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STATEMENT OF
DONALD J. HORAN
DEPUTY DIRECTOR
LOGISTICS AND COMMUNICATIONS DIVISION
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT INFORMATION
AND INDIVIDUAL RIGHTS *HSE01504*
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
ON T RANSFERRING VETERANS ADMINISTRATION
RECORDS CENTER ACTIVITY TO THE
GENERAL SERVICES ADMINISTRATION]



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Testimony
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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We are pleased to be here today to discuss our work concerning the Veterans Administration (VA) Records Processing Center in St. Louis, Missouri. Some background information on our work on Federal records storage practices and at the VA center may help to put this issue into perspective. DLG 01427

In early 1977 we conducted a general study of Federal records storage practices, including records stored at General Services Administration (GSA) records centers, agency offices and records holding areas, and agency records centers. Our work was aimed at determining what improvements GSA had made in response to our 1973 report on Federal records management practices. 1/ During the course of this work, the VA center in St. Louis was identified as a candidate for our audit of agency records storage practices. AGC00017

Our April 1977 visit to VA's records center disclosed the following.

--All education, disability, and pension claims folders stored at the VA center had no activity for at least one year before they were transferred to the center from VA regional offices.

1/ Ways to Improve Records Management Practices in the Federal Government (B-146743, August 13, 1973).

--The costs to store and administer records at the VA center were substantially higher than comparable costs at GSA centers.

--The center did not have a sprinkler system for fire and safety protection.

--VA had requested an additional 164,570 square feet of storage space to handle projected increases in its requirements.

--Although authorized to do so, GSA had not evaluated the economy and efficiency of the VA center operations.

We concluded that GSA, in conjunction with VA, should evaluate the VA center operations and determine whether the VA claims folders could be stored more efficiently and economically in one of GSA's Federal records centers. In May 1977 we wrote to both GSA and VA recommending such an evaluation.

In response, a GSA study team visited the VA records center in July 1977. The team reported that only about 1 million of the 14 million claims folders stored at the center involved claims that were currently being paid. The remaining folders involved claims which had been denied or had expired. The team noted that the ratio of the volume of records to amount of space occupied was substantially lower than at GSA Federal records centers--about 1 cubic foot of records per square foot of space compared with a 5 to 1 ratio at Federal records centers.

Inadequate security practices at the VA center were also noted by the team.

The study team concluded that GSA had existing storage space at its National Personnel Records Center in St. Louis to store the entire block of VA claims folders and any foreseeable expansions. The team also determined that all functions of the VA center--with one minor exception--were similar to functions performed at GSA records centers and could be assumed by GSA at a lower cost.

On October 7, 1977, the Administrator of General Services informed the Administrator of Veterans Affairs of the results of the GSA study. He estimated a potential 10 year savings of \$8.5 to \$12 million in space and equipment costs and \$2 million in overhead if GSA assumed responsibility for storing and servicing the claims folders stored at the VA St. Louis records center. GSA, however, deferred any decision on the future disposition of the VA records center until VA could respond to the GSA study.

We did not validate GSA's estimated savings because they were generally consistent with our own observations of the substantially higher costs to operate the VA records center. Further, they were based in part on an in-depth GSA Public Buildings Service study of options for upgrading the VA center so that it would meet fire and safety standards and provide additional space to meet projected VA requirements.

After considerable correspondence between GSA and VA officials, GSA, in January 1978, agreed to further defer action on the VA center. This was to give VA the opportunity to study and develop options for improving the management of its claims folders and other records stored in its St. Louis records center. On August 11, 1978, the Administrator of Veterans Affairs advised GSA of the results of VA's study and of his decision to continue operating the St. Louis records center.

In its August 1978 letter, VA proposed realigning its filing system with a projected space savings of \$238,000 annually. Further, VA sent 50 million premium record cards to GSA as a direct result of its study, releasing 12,200 square feet of storage space.

Because VA's proposed course of action was not taking full advantage of the potential for savings previously identified and because of deficiencies in its 1978 study, we issued another report to GSA and VA, in October 1978. 1/

We advised the Administrator of General Services that we believe the VA facility is a records center as defined by law (44 U.S.C. 2901(6)). The work performed at the center is the same as "servicing" of records stored in a records center. Thus, under the law (44 U.S.C. 3103), continued operation of the VA center requires the approval of the

1/ Letters to the Administrator of General Services and the Administrator of Veterans Affairs (LCD-78-128-I and II, October 13, 1978).

Administrator of General Services. We recommended that GSA evaluate VA's claims folder study and determine whether the claims folders should be transferred to a GSA operated center. We also recommended that, pending a decision on the future of the center, GSA should delay any modifications or repairs of the St. Louis facility which would be unique to its continued operation as the VA records center. We further recommended that VA take steps to assure an orderly transfer of the records center functions to GSA if the center is not approved.

Since our October 1978 letter, VA has proceeded with realigning its filing system at the St. Louis center to improve the storage of its claims folders. On November 17, 1978, VA asked for GSA approval of its records center and asked GSA to proceed with the planned renovations. On January 8, 1979, GSA denied VA's request. In his letter, the Administrator of General Services concluded that it would be cost-effective to transfer the 13 million inactive VA records to GSA; annual overhead savings were estimated at \$1 million and GSA estimated one-time savings of about \$1.3 million in modifications of the St. Louis center. Further, GSA noted that the Government-owned space occupied by VA could be used by agencies occupying leased commercial space in the St. Louis area, at a savings of about \$1.3 million a year.

Because VA and GSA could not reach a mutually satisfactory agreement on the VA center, GSA asked the Office of Management

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and Budget (OMB) to resolve the issue. OMB responded to GSA on March 19, 1979, that for "programmatic reasons" the VA records should remain at VA's records center, but steps should be taken to improve VA's use of the space. OMB also directed that repairs and fire safety improvements at the center should not be held in abeyance. On April 20, the Acting Administrator of General Services advised us of OMB's decision and said the decision precludes further action on our October 1978 report.

As stated in Mr. Staats' April 10 testimony before the Subcommittee on Special Investigations, House Committee on Veterans Affairs, we do not agree with OMB's decision favoring continued operation of VA's St. Louis records center. We continue to believe that most, if not all, of the claims folders stored there can be transferred to a GSA center without any deterioration in service.

A key issue which I will now address is the basis for OMB's decision to approve continued VA operation of its St. Louis records center. OMB made an analysis of the potential savings which would result from transferring operation of the VA records center to GSA. However, as noted in your April 26 letter, OMB's decision was made for "programmatic" rather than financial reasons. The OMB study confirms GAO's and GSA's belief that savings can result from transferring the VA claims files, but it does not discuss the programmatic reasons for approving the VA center.

The OMB staff involved in the study advised us that their decision was based primarily on the increased adjudication workload which VA told them would be imposed on the VA St. Louis records center by the Veterans and Survivors Pension Improvement Act of 1978, which took effect on January 1, 1979. Adjudication involves determining whether a claim should be awarded or disallowed, and determining the amount of the award. A 1978 VA report on its St. Louis records center notes that the center never renders any adjudicative type determinations as to a veteran's entitlement or non-entitlement to VA benefits. Our earlier work revealed that such determinations are referred from the center to VA's St. Louis Regional Office for handling.

Because the OMB decision to retain the VA center was primarily based on the adjudication procedure, we revisited the VA center to see if the 1978 Act changed the records center's operations. Based on discussions with VA officials and a review of center employee position descriptions, we found that the Act does not change the records center's practice of returning folders to the St. Louis Regional Office for adjudication. We have advised OMB that their decision was based on misinformation.

The adjudication team which works with the VA center's claims folders is located at, and under the control of VA's St. Louis Regional Office. The team processes a variety of

one-time adjudicative actions which are beyond the authority of the records center staff. From May 1, 1978, through April 30, 1979, the center referred 36,672 cases to the adjudication team. Claims folders are hand carried daily from the center to the St. Louis Regional Office and back to the center. Such service could be provided by the GSA records center in St. Louis.

→ The question remains whether VA should continue to operate the St. Louis center for programmatic or other reasons. Approximately 13 million of the 14 million claims folders at the VA records center are essentially inactive records. The principal activity on ^{the inactive} ~~these~~ records is for updates, such as changes of address or requests for information. The folders, of course, can be reactivated at some future date when the veteran again applies for benefits. If this happens the claims folders are returned to a VA regional office.

About 1 million active claims folders with low reference rates were relocated in 1973-74 from VA regional offices to the VA center under a one-time project to relieve critical space problems at VA regional offices. These folders are interfiled with other folders in the center and involve ongoing benefits payments.

The VA in 1978 conducted an analysis of the claims folders in the center to determine their activity. They found that for

89 percent of all the claims folders, the last recorded regional office action was prior to 1972. In addition they found that for 80 percent of the active folders the last action was also pre-1972. Thus, it is clear that most of the claims folders at the VA center are inactive records.

A key concern of VA officials is the ability to provide timely service to the veteran. GAO recently reported on ways VA can improve in this regard. 1/ However, timely file reference service can be provided by GSA. For comparison purposes we analyzed services provided by GSA records centers. Our analysis showed that for Internal Revenue Service and Social Security Administration records requests requiring 24 hour services, GSA was almost always meeting this goal. Thus, we believe the timeliness of GSA service is comparable to the timeliness at VA's records center.

VA provides overnight return of claims folders to its regional offices. This is done by using air freight to send the folders to each regional office on a daily basis. The same mail service can be used by GSA.

VA contends that its records center is an integral part of its operations and that VA employees understand the claims processing procedures and can provide services GSA cannot

1/ The Veterans Administration Can Reduce the Time Required to Process Veterans and Survivors Initial Claims for Benefits (HRD-79-25, Dec. 27, 1978).

provide. As noted previously, in its July 1977 study, GSA stated it could assume the VA functions. GSA now stores and services 16.5 million of VA's folders on veterans who have died. Further, VA requires information from military personnel records maintained by GSA to process its claims. Since GSA stores and services about 90 million of these records, it is familiar with VA requirements and veterans records.

Admittedly, familiarity with records permits quicker access to information contained in them. The employees of the VA records center possess that familiarity. However, there is no need for this familiarity to be lost since some staff positions and staff usually accompany the transfer of an agency records center to GSA. Thus, we believe adequate arrangements can be made to satisfy VA's requirements and to provide continued, high quality service to the veteran, while achieving the savings available by transferring the VA records to a GSA center.

The Office of Management and Budget
cost analysis of the Center's services conclusion
Mr. Chairman, as requested, we have reviewed OMB's cost analysis. As previously noted, OMB's decision was not based on this analysis but on VA's contention that its St. Louis records center performs claims adjudication functions. OMB concluded that GSA could store and service VA's folders at less cost. We agree, but unlike OMB, we do not believe that *However* there are valid programmatic reasons to continue to have VA operate its St. Louis records center.

Mr. Chairman and Members of the Subcommittee, service to our nation's veterans is of as much concern to us as I am sure it is to you. I hope the information we have presented here today will be evaluated with that in mind. Another important concern, however, ^{as to} is whether the dollars spent in providing needed services are spent in the most judicious manner possible. We believe the transfer of VA's inactive records to GSA for storage and processing is an appropriate response to this concern.

This concludes my statement. We will be pleased to respond to any questions you or other members of the Subcommittee may have.