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REPORT BY THE U.S.

General Accounting Office

Delays In GSA's Process For Contracting For Architect/Engineer Services

GSA takes longer to award architect/engineer contracts for construction and major repair and alteration projects than other Federal agencies GAO reviewed. Delays occur at almost all phases in the award process, with frequent revisions to the scope of work being the primary cause for delays. Due to inflation, delays in awarding contracts for architect-engineer services increased construction, repair, and alteration costs.

GSA's efforts to improve the architect/engineer process should shorten the time to award contracts. GAO endorses these efforts and encourages GSA to continue to improve the architect/engineer process.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

B-208691

The Honorable John L. Burton
Chairman, Subcommittee on Government
Activities and Transportation
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

Your March 3, 1981, letter, asked us to investigate an allegation made by a General Services Administration (GSA) official that it takes GSA too long to award architect/engineer (A/E) contracts for new construction and major repair and alteration projects and, as a result, incurs increased construction costs of 1 percent for each month of delay.

We found that GSA's A/E procurement process, from the time GSA publicly announces its intention to contract until the time it awards the contract, is more time consuming than the processes of the Army Corps of Engineers, the Naval Facilities Engineering Command (NAVFAC), or the Veterans Administration (VA). Further, this time period exceeds milestones GSA establishes for each project.

We reviewed 19 A/E contracts--14 repair and alteration and 5 new construction--awarded by GSA's National Capital Region and Region 9. We found that GSA took an average of 17.9 months to award the repair and alteration contracts--almost three times its goal of 6 months--and 14.5 months to award the new construction contracts--more than double its goal. The average time taken to award all 19 contracts was 17 months.

In comparison, the Corps took an average of 9.3 months to award 12 contracts, NAVFAC 6.9 months to award 13 contracts, and VA 13.7 months to award 6 contracts.

We could not identify the specific additional costs caused by GSA's contracting delays on the projects we reviewed. However, Government and private professionals told us that, due to inflation, delays increase construction, repair, and alteration costs.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether GSA's procurement time frame was excessive and whether GSA was incurring extra costs.

We performed our review at GSA's Central Office, its National Capital Region, and its Region 9 in San Francisco, California. At GSA headquarters, we interviewed officials from the offices that in some way affected the timely processing of A/E contracts. These offices included the Office of Budget, Office of Acquisition Policy, Repair and Alterations Division, Office of Design and Construction, Office of Contracts, and the Inspector General's Office. In the regions we interviewed officials responsible for A/E procurement in the Repair and Alterations, Design and Construction, and Contracts Divisions.

We reviewed the procedures for identifying projects, requesting funds, scoping the project, and contracting. We also compared these procedures with the requirements of the Brooks Act, which sets the policy for selecting architects and engineers. We traced 19 A/E contracts through these procedures to determine how long it took GSA to process the contracts. We also identified GSA's efforts to improve the A/E procurement process, including two management studies on the process.

Our sample of contracts reviewed at GSA included 14 of 15 A/E contracts for major repair and alteration projects in the National Capital Region and Region 9 awarded from 1979 to 1981. We did not review one contract because the files were not available at the time of the review. In order to get a larger sample of new construction contracts, we selected five A/E contracts awarded by the National Capital Region and Region 9 from 1978 to 1981. If the two contracts that were awarded in 1978 were deleted from our sample, the average award time would increase from 510 days to 540 days.

Because you were concerned about delays relating to A/E contracts for new construction and major repairs and alterations, our sample did not include A/E contracts relating to appraisals, supplementals, space planning, and other small dollar A/E service contracts.

Since GSA has no formal criteria for estimating how long each procurement step should take, we examined the Corps', NAVFAC's, and VA's contracting procedures and time frames to see how they compared with GSA's. We limited our review to agency

projects that were similar to the ones awarded by GSA, that is, construction of or repairs and alterations to office buildings, warehouses, or similar type buildings. We excluded projects related to special agency uses, such as military functions.

GSA'S CONTRACTING FOR A/E SERVICES

From 1978 to 1981 GSA awarded 347 contracts for A/E services ranging from energy studies to designs of Federal office buildings. Of the 347 contracts, 104 were for repair and alterations and 14 were for new construction. (App. I lists the various types and number of contracts awarded.) The costs of the A/E contracts awarded for repair and alterations (35 contracts) and new construction (6 contracts) in the two GSA regions we visited totaled \$9.6 million. Project construction costs related to these A/E contracts were \$154 million.

GSA established A/E procurement procedures that comply with the Brooks Act requirements. GSA did not set time standards for accomplishing each of the various A/E procurement processing steps, but it did set milestones for each project.

Even with these individual project milestones, we found that GSA took much longer than other Federal construction agencies to contract for A/E services. Consequently, GSA may have spent more than it should have for its projects or had to reduce the project scope when additional funds were not available.

REASONS FOR DELAYS

GSA has encountered various problems in A/E contracting that have delayed project construction. As shown in appendix II, delays on the projects we reviewed occurred in almost all phases of the A/E procurement process. Our review indicates that the primary reason for delays on most projects is GSA's difficulty in assuring the proper scope of work. Seventeen of the 19 projects we reviewed were delayed because GSA revised the scope during the A/E procurement cycle. Appendix III gives the reasons by project for delays in GSA's A/E procurement process.

Scope revisions

Scope revisions were made because the scope had been poorly developed, the funds allocated a project were not sufficient to meet the scope prepared, such factors as previous alterations had not been considered, statements of need were inaccurate, or the agency which planned to occupy the building changed its mind.

For example, GSA officials for the repair and alteration project for Building 159 at the Navy Yard Annex in Washington, D.C., based the proposed scope of work on two old project requests that were included on the current building manager's statement-of-need list. The outdated requests did not reflect subsequent building changes that GSA should have considered in preparing the project scope. As a result, GSA had to revise the scope during the procurement cycle.

Some scoping problems may have been aggravated by GSA's failure to assign staff solely for A/E procurement, including scope development. GSA officials stated that they could not assign staff solely for A/E procurement because of the small number of A/E contracts processed each year in each region. As a result, the A/E procurement function is only one of several duties performed by GSA staff members. Often, the other duties assume a higher priority and work on scope development is adversely affected because not enough time is allocated or the necessary detailed work is postponed.

In contrast, the Corps of Engineers and NAVFAC are able to assign staff for A/E procurement because they process a large volume of A/E contracts each year. For example, in 1981, the Corps processed 2,652 contracts, 7 times the number of A/E contracts GSA processed in the last 4 years. NAVFAC processed 973 contracts in 1981, almost 3 times as many as GSA did in the last 4 years.

Some of the problems associated with scope development are caused by events over which GSA has little control, such as the customer agency changing its requirements, the site not being available when needed, and Government reorganizations. Some examples follow.

The scope for the Naval Oceanographic Building in Suitland, Maryland, called for the renovation of the building after the Naval Oceanographic Office and elements of the Defense Mapping Agency moved out to provide adequate housing for various other Federal agencies. At that time the Department of Defense (DOD) had no plans to fill the space with other defense-related organizations. However, the President's decision in 1978 to house the Department of Energy in the Forrestal Building caused DOD to change its mind. The decision required that several small DOD activities be relocated from the Forrestal Building in Washington, D.C., to the Hoffman Complex in Alexandria, Virginia. To free space in the Hoffman Complex, DOD decided to move the Naval Intelligence Command to the Oceanographic Building. As a result, the scope for the Oceanographic Building had to be changed, resulting in almost a 2-year delay in contracting for A/E services for the required renovation.

GSA also encountered a delay in contracting for A/E services for the renovation of the Pasadena Federal Center because the U.S. Courts, the primary user of the building, had not approved the space layout drawings for their space. All activity on the A/E contract was suspended until the Courts and GSA could reach an agreement. By the time an agreement was reached, the suspension had added 98 days to the contracting period.

The Corps and NAVFAC do not experience as many problems with the customer changing its mind because their projects usually result from a specific need and the scope is usually prepared by the customer with assistance from Corps or NAVFAC engineers. Also, the possibility of excessive changes being introduced is limited because the Corps and NAVFAC take a relatively short time to contract for A/E services.

Delays indirectly related
to scope revisions

The problems associated with scope development have also contributed to delays in other aspects of the procurement cycle, such as obtaining funds, preparing cost estimates and fee proposals, and completing negotiations. If GSA prepares a scope that is more extensive than originally planned for, a delay could result because the user agency or GSA has to go back and acquire additional funds for the project before proceeding with the A/E contracting. GSA cannot prepare cost estimates until it knows the scope and the A/E contractor cannot prepare a fee proposal until it receives the scope. Negotiations cannot be completed because neither side knows what the project is to be.

For the Border Patrol Station, Chula Vista, California, GSA encountered an 87-day delay between the A/E selection notification (January 15, 1980) and the request for fee proposal (April 11, 1980). Region 9 officials stated that a funding problem had caused a scope reduction at that point. The Immigration and Naturalization Service initially provided \$1.7 million but later reduced this amount by \$800,000. Thus, the work requested exceeded the funds available, and the project was delayed while the work scope was reduced to remain within available funding. However, on September 28, 1981, the Service certified that an additional \$975,000 now needed because of the delay was available for this project and most of the previously deleted work could be performed.

For the heating, ventilating, and air-conditioning work to be done at the National Capital Region Building, GSA had estimated at the beginning of negotiations in January 1980 that the project cost would be \$2.5 million. By April, as

the negotiations continued to drag on, the contractor and GSA finally agreed that GSA had underestimated the number of hours required for portions of the work. By the end of May, the final scope of work with the various deletions was estimated to cost \$3.4 million.

Because GSA encountered significant delays in completing the scope for the repair of the GSA central steam distribution system in Washington, D.C., negotiations were suspended in August 1979 until the contractor could be furnished a final scope and the contractor, in turn, revise the fee proposal. In addition, a problem developed in funding the project, so GSA again suspended negotiations in October 1979.

By the time all scoping and funding problems had been resolved, it had taken until October 1980 to conclude negotiations with the A/E.

Other delays

Delays other than those related to scope development included GSA's delay in choosing the A/E selection panels or finalizing the panels' work, obtaining the Administrator's approval of the contract, and clearing the proposed contract through the Office of Contracts.

An example of these other types of delays was clearly demonstrated in GSA's efforts to obtain an A/E for the Forrestal Building alterations. In selecting the top A/E firm for the project, GSA took over 180 days from the time it received the responses to the Commerce Business Daily announcement until it requested the fee proposal from the top firm. The primary cause of the delay was a disagreement between the selection panel and the procurement Branch Chief over the firm selected. The Branch Chief believed that the firm selected should not have been considered because of the work the firm already had. The selection panel believed that it had properly considered this fact and that the selected firm was still the best one. Because of the disagreement, a new GSA policy on the amount of work was established. Even with the new policy, the selection panel chose the same firm.

DELAYS ARE COSTLY

We could not identify the specific additional costs caused by GSA's contracting delays on the projects we reviewed. However, GSA, Corps, and NAVFAC officials and A/E contractors told us that delays in the A/E contracting process increased the cost of construction, repairs, and alterations in direct proportion to the rate of inflation, that is, about 1 percent

each month when the inflation rate is 12 percent. They stated that the cost increase would fluctuate with any change in the inflation rate.

GSA has attempted to identify the extra construction costs incurred because of delays encountered in A/E procurement. For the extension to the Federal Archives and Records Center at San Bruno, California, GSA officials estimated that the 1-year delay in selecting the A/E and awarding the contract caused the building cost to increase by about 1 percent a month for a total of \$310,000. Planned construction of one building wing was postponed as a result. For the Department of Health and Human Services' North Building in Washington, D.C., GSA officials estimated that a 5-month delay in receiving the fee proposal cost \$2,200 a day, or a total of about \$330,000.

GSA'S EFFORTS TO IMPROVE
PROCUREMENT PROCESS

GSA officials we interviewed agreed that GSA's A/E procurement process takes too long and pointed out several actions GSA has taken or is planning to take to improve the process. These include:

- Setting a design milestone schedule for each project that can be changed only with the Design and Construction Division Director's approval.
- Raising the threshold level from \$100,000 to \$350,000 for contracts requiring Office of Contracts review.
- Initiating a scope development monitoring report system.
- Reducing the number of visits to a site to determine what is needed. All concerned now meet at one time to complete the scope and estimated cost of the project.
- Holding a prenegotiation meeting on one project with the selected A/E to better define the scope. A GSA official said that this meeting had positive results and that the region plans to hold similar meetings for future A/E design procurements.
- Eliminating the Public Advisory Panels from the selection process and substituting an in-house panel.
- Eliminating the requirement for the GSA Administrator to approve A/E selections.

In addition to these changes, a proposal is being developed that GSA officials hope will shorten the time frame required

for scope development. Two of the more important points of this proposal are:

- To assure continuity of effort and to avoid costly delays, a design project team will be set up for each project. This team will be responsible for all duties relating to the project, such as scoping, estimating costs, and preparing contract documents.
- Three weeks before the scope due date, the project office will convene a project development meeting to facilitate the timely completion of the scope.

The proposal is to provide a more structured means of developing scopes and a system to control and track revisions.

MANAGEMENT STUDIES

In addition to the above efforts to shorten the A/E procurement process of the repair and alteration process, the Commissioner of the Public Buildings Service in late 1980 requested that two studies be made. One study was to identify ways to shorten or improve the delivery of repair and alteration projects and, as part of that, the A/E procurement process. The second study addressed only the A/E procurement process for all types of projects. Both of the May 1981 resulting reports are draft documents and the implementation or rejection of the studies' recommendations has not been completed. A limited number of recommendations have been implemented, others have been partially implemented, a few need legislative action, while most of them have been designated for further review.

The first study made 35 recommendations intended to improve the process for completing repair and alteration projects. Although most of the recommendations covered other procedures in the repair and alteration process, some did address the problems being encountered in the A/E procurement process. Included were recommendations to

- start the A/E selection process after review and approval of the prospectus or after the Office of Management and Budget determines the level of funding for the repair and alterations program,
- use just one A/E to design entire projects even when the project is funded over more than 1 year,
- raise the current fee proposal audit requirement threshold,
- reduce the number of project authorizations for each project, and

- reduce and streamline administrative procedures in contracting for A/E services.

The second study, which addressed only the GSA A/E procurement process, contained 38 recommendations for improvement, including

- establishing a rigorous procurement planning, scheduling, and control system at the regional level, which would provide current and advance information to all involved in A/E procurements, and regular reporting to management of all A/E procurements;
- establishing a regional A/E contract priority ranking system for all A/E procurements;
- developing a training program for officials designed to improve cost estimating, cost and price analysis, and fee negotiation; and
- starting the negotiation process before the audit is completed, thus providing for concurrent processing.

OTHER AGENCIES' PROCEDURES

Although the Corps', NAVFAC's, and VA's basic A/E contracting procedures are similar to GSA's, the three agencies did not take as long to process the projects we selected for review. (See app. IV.) Their procurement time frames were shorter than GSA's time frames. The reasons for this included

- using prenegotiation meetings,
- limiting the A/E selection time frame from receipt of responses to request for proposal to 30 days in total,
- allowing only 14 days to receive responses to the announcement, and
- permitting the A/E to begin work when a firm price has been set.

Although we did not analyze the agencies' contracting procedures, we did identify some differences that GSA could adopt to shorten its procurement time frames. These include limiting the time between the receipt of responses and the notification to the selected A/E firm to a maximum of 30 days, assigning a project manager who not only is responsible for the project but who also has the authority to take necessary actions to facilitate the procurement process, and conducting prenegotiation meetings with the selected A/E firms and customer agencies.

CONCLUSIONS

GSA's problems with scope development significantly delayed most of the projects we reviewed. Although the scope is supposed to be completed early in the procurement cycle, usually before the Commerce Business Daily announcement, GSA has not always been able to do this. Even in those cases where a scope is available, it often has to be revised during the procurement cycle. Because GSA makes numerous revisions to its project scopes, it encounters severe delays in the A/E procurement process.

GSA does not have adequate procedures to ensure that the various steps in the procurement process are accomplished promptly. GSA only recently has begun setting procurement milestones for its projects, but even with these, GSA has not taken sufficient actions to ensure that the milestones set are met.

Included in GSA's efforts to improve the A/E procurement process are two management studies that recommend steps that can be taken to improve the A/E procurement process. However, the studies have not been completed and presented to top management for consideration and action.

AGENCY COMMENTS AND OUR EVALUATION

The GSA Deputy Administrator, in a June 28, 1982, letter (see app. VI), commented on a draft of this report and advised us that GSA agreed that it can improve its A/E procurement process.

In our draft report, we proposed that the Administrator direct two management studies be completed so that appropriate action could be taken toward implementing or rejecting the proposed recommendations.

GSA, in its comments on our draft, stated that the two management studies' draft reports are working documents which are being used as a catalyst in the ongoing process of change within the Public Buildings Service. The process of implementation has begun and changes have been made. Also, draft legislation is being developed to implement some of the studies' recommendations.

Our review showed that 26 percent of the study recommendations had been implemented, were being implemented, or had legislation proposed; 15 percent were being studied; and 59 percent had been referred for further study to a task force to be established. Because GSA is taking some actions, we are not making a recommendation on this matter. However, we encourage GSA to continue its efforts to implement those recommendations it has designated for further study.

We also proposed in our draft report that the Administrator require GSA A/E procurement officials to meet with Corps and NAVFAC officials to determine ways in which GSA could improve the A/E procurement process.

GSA said that its officials have met at length with the two agencies mentioned, along with other agency officials, in the course of the Public Buildings Service A/E Procurement Study to streamline A/E procurement. Further, we were told that GSA officials are in communication with officials of the Committee on Federal Procurement of Architect-Engineer Services, which includes representatives from the major A/E professional organizations.

Based on the information we reviewed concerning these meetings and on discussions held with the other agencies addressed in our report, we do not believe that GSA went into enough depth on how to minimize the various administrative and other delays in the procurement process. As a result, these differences have not been adequately considered in GSA's efforts to reduce its procurement time frame. GSA's primary effort has been directed to (1) identifying ways to justify the need for advanced design funding by the Congress or (2) changing threshold levels for approvals of preaward audits. A detailed step-by-step analysis of how to reduce the A/E procurement process was not mentioned in any of the material provided to us for review or in any discussions we had with GSA officials. We believe that GSA should continue its dialogue with the other agencies with emphasis on adopting procedures that could further help shorten or improve the A/E procurement process.

GSA also commented that it has considered many of the issues addressed in our draft report. Further, GSA pointed out that, although our draft report referred to some of the initiatives GSA had taken, it believed that a more complete description should be included. GSA also believed that our final report should give greater recognition to the constraints GSA faces.

According to GSA, one of the constraints it faced in A/E contracting concerned the Truth-in-Negotiations Act. GSA said that the act established a \$100,000 threshold for required preaward audits on negotiated procurements. GSA claimed that contracts for A/E services were being delayed by many weeks by audit requirements.

Our work does not support GSA's contention. We found that the preaward audit delayed the contract signing in only 1 of the 19 cases in our sample. For the other contracts, the audit was accomplished concurrently with other required actions in the procurement process.

Another constraint pointed out by GSA concerned the length of time it takes to get project prospectuses approved and, as a result, the necessity to update the project after the lengthy delay. In our review, we limited our scope of work to contracts with approved prospectuses and calculated the time frame from the Commerce Business Daily announcement to contract award. However, we did recognize that delays in prospectus approvals caused problems with the project scope and could have influenced the length of time required to contract for A/E services. The Congress is considering proposed legislation amending the Public Buildings Act of 1959, which would raise the threshold for projects requiring an approved prospectus from \$500,000 to \$1,000,000. If this legislation is approved, it could help GSA improve its overall time frame for A/E procurements.

Still another constraint, according to GSA, concerned the fact that GSA does not have advanced design authority. GSA officials state that if GSA had advanced design funding from the Congress, it could start the A/E procurement process before the prospectus was approved. The project design could be completed up to a certain point and after the funds for the construction of the project were approved by the Congress, the design could be completed.

Proposed legislation providing GSA advanced design funding authority has also been introduced in the Congress as an amendment to the Public Buildings Act of 1959. Even if GSA receives advanced design funding authority, it would still use the same time consuming A/E contracting procedure unless major changes are made. But, as GSA officials state, the 17-month process could be initiated while the prospectus was being reviewed and approved.

The list of initiatives on GSA's efforts to improve the A/E contracting process on page 7 of our draft report was intended to be examples, not an all inclusive list of the many actions GSA has taken. However, we have added two changes that GSA expressly pointed out in its comments as having major impacts on the procurement process.

One initiative or change concerned the elimination of the requirement to have the Administrator approve all A/E selections. GSA stated that previously the Administrator took 6 months to approve A/E selections, and that once the regional administrator took over these duties, the process took less than 2 weeks. Only 2 of the 19 contracts in our sample took 6 months to obtain the Administrator's approval of the A/E firm selected. Both of these were part of a group of four contracts that were delayed because GSA was changing its A/E selection approval process, and it was unclear who could approve the selection, the Administrator or the regional administrator.

Even with these four contracts, the average time taken to approve the A/E selection for all 19 contracts was 57 days. If one eliminates the four contracts delayed because of the procedural change, the average was 21 days. Therefore, the change from Administrator's approval to regional administrator's approval saved a little over a month on the average.

GSA stated that there were vast differences between its A/E contracting environment and that of other agencies. We recognized these factors in our report. For example, we state that one of the major causes of delays is the changing of the scope by GSA's client agencies and because DOD builds for itself it does not experience similar delays. Regarding the claim that other agencies are building or altering facilities already on Government-owned sites, we must point out that only 1 of the 19 GSA projects reviewed was delayed by site acquisition problems. The remainder were built on existing Government-owned land or were alterations to existing Government buildings.

Another environmental concern of GSA's was that the other agencies were building specialized and repetitive types of facilities. We have explained in our scope section that the projects contained in our sample were limited to the same type of projects we reviewed for GSA. We eliminated from our sample universe specialized projects or projects that were not similar to those GSA normally contracts for.

GSA also questioned our conclusion that GSA's procurement process took an average of 17 months. GSA believed that we should have included in our time frame computation, contracts awarded for supplementals, appraisals, space planning, and other minor contracts. GSA cited a study it had made that included all types of A/E contracts procured by GSA which showed that the time taken was about 8 months.

We agree that the average contracting time would be reduced if these types of contracts were added to the time frame computation. However, we were requested to address only A/E contracts for new construction and major repair and alteration projects. You were interested in those large dollar projects where any delay in the A/E procurement procedures would cost the Government large dollar amounts. Consequently, as stated in our scope, we limited the contracts we examined to new construction and major repair and alteration.

GSA provided in its comments a list of 10 contracts it believed we should have included in our sample used for calculating the average contracting time frame. Our analysis of the list showed that only one of these contracts met the criteria of our sample. If this contract were added to our sample, the average time frame would be reduced by 1 week. Also, three of the contracts were already included in our sample. We did not include the other six contracts in our sample because

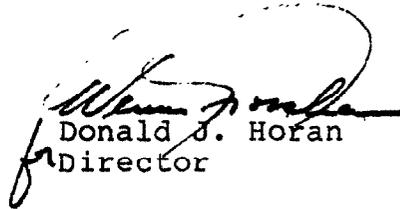
- they were not awarded in our time frame criteria (two contracts),
- they were small dollar amounts (one contract), or
- the projects were not located in the National Capital Region (three contracts).

We have made some changes to the text of the report that reflect some of the GSA comments on the wording of our report. Appendix V contains GSA's comments on the proposals in our draft report and our evaluation of these comments.

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As arranged with your Office, we are sending copies of this report to the Administrator of General Services. Unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of the report. Then, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Donald J. Horan
Director

GSA CONTRACTS FOR ARCHITECT/ENGINEERS1978-81

<u>Type of contract</u>	<u>Calendar year</u>				<u>Total</u>
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	
Contracts awarded by GSA:					
New construction	5	2	1	6	14
Repairs and alterations	30	25	28	21	104
Supplementals	9	56	34	33	132
Energy studies	8	8	8	10	34
Studies and special projects	<u>12</u>	<u>15</u>	<u>7</u>	<u>29</u>	<u>63</u>
Total	<u>64</u>	<u>106</u>	<u>78</u>	<u>99</u>	<u>347</u>
Contracts awarded by the National Capital Region and Region 9:					
New construction	2	1	1	2	6
Repairs and alterations	10	11	9	5	35
Supplementals	5	12	6	12	35
Energy studies	1	3	5	2	11
Studies and special projects	<u>7</u>	<u>2</u>	<u>5</u>	<u>17</u>	<u>31</u>
Total	<u>25</u>	<u>29</u>	<u>26</u>	<u>38</u>	<u>118</u>

LENGTH OF TIME (IN DAYS) BY PROCESSING
STEP TO PROCURE A/E SERVICES FOR
SELECTED PROJECTS

<u>Project</u>	<u>Commerce Business Daily announcement to responses by A/Es</u>	<u>Responses to first screening for top firms</u>	<u>Top firms to project evaluation panel</u>	<u>Project evaluation to selection memo</u>	<u>Selection memo to top firm notification</u>	<u>Top firm to Request for proposal</u>	<u>Request for proposal to fee proposal</u>	<u>Proposal to negotiation</u>	<u>Negotiation to award</u>	<u>Announcement to award</u>
Smithsonian Support	21	13	23	26	6	86	12	32	24	243
Oceanographic	21	35	38	2	50	53	123	497	10	829
Pentagon Kitchen	37	4	22	1	200	1	26	78	37	406
Forensic Science	18	68	18	7	65	96	18	11	30	290
Agriculture South	21	12	20	16	98	62	305	197	30	761
GAO Building	21	17	13	1	20	68	55	262	56	513
GSA Central Heating	14	12	12	14	2	1	302	123	105	585
Building 159	241	20	14	1	209	23	14	29	12	563
HEW North	15	45	1	72	25	104	38	169	45	514
National Archives	21	9	13	1	139	2	17	2	12	216
FOB No. 3, Suitland	21	22	53	11	21	210	24	22	66	450
GSA/NCR	20	15	14	15	13	6	13	115	19	230
Forrestal Building	21	23	138	9	21	569	6	179	17	983
San Bruno	21	35	104	1	83	1	63	80	28	416
Camarillo	21	19	29	1	45	1	24	17	59	216
Menlo Park	21	21	24	19	78	1	83	81	17	345
San Jose	21	27	30	1	28	1	54	653	91	906
Chula Vista	21	14	39	41	29	87	130	80	84	525
Pasadena	<u>24</u>	<u>7</u>	<u>25</u>	<u>16</u>	<u>8</u>	<u>237</u>	<u>25</u>	<u>64</u>	<u>304</u>	<u>710</u>
Average	<u><u>32.7</u></u>	<u><u>22.0</u></u>	<u><u>33.2</u></u>	<u><u>13.4</u></u>	<u><u>60.0</u></u>	<u><u>84.7</u></u>	<u><u>70.1</u></u>	<u><u>141.6</u></u>	<u><u>55.1</u></u>	<u><u>a/510.6</u></u>

a/ Column totals may not add due to rounding.

REASONS FOR DELAYS IN GSA'S A/E PROCUREMENT PROCESS

<u>PROJECT</u>	Agency changes requirements	Other scope revisions	Lack of funding	Poor cost estimates	Lengthy negotiations	Delays in issuing request for proposal	Obtaining A/E proposals	Obtaining Administrator's approval	Delays in panels	Obtaining contract clearance	Others
Smithsonian Support Facility	X	X	X			X			X		
Oceanographic Building	X	X	X	X	X	X	X	X	X		
Pentagon Production Kitchen	X	X						X		X	X
FBI Forensic Science Research Building						X		X	X		
Agriculture South Building		X	X		X	X		X	X		X
GAO Building	X	X	X	X	X	X	X			X	
GSA Central Heating		X	X	X	X		X			X	
Building 159, Navy Yard		X	X	X		X		X	X		X
HEW North Building		X	X		X	X	X	X	X		X
National Archives						X		X	X		
Federal Building #3, Suitland		X				X	X	X	X		
GSA/NCR		X	X	X	X		X				
Forrestal Building		X	X	X	X	X			X		X
San Bruno Archives and Records Center	X	X	X			X		X	X		
Camarillo Correctional Institution	X	X						X	X		
Menlo Park Seismic Resistance Facility		X	X				X	X	X		
San Jose Court House	X	X			X		X		X		X
Chula Vista Border Patrol Station		X	X		X	X	X	X	X		
Pasadena Federal Center		X	X		X	X			X		
Total	<u>7</u>	<u>17</u>	<u>13</u>	<u>6</u>	<u>10</u>	<u>13</u>	<u>9</u>	<u>12</u>	<u>15</u>	<u>3</u>	<u>6</u>

A/E PROCUREMENT TIME FRAME COMPARISON

	Average days taken (note a)			
	<u>GSA</u>	<u>Corps</u>	<u>NAVFAC</u>	<u>VA</u>
From announcement to responses	32.7	14.0	14.0	23.8
Responses to initial screening	22.0	12.6	19.6	27.0
Initial screening to project evaluation	33.2	7.3	60.2	30.5
Project evaluation to selection memo	13.4	14.8	9.5	10.0
Selection memo to notice to top firm	60.0	22.3	7.8	5.3
Notice to top firm to request for proposals	84.7	79.1	18.8	34.0
Request for proposals to receipt of proposals	70.1	25.3	27.5	95.2
Receipt of proposals to negotiations	141.6	33.9	28.6	133.8
Negotiations to award	<u>55.1</u>	<u>68.4</u>	<u>19.8</u>	<u>50.1</u>
Total average time: announcement to award - days	510.6	279.2	205.8	412.8
- months	17.0	9.3	6.9	13.8
Contracts reviewed	19	12	13	6
Average contract amount	\$349,977	\$843,179	<u>b/\$102,189</u>	\$341,830
Total contracts	<u>c/88</u>	<u>d/2,652</u>	<u>d/973</u>	<u>e/64</u>

a/ Columns may not add due to rounding.

b/ Contract amounts are for the initial 35 percent stage.

c/ Average for 1978-1981.

d/ Contracts over \$10,000 for 1981 only.

e/ All contracts for 1981.

GSA'S COMMENTS ON OUR PROPOSALS TO
IMPROVE THE A/E PROCUREMENT PROCESS

The Administrator should have the Commissioner, Public Buildings Service, consider the following potential actions in his effort to improve the A/E procurement process:

GAO PROPOSAL

Contract with A/E firms to prepare scopes when adequate staff is not available. This should be done on a project-by-project basis or by using a supplemental contract with an A/E to prepare a series of scopes. However, we believe that to minimize A/E's "building up" a project scope, the A/E that prepares the scope should not be permitted to compete for the design contract.

GSA comment

On December 16, 1981, all regions were instructed to maximize the use of A/E's, especially supplemental A/E's, in the development of project scopes on repair and alteration projects. An evaluation of the effectiveness of this procedure will be conducted in the first quarter of Fiscal Year 1983. Our selection procedures would minimize any potential conflict.

GAO PROPOSAL

Establish a policy that changes can only be made to the scope up to a certain point, such as the time the request for proposal is sent to the A/E. After that, changes to the scope should be permitted only in emergencies or where a cost benefit analysis shows it will be beneficial to the Government.

GSA comment

Our pre-design programming procedures are used to study agency requirements from a wide range of viewpoints, i.e., work flow, adjacency, duty hours, special needs, thus minimizing changes. A similar recommendation is made in the Public Buildings Service management study on A/E procurement.

GAO evaluation

Because we believe GSA needs to change its predesign procedures and as pointed out in the Public Buildings Services management study, GSA should place further emphasis on this point in revising its procedures.

GAO PROPOSAL

Use predesign and prenegotiation meetings involving the customer, the selected A/E, and GSA to better define the scope, to acquaint

the A/E with GSA's contracting and documentation requirements, and to get a better fix on what it is the customer needs.

GSA comment:

Existing policy encourages negotiation of technical or scope requirements prior to price negotiation; however, a policy revision will require a thorough discussion and agreement on scope by A/E, GSA and client agency, prior to negotiation of price on major projects. The predesign program will help to define the scope more precisely.

GAO PROPOSAL

Establish procedures that will ensure that the information contained on the project authorization documents is what is actually needed.

GSA comment

One of the services to be provided by the A/E used to develop scopes for repair and alteration projects will be to visit projects to verify the need and identify the requirement for proposed design projects. Where necessary, a followup verification will be conducted immediately prior to A/E selection.

GAO evaluation

If this is made a part of the scoping work done by the A/E contractor preparing the scope, we believe that this should help improve the A/E procurement process.

GAO PROPOSAL

Set time frame criteria for accomplishing the various procurement steps, such as the length of time it should take the screening panels to meet and make recommendations. Once these criteria are set, procedures should be established to ensure that the milestones set in accordance with these criteria are enforced.

GSA comment

On February 10, 1982, instructions were issued requiring the further implementation of advance procurement planning in GSA. Specific procurement steps must be time phased for each project. These procedures will be supplemented by general guidelines for average time frames for A/E procurement.

GAO PROPOSAL

Obtain a firm and binding agreement on the amount of funds available before proceeding too far with scope development. Once

the funding is set, GSA should scope the project and quickly provide the customer agency a firm statement of what can be built for the funds available. This should be done before the project is advertised in the Commerce Business Daily.

GSA comment

Through our predesign programing and related planning procedures, we will be better able to demonstrate to clients and ourselves what can be built for available funds.

GAO PROPOSAL

Improve the method of cost estimating by systematically preparing estimates using the building block techniques rather than providing a lump-sum cost estimate. An analysis should be prepared on the cost estimate for each element of the project to come up with the total.

GSA comment

A PBS handbook (Project Estimating Requirements PBS P 3400.5) specifically addressed to this issue, has been in place for over a year, and prescribes the methods for estimating project budgets within the twelve UNIFORMAT categories. In addition, GSA will issue a handbook for estimating A/E design fees, which prescribes methods for developing technical proposals. The last item should have an additional and significant time reduction effect on the procurement process.

GAO evaluation

Although the PBS handbook had been in place, we found that the Cost Estimating Branch did not have sufficient qualified staff, and that adequate direction on what the scope of the project was going to be often had not been furnished to the branch on a timely basis. As a result, full use of the handbook had not been realized, and, may not be realized until such problems are overcome. The new handbook on estimating A/E fees should help the process of cost estimating but until the cost estimating officials are provided with adequate scopes to work with, there will continue to be a problem.

GAO PROPOSAL

Set criteria that would enable GSA to be more flexible and make it easier to terminate negotiations with the number one rated firm and go with the second ranked firm rather than let negotiations drag out over several months.

GSA comment

General guidelines for consideration by the contracting officer in determining when to terminate negotiations will be issued in a change to our contract administration handbook. To set specific time frames for termination of negotiations could unduly hamper the negotiating position of the contracting officer.

GAO PROPOSAL

Consider the possibility of consolidating the A/E procurement functions, including scoping and contracting, into a centralized operation, or at least reducing the number of regions handling A/E procurements to two or three strategically located regions. This would enable GSA to dedicate staff for only A/E procurement and not have other demands placed upon them.

GSA comment

We are studying a possible realignment of design centers in GSA including related A/E procurement personnel including the advantages and disadvantages of any realignment. Since the agency is a service organization, we must weigh any organizational change based upon improved service to our clients.

GAO evaluation

We have discussed some of the actions GSA is considering on realignment. Some of GSA's proposals are in line with ours.



General
Services
Administration

Washington, DC 20405

JUN 28 1982

Honorable Charles A. Bowsher
Comptroller General of the United States
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Bowsher:

Thank you for the opportunity to comment on your draft report to the Congress entitled "Delays in GSA's Process for Contracting for Architect-Engineer Services," (Code 945808) dated May 1982. We agree with your basic premise that this agency can improve its A-E procurement process.

Many of the issues addressed in your draft report have been considered in our own reviews of this program and have been documented in our draft report "The GSA Architect-Engineer Procurement Process: An Analysis and Improvement Recommendations." Implementation of several of the recommendations contained in that report, i.e., raising contract clearance thresholds, contracting with A-E's to develop scopes for alteration projects, increased use of predesign programming procedures to develop scope, has improved the timeliness of the A-E procurement process. Although your draft report makes reference to some of the initiatives that we have taken, we feel that a more complete description of our initiatives should be included.

We also feel that your final report should give greater recognition to the constraints facing us. Most of these constraints do not apply to the other agencies mentioned in the report.

We have provided additional detailed comments in three enclosures. Thank you for consideration of our comments.

Sincerely,

Ray Kline
Deputy Administrator

3 Enclosures

I. GENERAL COMMENTS ON THE PROPOSED REPORT

Legal Constraints Affecting GSA's A-E Procurement Activities

The proposed report would be more useful to the Congress if it addressed the important constraints that affect GSA's operations in A-E procurement. These are legislative in nature and require changes in laws that impact negatively on GSA performance. The major impediments are: (1) the Truth in Negotiations Act; (2) Prospectus Threshold Limits; and (3) Advance Design Authority.

1. Truth in Negotiations Act: The Truth in Negotiations Act established a \$100,000 threshold for required pre-award audits on negotiated procurements. Contracts for A-E services are being delayed by many weeks by audit requirements. The threshold should be raised to \$500,000; this level is presently authorized for the Department of Defense. If this threshold is changed, it would result in an acceleration of the overall A-E procurement process.

2. Prospectus Threshold Limits: The threshold for Congressional approval of prospectuses should be raised from the current \$500,000 to some larger figure to offset the inflationary impact on its programs. Under the current threshold, GSA must obtain Congressional review and approval on the bulk of our repair and alteration workload, including such routine projects as boiler replacement. Consequently, the procurement of A-E services, which is a critical element on the path to timely project completion, is seriously delayed because of current approval requirements. A higher approval threshold for prospectuses would greatly enhance GSA's ability to respond in a timely manner on building projects. Each of the other agencies referenced in the report for comparison purposes has a threshold of at least \$1 million.

3. Advance Design Authority:

The Public Buildings Act of 1959 precludes GSA from accomplishing the design process in advance of Congressional authorization and appropriation of funds for the project. It should be noted, however, that the GSA appropriations act (besides authorizing specific projects) provides that additional projects, for which prospectuses have been fully approved, may be funded if advance approval is obtained from the Committees on Appropriations of the House and Senate.

GSA does not have advance design authority to complete working drawings prior to obtaining Congressional approval. Limited authority was provided for Fiscal Year 1982 to conduct preliminary design development.

Other agencies referenced have some form of advance funding authority as well as funds for A-E services procurement. This allows them to hire an A-E and take design to preliminary working drawings prior to final funding approval. Having similar authority in GSA would greatly assist program performance. Advanced funding authority would remove design from the critical path and reduce overall time for project completion because design and scoping would be complete when a prospectus was approved by Congress.

Environment of GSA A-E Process

The proposed report would be more informative if it addressed the vast differences between the other agencies cited and GSA in terms of operational practices, Congressional oversight and control, and types of work. These all directly affect A-E procurement. The following are but a few of these differences:

These agencies are procuring A-E services for themselves as clients, thus, they can better control changes in scope. GSA builds for other agencies as clients, with some consequent delays created by client-generated scope changes.

Most of the other agencies are building on existing Government-owned sites (e.g., Naval bases), thus eliminating delays caused by site acquisition problems.

These agencies build highly specialized and repetitive types of facilities for themselves as clients (e.g., hospitals). GSA builds a variety of project types for different client agencies. It should be recognized that GSA operates in a more diverse environment with greater uncertainty and potential delaying conditions.

Sample Design and Interpretation

The draft report would be more instructive if it identified the precise rationale for selecting the sampling methods used in the analysis of the GSA and other agency contracts, including thresholds, exclusions, and other variables that affect A-E contracting.

There is a question regarding the data assembled to reach the conclusion that GSA's A-E procurement process took an average of 17 months for the time period indicated. The report does not indicate how the 13 National Capital Region (NCR) A-E contracts were selected by GAO for review. We feel that the 13 contracts do not represent an accurate cross-section of the NCR A-E procurements for the 1978-81 time period. There were other files available which, if included in the review, would have decreased the resultant timeframe (see below). Contracts selected for study were effected during the time period when the Administrator approved all selections. This often took 6 months in the NCR. Once this authority was delegated to the regions, this step took less than 2 weeks, thus reducing procurement time by 5½ months.

The GAO draft gives the impression that it takes 510 days for GSA to hire an architect. A GSA study on A-E procurement reviewed a 100 percent sample of completed contracts over a 2-year period. While the GAO study had a minimum contract level of \$50,000, GSA included all A-E procurements. The majority of A-E contracts entered into by GSA are below the GAO threshold. This more accurately reflects GSA efforts in A-E contracting. Using the premise of averaging durations, the GSA study indicated the average procurement time was 276 days as opposed to the GAO-calculated 510 days. A-E supplemental contracts took an average of only 155 days. Considering these two types together would produce an average time of about 235 days for a procurement.

The following table shows A-E procurements in NCR, not covered in the GAO draft report, which also had significantly shorter procurement cycles.

Additional NCR A-E Procurements
Not Covered in GAO Report

Contract #	Description	Procurement Time in Days
89010	Renovate Courthouse/Alex, VA	339
89012	GSA Depot, A&B/Franconia, VA	374
89013	Chilled Water Repairs/CIA, McLean, VA	164
89018	U.S. Customs House/Baltimore, MD	335
89019	Appraisers Store/Baltimore, MD	336
89022	Renovate FB #3/Suitland, MD	451
89027	Renovate Customs House/Philadelphia, PA	459
89028	Repair & Improvements/GAO Building	337
89029	Forensic Lab/Quantico, VA	291
89055	Renovate Archives/Wash, DC	181
TOTAL TIME FOR PROCUREMENT		3267
AVERAGE TIME FOR PROCUREMENT		326.7
		(Say <u>327</u> days)

327 days = 10.75 months for procurement

The draft report could be made more current if it addressed the significant changes which have been made and are being made in A-E procurement since the audit work was carried out. These have helped to significantly reduce the time required to hire A-E's. As a matter of fact, many of the "potential actions" mentioned in Exhibit 5 of the draft report have already been implemented. Actions taken thus far include elimination of Administrator's approval of the A-E selection; elimination of the Public Advisory Panels; use of supplemental A-E's in scope development; requirement for pre-design programing (i.e., user needs and requirements); requests for advance design funds (the agency has been requesting advance design funds in our appropriations since 1982); and development of A-E fee negotiation handbook.

The draft report references two "management studies" completed during 1981, one of which dealt specifically with A-E procurement. GAO recommends that these "studies be completed in order that appropriate action can be taken towards implementing or rejecting the proposed recommendations." These documents are working documents which are being used as a catalyst in the ongoing process of change within the Public Buildings Service (PBS). The process of implementation has begun and many changes have been made as noted in the text of these comments.

The draft report should point out and emphasize the fact that the A-E procurement process is a changing process over time. As shown above, many changes were made during the audit and after its completion. They have reduced overall A-E procurement time.

II. COMMENTS ON TEXT MATERIAL IN DRAFT REPORT

The following comments are keyed to the respective text page material.

Page 2. Reference to Design and Construction Division and Contracts Division in GSA Headquarters should be changed to Office of Design and Construction and Office of Contracts.

Page 3. As a result of revised GSA procurement planning guidelines, issued after the audit work was completed, each procurement has specific timeframes for each step in the overall procurement cycle, including A-E, in the formal procurement plan. Guidelines for developing A-E timeframes are being prepared for issuance to regional offices.

Page 9. The problem of delays has not been completely eliminated; however, changes in procedures have eliminated Public Advisory Panels and changed appointment procedures for internal selection panels which have substantially reduced delays.

The Administrator has historically delegated contract approval authority. The Office of Contracts approves the contract where clearance is required. All other contracting actions are the regions' responsibility. No significant delays can be attributed to contract clearance procedures. The Administrator of GSA did at one time approve A-E selections. This requirement was eliminated in 1979 resulting in a reduction in time delays.

Pages 11 and 12. In addition to those actions mentioned, GSA has taken the following actions: elimination of Administrator's approval of the A-E selection; elimination of the Public Advisory Panels; using supplemental A-E's in scope development; requiring pre-design programing (i.e., user needs and requirements); requesting advance design funds (the agency has been requesting advance design funds in our appropriations since 1982); and developing A-E fee negotiation handbook.

Page 14. The A-E procurement practices of NAVFAC, US Army Corps of Engineers, and VA are similar to GSA practices as a result of the Brooks Act governing A-E procurement. However, they are different in many important respects including review and approval thresholds, difference in project types, and advance design authority to name just a few. These all have significant bearing on the complexity and timeliness of A-E procurements and must be considered in looking for ways to understand and improve the GSA process.

Page 15. GSA agrees that scope has been a problem and a primary cause of delays in the A-E procurement process. This results, as GAO points out, from many things including client initiated changes. However, it also results from delays in Repair and Alteration prospectus approvals which cause scopes to become obsolete. This creates problems in negotiations with the A-E.

Page 16. With respect to the management studies mentioned, GSA has taken positive actions to implement recommendations of the study, including development of draft legislation.

GSA officials have met at length with the two agencies mentioned along with other agency officials in the course of the PBS A-E Procurement Study to streamline A-E procurement. We are in communication with the officials of the Committee on Federal Procurement of Architect-Engineer Services, which includes representatives from the major A-E professional organizations.

GAO note: GSA's enclosure III has been incorporated directly into enclosure V of this report, and therefore is not attached to these comments.

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