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STATEMENT OF
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DEPUTY DIRECTOR
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BEFORE THE
SUBCOMMITTEE ON SPECIAL INVESTIGATIONS
HOUSE COMMITTEE ON VETERANS' AFFAIRS
ON TRANSFERRING VETERANS ADMINISTRATION
VA RECORDS CENTER ACTIVITY TO THE
GENERAL SERVICES ADMINISTRATION

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We are pleased to be here today to discuss our work relating to the proposed transfer of the VA Records Processing Center in St. Louis, Missouri, to the General Services Administration. To help put this issue, and GAO's role, into perspective, I would first like to provide some background information on our work on Federal records storage practices and at the VA center.

In early 1977 we conducted a general study of Federal records storage practices, including records stored at GSA records centers, agency offices and records holding areas, and agency records centers. 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.

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

- The education, disability, and pension claims folders stored at the VA center had no activity for at least one year before they were transferred from VA regional offices.
- The costs to store and administer records at the VA center were substantially higher than comparable costs at GSA centers.
- The VA center did not have a sprinkler system for fire and safety protection.

--VA had requested about 165,000 square feet of additional 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, together with VA, should evaluate the VA center operations and determine whether or not the 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.

A GSA study team which visited the VA records center in July 1977, 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 GSA team also 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 to a 5 to 1 ratio at Federal records centers.

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 being performed at GSA records centers and could be assumed by GSA at a lower cost.

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

We did not attempt to 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 that based on VA's study he had

decided to continue operating the St. Louis records center. VA also 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, we wrote again to GSA and VA, in October 1978. 1/

We advised the Administrator of General Services that, in our opinion, the VA facility was a records center as defined by law (44 U.S.C. 2901(6)). The work performed at the center was 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 Administrator of General Services. We recommended that GSA evaluate VA's claims folder study and determine whether VA should be granted approval to continue to operate the center or whether the claims folders should be transferred to a GSA operated center. Pending a decision on the future of the center, we also recommended that GSA delay any modifications or repairs of the St. Louis facility which would be unique

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

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 continued operation of the center is not approved.

VA 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 GSA to approve its records center and to proceed with the planned renovations. In denying VA's request on January 8, 1979, the Administrator of General Services concluded that it would be cost-effective to transfer the 13 million inactive VA records to GSA. GSA estimated annual overhead savings of \$1 million and one-time savings of about \$1.3 million for facilities modifications at 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 and Budget to resolve the issue. OMB made an analysis of the potential savings which would result from transferring operation of the VA records center to GSA. The OMB study confirmed GAO's and GSA's position that savings can be achieved by transferring the VA claims files. Despite this, however, OMB responded to

GSA on March 19, 1979, that for "programmatic reasons" the VA records should remain at VA's records center. OMB also directed that steps be taken to improve VA's use of the space, and that repairs and fire safety improvements at the center not be held in abeyance. The Acting Administrator of General Services advised us that the decision precluded further action on our October 1978 report.

In testimony before this Subcommittee on April 10, 1979, the Comptroller General said that we do not agree with OMB's decision favoring continued operation of VA's St. Louis records center. In our opinion, OMB relied on misinformation in making its decision.

The OMB staff involved in the study advised us that their decision was based primarily on the increased claims 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.

A 1977 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.

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.

Because the OMB decision to retain the VA center was based primarily on the adjudication workload, 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 did not change the records center's practice of returning folders to the St. Louis Regional Office for adjudication. When advised of our findings, OMB said it would reconsider its position on the matter.

The question remains whether VA should continue to operate the St. Louis center for programmatic or other reasons.

To relieve critical space problems at VA regional offices, about 1 million active claims folders with low reference rates were relocated to the VA center in 1973-74. These folders are interfiled with other folders in the center and involve ongoing

benefits payments. However, the remaining 13 million claims folders at the VA records center are essentially inactive records. The principal activity on 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 if the veterans again apply for benefits. When this happens the claims folders would be returned to the VA regional offices.

In 1978 the VA analyzed the activity of the claims folders at the center. 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 currently inactive records.

A key concern to VA officials--and, I'm sure to the Members of this Subcommittee--is the need to provide timely service to our veterans. GAO is well aware of the importance of timely service, and has recently reported on ways VA can improve in this regard. 1/ However, GSA has demonstrated its ability to provide timely file reference service. For example, our tests

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

showed that GSA was almost always able to provide 24 hour service on requests for Internal Revenue Service and Social Security Administration records. In our opinion, the timeliness of GSA service compares favorably with the timeliness of service at VA's records center.

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

Admittedly, the employees of the VA records center are quite familiar with the kinds of records stored there. This permits quick access to information contained in them. However, there is no need for this familiarity to be lost since some staff positions and personnel usually accompany the transfer of an agency records center to GSA. Thus, we see no reason why adequate arrangements could not be made to meet VA's access requirements and provide continued, high quality service to

the veteran, while achieving the savings available by transferring the VA records to GSA.

As you know, a bill has been introduced (H.R. 1245) to authorize continued operation of VA's records center. On May 25, 1979, we advised the Chairman of the House Veterans Affairs Committee of the potential for savings if the records are transferred to GSA and pointed out that the loss of these savings should be considered when the Committee evaluates this bill. We recognize, of course, that ultimately the Congress must decide whether any benefits which may be derived from VA's storage of these records justify the added cost involved. We hope that our comments on the bill, together with our testimony today will be helpful in making that decision.

The Federal Government has realized significant benefits from the operation of GSA's records centers since they were first authorized in 1950. At that time, over 5,900 Federal employees were engaged in records storage and service activities at more than 300 separate agency storage locations. While the volume of records stored has about tripled since then, these functions are now performed at 15 GSA centers and 5 agency centers with about half the storage space and with about 4,800 fewer employees. Therefore, we believe it is essential that nothing be done to diminish GSA's important leadership role concerning Federal records storage

practices or its ability to provide efficient and economical records storage and service for the Government.

If a decision is made to permit VA to continue to operate its St. Louis center, we believe the decision should be periodically reassessed to take into account any changes in conditions which might justify a different, and possibly more cost-effective, approach sometime in the future.

Mr. Chairman and Members of the Subcommittee, service to our nation's veterans is of great concern to us and I am sure it is to you. Of course, an important role of the General Accounting Office is to provide information and suggestions to the Congress and to agency officials on opportunities to deliver needed services in more cost-effective ways. The transfer of VA's inactive records to GSA for storage and processing appears to be such an opportunity.

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