



United States
General Accounting Office
Washington, D.C. 20548

Information Management and
Technology Division

B-249595

August 17, 1992

The Honorable Gwendolyn S. King
Commissioner of Social Security



147382

Dear Ms. King:

We recently completed a review of the Social Security Administration's (SSA) storage and retrieval pilot project for Federal Old-Age, Survivors, and Disability Insurance (Title II) claims folders. SSA is faced with an ever-increasing need for storage space for its claims folders. This need exists because most of SSA's available storage space is reaching capacity, while the volume of new folders is continuing to increase. To help alleviate this problem, SSA is planning a pilot project to create a nationwide, centralized storage facility for Title II claims folders.

SUMMARY

We believe that the folder storage pilot presents some real opportunities for SSA to evaluate the concept and operation of a centralized storage facility by testing whether SSA can efficiently and cost-effectively store and retrieve Title II folders on a national scale. However, to determine if the concept is cost-effective, SSA will need to ensure that it collects all applicable cost data and provide for analysis of that data. The pilot also presents opportunities to develop the kind of baseline data that can then be used to evaluate other storage initiatives, including SSA's strategic plan priority to establish electronic folders.

BACKGROUND

In administering the Title II program, SSA creates, processes, stores, and retrieves about 28 million claims folders at an annual estimated cost of \$81 million. SSA stores Title II folders at its seven processing centers and at leased, off-site storage facilities located in the vicinity of the processing centers. Because more new folders are being created and more documents are being added to existing folders, and because additional storage

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space needs to be acquired, the agency is exploring new short- and long-term storage solutions.

In the last few years, SSA has begun a number of efforts to address folder storage and to reduce dependence on folders for claims processing. For instance, SSA obtained off-site folder storage space for the processing centers, introduced folderless processing in its processing centers,¹ and shortened the retention period for inactive folders. Additionally, in its recent Agency Strategic Plan, SSA stated that one of its strategic priorities is to turn itself into a paperless agency by establishing electronic folders.

One major effort currently underway is SSA's pilot project for a centralized Title II folder storage facility in Independence, Missouri. SSA's purpose for this pilot project is two-fold: (1) to test its ability to efficiently and cost-effectively store and retrieve Title II folders and information on a national scale, and (2) to determine if the concept is a viable long-term solution to SSA's national folder storage needs. The pilot will involve program service centers in California, Illinois, and Pennsylvania and is expected to run 2 or more years.

Beginning in September 1992 about 3.5 million active Title II folders will be shipped from the three program service centers to the Missouri facility. Operation of the pilot will commence once these folders have been placed into storage at the pilot facility. Planned daily operations will consist of locating folders that are recalled by the program service centers, dispatching them via overnight express, filing new beneficiary folders, filing documents in the correct folder, and refiling folders as they are returned from the program service centers.

¹ Folderless processing allows processing center employees to take certain actions on a beneficiary's account using SSA's computer system, rather than having to physically retrieve the beneficiary's folder from storage.

CENTRAL FOLDER STORAGE PILOT PROVIDES
SSA WITH SPECIAL OPPORTUNITIES

SSA states that it is conducting the pilot to determine if central storage is efficient and cost-effective. It also plans to use the pilot to determine if, because of economies of scale, the central storage concept will serve as a longer-term solution to SSA's folder storage needs. The pilot should provide the agency with opportunities to evaluate not only the ramifications of centralized storage, but other document storage initiatives as well.

In evaluating the efficiency of the pilot project, SSA is focusing its data collection efforts on service-related functions such as response times to requests for folders, availability of files, and the time needed to file documents. However, if SSA is to determine whether centralized folder storage is cost-effective, a stated goal, it will need to collect additional data on costs. For instance, data will be needed on storage costs; personnel costs (including management overhead) related to processing folder requests, retrieving folders, packing and mailing folders, receiving and filing post-entitlement paperwork and computer output into folders, receiving returned folders and filing them in the proper location, handling telephone requests, and quality assurance actions; overnight express and priority mail transportation costs for shipping folders and post-entitlement paperwork between the program service centers and the central storage facility; and, automated data processing and telecommunications costs attributable to support of central folder storage operations. Our discussions with responsible officials and review of available documents on the pilot have not shown how SSA plans to collect such data.

Once SSA has completed the pilot project and analyzed the information referred to above, it will be able to make informed decisions regarding solutions to its folder storage needs, as well as to establish a baseline for determining folder storage costs. Such a baseline is needed in order to make an informed decision, not only on centralized folder storage, but also on the agency's strategic priority for developing electronic beneficiary folders.

As a part of its Agency Strategic Plan, SSA is considering electronic folders as a way to eliminate the

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need for the claims folder in programmatic processing, and therefore as a solution to folder storage, maintenance, and retrieval. To determine whether electronic folders and other automation alternatives are more cost-effective than current folder storage operations, SSA will need to compare costs and benefits of folder storage (e.g. local off-site, centralized storage, etc.) with the estimated costs and benefits of these automation alternatives.

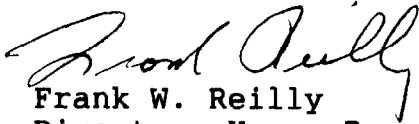
SSA can also use the data developed during the central folder storage pilot as part of an agencywide baseline. This baseline can then serve as a basis for comparing estimated future costs for automation of folder contents.

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We conducted our review between September 1991 and July 1992, in accordance with generally accepted government auditing standards. As part of our work we discussed folder storage conditions with SSA officials and reviewed and analyzed documentation supporting the expansion or acquisition of storage facilities. We also discussed SSA's efforts to meet future needs for storage and retrieval of folders. Our work was performed primarily at SSA offices in Baltimore, Maryland, with visits to a district office in Philadelphia, Pennsylvania; the Philadelphia processing center; and the Wilkes-Barre, Pennsylvania, data operations center.

If you have any questions concerning this letter, please contact me at (202) 512-6408.

Sincerely yours,



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