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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS DIVISION

JUN 3 1975

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The Honorable Charles A. Vanik
House of Representatives

Dear Mr. Vanik:

On January 7, 1975, you asked us to determine the reason for delays in the U.S. Department of Agriculture's reimbursement to certain schools in your Congressional District participating in the School Lunch Program. According to the complaints that you received, some schools waited as much as three and four months for reimbursement, with the indication that most of the delay was occurring at the Department's Washington Computer Center. You also asked what can be done to provide for quicker reimbursement. To facilitate our review, your office subsequently identified certain private schools in Cleveland, Ohio, that were the subject of your inquiry. Our findings are summarized below.

About 90,000 public and private schools participate in the program which is administered by the Department's Food and Nutrition Service (FNS). All public and some private schools are reimbursed by their respective State agencies with funds provided by the Federal Government; however, because some State laws prohibit State aid to parochial schools, FNS headquarters in Washington, D.C., processes claims for reimbursements to about 2,500 private schools, including the six private schools in your District.

These private schools send their monthly claims for reimbursement to FNS where they are batched in groups of 40, recorded in a control log, and sent by messenger to a contractor where the data on the claims is prepared for input to the computer. The contractor does keypunching--the preparation of a machine-readable card for each claim--and then returns the punch cards and claims to FNS.

FNS accumulates several hundred cards and, using a computer terminal, transmits data from the cards to the Department's Washington Computer Center. The data transmitted to the computer center is from

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a large number of cards because the fast processing speed of the computer (less than 1 minute for 1000 claims) makes smaller computer runs uneconomical.

The computer edits the claims, matching the data submitted against data already on file in the computer (such as terms of the FNS-school agreement), and computes the amount of reimbursement due the school. The computer performs about 35 editing steps. If a claim does not pass all the editing steps, it is rejected. If FNS is unable to make the correction, it returns the claim to the school for correction and resubmission. The computer center prepares a payment card for each claim that passes editing, a payment listing for all such claims in the batch and then sends the cards and listing to FNS.

FNS reviews the payment cards and listing, prepares an authorization for payment, and sends the cards and authorization to the Treasury Department. Treasury then prepares and mails checks to the schools, usually 2 to 3 days after the data is received from FNS.

The processing time (in calendar days) discussed below begins when FNS receives a claim and ends when the payment authorization is sent to the Treasury. FNS processed the claims received from the six schools in the same batch each month. Consequently, the summary below, showing the days that claims were in each of the major processing steps, applies to the processing time of claims for all six schools.

The following is our summary of an FNS analysis of 15 claims processed for the six private schools in Cleveland for the months of September, October, and November 1974.

<u>Processing step</u>	<u>Month</u>		
	<u>September</u>	<u>October</u>	<u>November</u>
	(calendar days)		
Accumulation and batching of claims by FNS	4	20	4
Recording of claims and transfer to keypunch contractor	14	8	3
Keypunching and return of punch cards and claims to FNS	2	5	11
Accumulation of punch cards by FNS, transfer of data to Washington Computer Center for processing and preparation of payment cards and listing	12	9	3
FNS verification of computer output and transfer of payment authorization to Treasury	<u>2</u>	<u>3</u>	<u>7</u>
Total days in processing	<u>34</u>	<u>50</u>	<u>28</u>

The FNS analysis also showed that three claims--two for September and one for November--were rejected by the computer during the editing process because the FNS regional office did not promptly provide the computer center with data on revised agreements with the schools. Prompt submission of the revised data would have permitted passage of the claims in the editing process and their transmittal to Treasury along with the other claims. The total time for processing, updating the computer files, and reprocessing the two rejected claims for September was 54 days. The rejected claim for November required a total of 60 days.

Although the FNS analysis did not show the exact number of days that the claims were in processing at the computer center, we believe that our summary illustrates that most of the delay was elsewhere.

As your letter indicated, the timeliness of processing of claims by FNS is not a new problem. An FNS analysis of the processing of claims submitted by the six schools for the prior school year (1973-1974) showed that about 55 percent of the claims received by FNS were processed through the Washington Computer Center within 20 days. The remainder were processed in varying times in excess of 20 days. For several computer-rejected claims, the total time elapsed for FNS processing and reprocessing was 4 months or more.

FNS officials told us that they were concerned about the processing time and the large number of rejected claims for all private schools submitting claims to FNS. They told us that a move by the FNS Finance Division to a new location in November 1974 was partly the cause of some excessive delay. We verified that the division had moved in November, at about the time that the school claims for October were received. Consequently, there probably is a direct relationship between the move and the 20 days that October claims were in the accumulation and batching process, as compared to the September and November claims for the six schools that cleared the same processing step in 4 days in October and December.

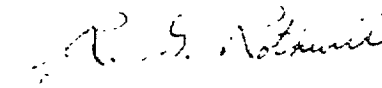
FNS officials told us that, to improve control over processing time, they were establishing time standards for each processing step and management reports to monitor compliance. They hope, by these actions, to be able to process claims within 20 days of receipt and, within 5 days, to reenter in the system or return to the schools, those claims rejected by the computer. They also hope to reduce the number of rejected claims through a continuing education program for the schools and for FNS personnel at the headquarters and regional offices.

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It appears that FNS's proposed actions, if properly implemented, should provide for quicker reimbursements to the schools.

We did not give FNS officials a copy of this report or ask for their written comments, but we did discuss our findings with them. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,


for Fred J. Shafer
Director