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REPORT TO THE CONGRESS

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**Further Action By
Veterans Administration Could
Reduce Administrative Costs And
Improve Service To Veterans
Receiving Educational Benefits**

B-114859

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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JULY 8, 1971



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114859

To the President of the Senate and the
Speaker of the House of Representatives

This is our report entitled "Further Action by the Veterans Administration Could Reduce Administrative Costs and Improve Service to Veterans Receiving Educational Benefits."

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Administrator of Veterans Affairs.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

The Veterans Administration (VA) provides financial assistance to veterans while they are obtaining an education. VA paid \$1 billion to about 1.3 million veterans in fiscal year 1970, and payments are expected to increase to \$1.4 billion to about 1.5 million veterans in fiscal year 1971. (See p. 3.)

The General Accounting Office (GAO) reviewed VA's practices and procedures for processing veterans' status documents--the basis for payment of educational benefits--because of indications that processing delays had resulted in late payments and overpayments or underpayments.

FINDINGS AND CONCLUSIONS

VA regional offices manually verify data on a veteran's status documents, such as his name and identification number, with like data in his case file and compute the amount of monthly payments due the veteran. VA's data processing center, however, verifies most of the same data with a master record which is maintained for each veteran and in most cases computes the amount due the veteran. (See p. 5.)

VA could accelerate the processing of status documents by eliminating the regional office manual verification of status documents and by placing greater reliance on the capability of its automatic data processing equipment to perform this function. A test by VA's Los Angeles Regional Office during the period March to June 1970 demonstrated that it would be feasible to transmit data from status documents directly to the data processing center for computer verification without prior regional office manual verification of the data. (See p. 10.) GAO assisted VA officials in this test.

GAO estimated that placing greater reliance on computer verification of data from status documents would result in savings of about \$600,000 annually. To achieve such savings, however, the data processing center's computer would have to be reprogrammed. Additional computer time also would be needed to perform these functions. VA officials estimated that such reprogramming would involve a one-time cost of about \$72,000 and that increased computer time would cost about \$100,000 annually. (See pp. 12 and 13.)

Tear Sheet

RECOMMENDATIONS OR SUGGESTIONS

The VA regional offices should, whenever possible, forward all data from status documents to the data processing center to be processed without referral to the case files. (See pp. 14 and 15.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

VA agreed, in principle, with GAO and said that procedures for automating the processing of status documents which concern reenrollment in the educational assistance program had been implemented in 1970 and were being refined. VA said that it planned to further automate the processing of other status documents as soon as reasonably possible. (See p. 14.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting this matter to the Congress to inform it of the actions being taken by VA to reduce costs and to improve service to veterans.

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ABBREVIATIONS

DPC	Data Processing Center
GAO	General Accounting Office
VA	Veterans Administration

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CHAPTER 1

INTRODUCTION

The Educational Assistance Program authorized by chapters 31, 34, and 35 of title 38, United States Code, as amended, provides for the Veterans Administration to assist veterans¹ to meet their tuition, living expenses, and other costs while obtaining an education. The duration of assistance to a veteran is determined primarily by the length of his military service and generally ranges from 9 to 36 months.

In fiscal year 1970 about 1.3 million veterans participated in the educational assistance program and received about \$1 billion in benefits. VA estimated that in fiscal year 1971 educational assistance payments would increase to about \$1.4 billion because of anticipated increases in the number of participating veterans (1.5 million) and because of authorized increases in the amounts of monthly benefit payments.

In March 1970 legislation was enacted which increased, as of February 1, 1970, educational assistance payments to veterans. Under this law the minimum payment to a veteran attending a full-time educational program at a university or college is \$175 a month, as compared with the \$130 a month previously authorized. The amount of the monthly payment to a veteran depends on such factors as the type of educational program, the number of courses, and the number of his dependents.

The VA Department of Veterans Benefits has 57 regional offices throughout the Nation which administer the various veterans' programs authorized by the Congress. A veteran applies for educational benefits at a regional office. The office determines his eligibility and is his principal

¹As used in this report, the term "veteran" includes veterans and servicemen and their wives, widows, and children who are eligible for educational benefits.

point of contact with VA. The regional office establishes and maintains a case file which is the depository of all official VA records pertaining to the veteran. Documents affecting educational benefit payments to a veteran, such as a certification of enrollment in school, termination of enrollment, and changes in the number of his dependents or course load--hereinafter collectively referred to as status documents--are maintained in the veteran's case file.

The VA Department of Data Management operates a data processing center (DPC) at Hines, Illinois, which uses a computer to process data related to educational benefits. For each veteran DPC maintains a master record which contains selected data obtained from the documents on file at the regional office.

DPC also maintains master payment tapes which contain data showing the amount of educational benefits to be paid to each veteran each month. DPC revises the tapes each month to incorporate any payment changes that result from the processing of status documents and furnishes the master payment tapes to regional Treasury Disbursing Centers which prepare and issue the educational benefit payment checks.

CHAPTER 2

NEED TO IMPROVE PROCEDURES FOR

PROCESSING STATUS DOCUMENTS

VA is not using its automatic data processing capability to maximum advantage to process status documents pertinent to the payment of educational benefits to veterans. Regional office employees manually verify data on a veteran's status documents, such as his name and identification number, with like data in his case file and compute the amount of monthly payments due the veteran. The regional office then transmits data from the status documents to DPC for inclusion in the veteran's master record. At DPC the computer also verifies most of the data from the status documents with data on the master record and, in most cases, computes the amount of the monthly payment due the veteran. We believe that greater reliance on computer verification of the data could result in reducing the manual processing costs by about \$600,000 annually.

To achieve such savings, VA would have to reprogram DPC's computer to provide for verifying pertinent data from each status document processed and for performing all payment calculations. Additional computer time also would be needed to perform these functions. VA estimated that such reprogramming would involve a one-time cost of about \$72,000 and that increased computer time would cost about \$100,000 annually.

Elimination of the regional offices' manual verification of data on status documents would result in the acceleration of the processing of the documents, in earlier payments of benefits to veterans, and in the reduction of possible overpayments and underpayments.

PROCEDURES FOR PROCESSING STATUS DOCUMENTS

Our observations of educational benefit processing operations, including the flow of documents, at the VA regional offices in Los Angeles and Boston showed that the two regional offices followed the procedures described below.

When a veteran applies for financial assistance, the regional office's Administrative Division prepares a case file to store all documents pertaining to the veteran's dealings with VA. The case file and the veteran's application are delivered to the Adjudication Division which determines the veteran's eligibility for educational benefits and forwards the application to the Finance Division in the regional office.

The data on the application is keypunched on paper tape by the Finance Division, and the tapes are transmitted to DPC, where an individual master record is created on magnetic tape for use in the computer system. The case file containing the documents is then returned to the Administrative Division to be stored in the file room.

On the basis of the data in the master record, the computer prepares a form for the veteran which shows his eligibility. The form also serves as an enrollment certification which the veteran gives to the school to complete. The school completes the enrollment certification and transmits it to the regional office where the Administrative Division obtains the veteran's case file and forwards the certification and case file to the Adjudication Division.

An adjudicator verifies certain data, such as the veteran's name and identification number on the certification, by referral to documents in the case file and computes the monthly payment. The data from the enrollment certification is entered on a form which is sent to the Finance Division, and the case file, including the certification, is returned to the file room. The Finance Division keypunches the data from the form on paper tape, sends the form to the file room for inclusion in the case file, and sends the paper tape to DPC where the computer is used to transfer the information to the veteran's master record and the master payment tapes.

VA regional office officials told us that the manual verification of data on status documents with data on documents in the case file was performed to ensure that the incoming data on the status documents is correct before it is submitted to DPC for use in updating the master records and master payment tapes.

DELAYS IN PROCESSING STATUS DOCUMENTS

Delays in processing status documents which authorize the initial benefit payments and subsequent increases or decreases in the amounts of the payments result in delayed payments and overpayments or underpayments to some veterans. Either instance is apt to cause hardship to the veteran. Overpayments also result in collection costs to VA.

VA's established time goal for processing status documents provides that, generally, they be processed by a regional office within 15 days after receipt. VA Central Office officials in Washington, D.C., informed us that the goal was established on the basis of what VA would like to achieve and, considering prior experience, what could reasonably be expected.

To determine how well the regional offices were meeting the established goal, we selected from the Boston and Los Angeles Regional Offices a random sample consisting of 199 enrollment certifications and analyzed the time required to process each of the certifications. As summarized in the following table, 97 of the 199 enrollment certifications, or about 49 percent, were not processed within the 15-day goal.

<u>Processing time</u>	<u>Enrollment certifications</u>	
	<u>Number</u>	<u>Percent</u>
Within 15 days	102	51
Over 15 days:		
16 to 20 days	27	13
21 to 25 days	23	10
26 to 30 days	15	9
31 to 40 days	14	8
41 to 50 days	8	4
51 to 60 days	3	2
Over 60 days	<u>7</u>	<u>3</u>
	<u>97</u>	<u>49</u>
Total	<u>199</u>	<u>100</u>

The delays in processing the enrollment certifications generally were attributable to the time required to locate case files which had been removed from the file room and to the backlog of cases awaiting processing.

To ascertain the extent to which overpayments were caused by delays in the processing of status documents, we selected and analyzed a random sample of 200 overpayments made to veterans by the Boston and Los Angeles Regional Offices. These overpayments were uncollected as of October 1969. We found that:

--Delays in processing status documents had caused 29 overpayments, about 15 percent, totaling about \$2,900.

--The time required to process the status documents for the 29 overpayments had ranged from 18 days to over 60 days.

As of October 1969 at the two regional offices there were 12,460 uncollected overpayments totaling about \$1.7 million. On the basis of our sample results, we estimated that, of the 12,460 overpayments, about 1,870, or about 15 percent, totaling about \$187,000 had been caused by delays in the processing of status documents. At the time of our analysis, about 47,000 overpayments totaling about \$6.6 million were uncollected at all VA regional offices.

POTENTIAL FOR PROCESSING STATUS DOCUMENTS
WITHOUT REFERRAL TO CASE FILES

Our examination of printed copies of master record tapes maintained by DPC showed that much of the data necessary for verification of data on status documents was contained in the master records. In fact much of the data which is verified manually at the regional offices is also verified by the computer. For example, in processing an enrollment certification, the regional office adjudicator compares data in the case file with data on the certification to verify the veteran's identification number, name, dependency information, and date the payment is to start and computes the amount of the monthly payment. At DPC the computer compares the same data from the enrollment certification with data in the veteran's master record and verifies the benefit payment computation (except when a veteran's course load is less than half the course load of a full-time student).

The Los Angeles Regional Office has about a thousand employees and has about a million case files in storage. When a veteran's case file is removed from storage, a card is left in its place which shows its general location at that time. For example, the card may show that the case file is in the Adjudication Division, but it will not show the name of the individual who has the file.

At any given time about 10,000 files are out of storage and can be in one of many locations within the regional office. During peak work load periods as many as 40,000 files may be in circulation. Most of these files are in the Adjudication Division which has about 250 employees. Since the location card designates only the general location of a case file and since the file can be moved both within the Adjudication Division and to other areas of the office, locating a file may be difficult and time-consuming.

On the basis of our observations and discussions with Los Angeles Regional Office officials, we believe that VA could substantially reduce the cost and time necessary to process status documents by eliminating the manual verification of the accuracy of the documents and by reprogramming its computers to perform this operation.

We assisted the Los Angeles Regional Office in developing procedures that would place reliance on computer verifications and computations without the status documents first being verified at the regional office. These procedures provide for (1) data on status documents to be reviewed by an adjudicator for legibility and reasonableness, put on paper tape, and transmitted to DPC and (2) computer verification of the data on the paper tape by comparison with data in the master record.

The adoption of these procedures would result in substantially reducing the work load at the regional office by eliminating the need to search for a case file every time a status document is received and by eliminating the manual verification.

TEST OF TRANSMITTING UNVERIFIED DATA

In March 1970 the VA Los Angeles Regional Office undertook a test of the feasibility of the above procedures. During a 90-day period from March to June 1970, data concerning termination of veterans' benefits was transmitted from status documents (about 3,200) to DPC for computer processing without regional office verification with data in case files.

The results of the test demonstrated that it was feasible to transmit data from status documents directly to DPC without prior regional office manual verification of the data. About 90 percent of the status documents were processed in this manner without any subsequent referral to the case files. Because of errors in the veterans' names or identification numbers, most of the remaining 10 percent of the status documents required subsequent referral to case files at the regional office.

In October 1970 we discussed the results of this test with the VA Central Office Director of Compensation, Pension and Education Service and with members of his staff. The Director advised us that VA had been continually studying methods to automate the processing of status documents and that he was encouraged by the results of our review in this area. He stated that, as a result of our review and VA's own studies, VA-wide procedures had been implemented

which provide for transmitting data concerning veterans' reenrollment in the educational assistance program from status documents directly to DPC without prior manual verification.

He explained, however, that, because of other higher priorities for computer programming time--such as legislative changes affecting veterans' benefit payments--further revision and implementation of procedures to reduce manual verifications at the regional offices could not be accomplished at that time. He agreed to maintain a surveillance over the present priorities and, as manpower and computer time became available, to give priority to revising and implementing such procedures.

SIGNIFICANT COST SAVINGS POSSIBLE WITH
FURTHER AUTOMATION OF PROCESSING PROCEDURES

Considering the volume of status documents generated by VA's educational assistance program and considering the regional offices' time-consuming procedures for verifying data on status documents prior to transmittal of the data to DPC, the elimination of the manual verifications would result in significant savings in manpower and related costs.

Since the test at the Los Angeles Regional Office demonstrated the feasibility of computer verification of data from status documents with data in the master records, we estimated the potential savings that could be realized if VA were to revise its procedures to eliminate or minimize regional office verification of data on status documents.

We discussed with VA Central Office officials the various types of status documents which would be susceptible to processing at the regional offices without referral to the case files. We were advised that referral to case files would be necessary to process status documents which relate to veterans' initial enrollment in the program. Therefore, in estimating the total number of status documents which would be susceptible to improved processing procedures, we eliminated initial enrollment documents. We also eliminated reenrollment documents, since procedures had been implemented to process them at the regional offices without referral to the case files.

On the basis of the total number of status documents processed by VA in fiscal year 1970, less enrollment and reenrollment documents, we estimated that transmitting data from status documents directly to DPC without prior regional office manual verification of the data would result in saving about 60 man-years of effort representing costs of about \$600,000 annually. The savings would result from (1) reductions in overtime requirements and in the number of new employees needed to handle the increasing work load and (2) redirection of available manpower to more pressing work load areas.

To achieve these savings, DPC's computer would have to be reprogrammed to verify pertinent data from each status

document processed and to make all payment calculations. Additional computer time also would be needed to perform these functions. VA officials estimated that such reprogramming would involve a one-time cost of about \$72,000 and that increased computer time would cost about \$100,000 annually.

We believe that further automation of the processing of status documents would result in earlier payments to veterans and would reduce the possibility of overpayments and underpayments. In addition, it should result in reduced costs of collecting overpayments.

CHAPTER 3

AGENCY COMMENTS AND GAO RECOMMENDATION

In a draft of this report submitted to VA for comment, we proposed that VA (1) reexamine existing priorities for computer programming time for the purpose of expediting the implementation of procedures that would make maximum use of computers in processing educational status documents and (2) establish the earliest possible target date for such implementation.

In a letter dated February 23, 1971 (see app. I), the Associate Deputy Administrator of Veterans Affairs told us that VA agreed, in principle, with our views regarding the computer processing of status documents without referral to case files. He pointed out that procedures for automating the processing of reenrollment status documents had been implemented in 1970 and were being refined. He advised us also that VA planned to automate further the processing of other status documents, such as unscheduled termination and dependency changes, as soon as reasonably possible.

When fully implemented and refined, the revised procedures for processing reenrollment status documents, which constitute about 35 percent of all status documents, should assist in achieving more timely handling of veterans' educational assistance payments.

In our opinion, however, the increasing number of veterans participating in the educational assistance program makes it imperative that VA make maximum use of its computer capabilities for processing all status documents which may be susceptible to automation. We believe that, to achieve the potential for savings (\$600,000) and to achieve improved service to veterans, VA should establish target dates for implementing the automated processing of all status documents which may be susceptible to automation.

RECOMMENDATION

We recommend that the Administrator of Veterans Affairs have the Chief Benefits Director establish target dates for

implementing procedures requiring that, whenever possible, all data from status documents be transmitted by the regional offices to DPC to be processed without referral to the case files.

CHAPTER 4

SCOPE OF REVIEW

Our review was made at the VA regional offices in Los Angeles, California, and Boston, Massachusetts; at DPC in Hines, Illinois; and at the VA Central Office in Washington, D.C. We reviewed the procedures and observed the operations for processing the various documents which are required to initiate, revise, and terminate educational assistance benefits to veterans. Discussions were held with the various VA officials involved with the activities discussed in this report.

APPENDIXES



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

February 23, 1971

Mr. Max Hirschhorn
Associate Director, Civil Division
U. S. General Accounting Office (801)
Room 137, Lafayette Building
811 Vermont Avenue, N. W.
Washington, D. C. 20420

Dear Mr. Hirschhorn:

Thank you for the opportunity to review and comment on your proposed draft report entitled "Opportunity to Reduce Administrative Costs of the Veterans Administration Education Assistance Program and to Improve Service to Veterans."

We agree in principle with the draft report recommendation as it relates to processing status documents through Adjudication Divisions and Finance and Data Processing activities of the Veterans Administration without claims folders. The conclusions in the GAO draft report are based, for the most part, upon unscheduled terminations. The Veterans Administration in FY 1970 implemented and is refining procedures to permit processing documents without the claims folder for re-entrance into school. The volume of re-enrollment is much greater than unscheduled terminations, re-enrollments are much more adaptable to automated procedures, and adverse publicity results if claimants are not paid promptly after re-enrolling. Other status documents, such as unscheduled terminations and dependency changes, are in our plans for further automation.

While we have no argument with the range of dollars indicated, the savings cannot be effectively related to a specific number of people since fragmented bodies at 57 regional offices are involved. The effect, if any, will perhaps be reflected in lesser overtime requirements. Considering the increasing workload, innovations

APPENDIX I

Mr. Max Hirschhorn
Associate Director, Civil Division
U. S. General Accounting Office (801)

such as outlined in your report are an absolute necessity. Any lessened personnel needs generated by such improvements are diverted to more pressing workload needs.

We appreciate your interest in our operations and welcome any recommendations which will improve our service to veterans and reduce costs. We recognize that improved service is possible subject to a calculated risk that payments will not be correctly adjusted or terminated in every instance. Essentially, we agree with the principle of processing status changes without the claims folder and intend to introduce all applications of this principle as soon as is reasonably possible.

Sincerely,



RUFUS H. WILSON
Associate Deputy Administrator - in
the absence of
FRED B. RHODES
Deputy Administrator

PRINCIPAL OFFICIALS OF
THE VETERANS ADMINISTRATION
RESPONSIBLE FOR ADMINISTRATION OF THE
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
ADMINISTRATOR OF VETERANS AFFAIRS: D. E. Johnson	June 1969	Present
DEPUTY ADMINISTRATOR OF VETERANS AFFAIRS: F. B. Rhodes	May 1969	Present
CHIEF BENEFITS DIRECTOR: R. H. Wilson O. B. Owen	July 1969 Feb. 1970	Feb. 1970 Present
DIRECTOR, COMPENSATION, PENSION AND EDUCATION SERVICE: J. T. Taaffe, Jr.	Mar. 1968	Present
CHIEF DATA MANAGEMENT DIRECTOR: P. J. Budd	Feb. 1963	Present