet Reno, Attorney General; and the Honorable Doris Meissner, Commissioner, Immigration and Naturalization Service. We will make copies available to others upon request.

If you have any questions, please contact Evi L. Rezmovic or me at 202-512-8777. The key contributors to this assignment were Jay Jennings, Jim Fields, and George Quinn.

Sincerely yours,

Richard M. Stana
Associate Director, Administration of Justice Issues
To determine the extent to which INS service centers made timely fee deposits in fiscal year 1999, we analyzed data from the ATOMS database, which contained the contractor's daily data on the number of applications received, processed, and pending at the service centers. The ATOMS database includes the number of unprocessed applications of each type held each night in the contractor's workload inventory. The data for each type are available separately for the mail room and data entry stage for each service center.

We estimated the average number of days that INS took to deposit fees beyond Treasury's time requirement by summing the total number of excess processing days in fiscal year 1999 and dividing by the total number of applications processed during that year. We took a conservative approach to determining whether applications accumulated excess processing days. If our calculations indicated that a group of applications remained unprocessed for one full day and two consecutive nights, then we calculated that each application in the group accumulated one excess processing day. Although we did not have individual application-level data, we could calculate this because INS officials told us that service centers always process applications, within any particular application type, in the order in which they are received. Therefore, to determine the number of unprocessed applications each day, we used the number of applications that had been held overnight before a processing day began and then subtracted the number processed during the day.

To obtain the total number of excess processing days, we summed the number of excess processing days accumulated each day in each service center's mail room and data entry stage for each application type over all the days of the fiscal year. We adjusted the data to account for the fact that a portion of applications did not proceed from the mail room to data entry, possibly because they were rejected in the mail room because they lacked a signature or the alien submitted an incorrect fee. We reduced the number of unprocessed applications in the mail room stage by 11 percent for naturalization applications, 20 percent for applications with fees that changed in October 1999, and 15 percent for applications with no fee change in fiscal year 1999.

We calculated that, in fiscal year 1999, INS accumulated 43,717,722 excess days of unprocessed applications, and that INS service centers processed 3,621,962 applications in the data entry stage. Dividing the excess days by the total number of processed applications, we arrived at an average of 12 additional days beyond Treasury's time requirement for INS to make fee deposits in fiscal year 1999.
We estimated the interest cost to the government for each application type by first multiplying the application type’s fee by the total number of excess processing days and the fiscal year 1999 Marketable Treasury Bill average interest rate of 4.9 percent. We then divided the result by the number of days in the fiscal year. To obtain the total interest cost, we summed the interest cost accumulated each excess day in each service center’s mail room and data entry for each application type over all the days of the fiscal year.

To illustrate our method for calculating the number of excess days and interest costs, suppose that, on a given Tuesday morning in November 1999, contractor clerks in a service center mail room began their day with 1,000 Petitions for Alien Relatives (Form I-130) held over from the previous day. If the mail room processed 375 I-130s during the two shifts on that Tuesday, then 625 I-130s would have remained unprocessed and left over for the first shift on Wednesday. Of the 625 unprocessed I-130s, we calculated that 125, or 20 percent, would later be rejected, and 500 would not be rejected. Because the 500 non-rejected I-130s were not processed on either Monday or Tuesday, we calculated that they would have accounted for 500 excess days of interest cost. The fee for each I-130 was $110 in November, so the 500 forms would have had $55,000 in fees attached to them. The associated interest cost to the government for the 500 unprocessed I-130s in that service center on that single day would have been $7.38. The daily interest cost is calculated by multiplying the collected fee total of $55,000 by the fiscal year average interest rate of 4.9 percent and dividing by 365.

We performed a similar calculation for the data entry stage for the same day and same service center. For example, if the first data entry shift on Tuesday had 3,000 I-130s left over from the last shift on Monday, and if the data entry staff processed 400 I-130s during the two shifts on Tuesday, then 2,600 I-130s remained for the next day’s shift. Since fees from these 2,600 forms were not deposited on either Monday or Tuesday, INS would have incurred 2,600 excess interest days for Tuesday. We would calculate that the 2,600 undeposited I-130 fees accounted for $286,000 in collected fees (2,600 times $110) and $38.39 in interest costs ($286,000 times 4.9 percent divided by 365) for the Tuesday in question.

For forms that entered the mail room or data entry stage on Friday or Saturday, we did not begin computing interest costs associated with

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1 As explained later in the appendix, we adjusted our final estimate of interest cost to account for the fact that INS waived the fee for a portion of the applications.
unprocessed forms until Monday because the fees from these forms could not have been deposited on Saturday or Sunday. We also did not count holidays as contributing to interest costs in these cases. For unprocessed forms that entered the mail room or data entry stage on days other than Friday or Saturday, we computed interest costs for the weekend because the fees from these forms could have earned interest during that time had they been deposited without delay. In these cases, we counted holidays as contributing to interest costs.

Our calculations of timeliness and interest cost to the government took into account (1) the changes in fee schedules in fiscal year 1999; (2) that many of the applications processed in the period following the fee change dates were accompanied by fees at the previous, lower rates; (3) the number of applications that were rejected during initial processing without their fees being accepted; (4) the additional days of interest cost during weekends and holidays; (5) that the naturalization application fee is removed from the application and may be sent for deposit before data entry, and (6) that INS waived the fee on approximately 13,000 applications in fiscal year 1999.

Since we could not determine from the data which applicants had their fee waived by INS, our initial analyses assumed that fees were submitted with all applications. We then reduced our estimate of the total interest cost by the amount of interest cost that about 13,000 applications would have generated. To do this, we made the assumption that the average waived fee was $225, that applications with waived fees had an average of 12 excess interest days, and that all of the waived fees were from service centers. We calculated that the applications with waived fees accounted for less than $5,000 in interest cost in fiscal year 1999, an amount that did not alter our overall estimate of about $640,000.

In October 1998 and January 1999, INS increased the fees for most application types. We factored these changes into our analyses by calculating a lag time associated with processing applications received under the former fee structure. That is, we considered the fact that some of the previous lower-fee forms would continue to be processed even after the fee change date. For example, the fee for naturalization applications increased from $95 to $225 on January 15, 1999. On January 26, the number of unprocessed naturalization applications at the data entry stage reached a peak of 354,347, and our analyses assumed that all of them were submitted with a $95 rather than a $225 fee. Our analyses indicated that service center mail rooms completed processing of 354,347 naturalization applications on June 24. Therefore, we assumed that all naturalization
Appendix

applications processed through June 24 had payments of $95 accompanying them. This assumption had the effect of underestimating INS’ accumulated interest cost because it is likely that some naturalization applications received for mail room processing between January 15 and June 24 were submitted with the higher payment of $225.

The reported interest cost of about $640,000 underestimates the total cost due to untimely deposits because we did not have data to measure the length of time that applications may have remained unopened in service center mailrooms before processing began. We also could not determine how long it took service centers to deposit the fees after contractor staff completed initial application acceptance processing. INS does not have a single database that would enable us to determine how much additional time these steps in the process take. Our calculations assumed that there were no delays during these additional stages. Additionally, our calculations assumed that naturalization fees were deposited on the date that they were separated from the applications, even if the deposits were made after data entry. Finally, because data maintained by INS were incomplete, we assumed that there were no delays in initial application acceptance processing at INS’ 33 district offices, where about 25 percent of the applications were processed.

We did not independently verify the reliability or completeness of the ATOMS database. However, we took two steps that assured us that the ATOMS data were sufficiently reliable and complete to meet the objectives of the review. First, we interviewed the key INS contractor staff responsible for managing the system to obtain information on the reliability and completeness of ATOMS data. The contractor staff told us that the application acceptance processing information captured in ATOMS is of high quality. ATOMS data integrity is reportedly high for several reasons, including (1) employees are trained in data entry, (2) supervisors routinely review the information to ensure no over- or undercounting, (3) staff are paid on the basis of productivity information recorded in the system, and (4) intensive repeated reliance on the system validates its accuracy. Second, we performed limited testing to determine if data were accurately entered into the ATOMS database. Over a 2-day period in July 1998, we observed and spoke with contractor staff who processed applications in the mail room and data entry stage in INS’ Nebraska Service Center. For one application type, we compared the total number of hard copy application files processed by the contractor to the numbers they reported to their shift supervisor. These totals were entered into ATOMS and used to generate summary productivity reports. In addition, we tallied the total number of applications processed each day.
and compared it to the totals that appeared on the summary report for those days. We found no discrepancies in the reported totals for the mail room and data entry stages for those days.

In addition to performing analyses of the data, we interviewed INS officials, reviewed INS internal inspection reports, and reviewed Justice's report on the Office of Inspector General's 1998 financial audit of INS. Determining the causes for delays in initial application acceptance processing was outside the scope of this review.
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