



Health, Education and Human Services Division

B-272207

August 9, 1996

The Honorable Christopher S. Bond
Chairman

The Honorable Barbara A. Mikulski
Ranking Minority Member
Subcommittee on VA, HUD,
and Independent Agencies
Committee on Appropriations
United States Senate

The Honorable Jerry Lewis
Chairman

The Honorable Louis Stokes
Ranking Minority Member
Subcommittee on VA, HUD,
and Independent Agencies
Committee on Appropriations
House of Representatives

The Department of Veterans' Affairs (VA) annual appropriations act for each fiscal year since 1984 has set deadlines for awarding contracts for major construction projects.¹ VA is required to award a construction documents² contract by September 30 of the fiscal year in which funds were appropriated for a major construction project and to award a construction contract by September 30 of the following fiscal year. VA's annual appropriations act also requires

- VA to report to your Committees and the Comptroller General the projects that did not meet these time limits and
- GAO to review the contracting delays of reportable projects for impoundment implications under the Impoundment Control Act of 1974.

¹A major construction project is a project with an estimated cost of \$3 million or more.

²Construction documents are working drawings and other documents necessary for bidding on a construction contract.

VA's fiscal year 1995 appropriation (P.L. 103-327) contained funding for 12 new projects that required construction documents contracts by September 30, 1995. In addition, VA's appropriation for fiscal year 1994 (P.L. 103-124) included funding for 12 projects for which VA was required to award construction contracts by September 30, 1995.

On February 1, 1996, VA reported that, as of September 30, 1995, it had not awarded 10 contracts (for nine major construction projects) with award deadlines of September 30, 1995, or earlier. These delayed awards included

- construction documents contract awards for 6 of the 12 fiscal year 1995 projects;
- construction documents contract awards for 2 of the 12 fiscal year 1994 projects, which had award deadlines of September 30, 1994; and
- both a construction documents contract award and a construction contract award for one fiscal year 1991 project.

To determine whether VA's contract award delays had any impoundment implications, we used the following criteria to assess whether VA had reported all of the project awards it should have reported as delayed:

- projects first funded in fiscal year 1995, with construction documents contracts due by September 30, 1995;
- projects first funded in fiscal year 1994, with construction contracts due by September 30, 1995; and
- projects that were delayed as of September 30, 1994, as we reported in our fiscal year 1994 VA major construction delay report.³

To identify this universe of projects, we reviewed the legislative histories of VA's major construction appropriations for fiscal years 1994 and 1995, and VA's budget requests for those fiscal years. We then identified delayed contract awards by comparing the universe of

³Letter to the Chairmen and Ranking Minority Members, Subcommittees on VA, HUD, and Independent Agencies, Senate and House Committees on Appropriations (GAO/HEHS-95-240R, Aug. 25, 1995).

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required awards with VA's June 1996 status report on all current construction projects. Finally, we compared our list of delayed projects with VA's February 1996 major construction delay report (which covered projects with required award dates through September 30, 1995).

We discussed projects that appeared to be delayed with staff in the Veterans Health Administration's Office of Facilities Management to determine the projects' status and reasons for delays. When VA indicated it had made a contract award after September 30, 1995, we obtained and reviewed award documents. We used this information to determine whether VA had withheld funds from obligation instead of awarding contracts as required by the acts.

We conducted this review during June and July 1996 in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

VA's February 1, 1996, letter to your Committees and the Comptroller General correctly identified 10 awards, for nine major construction projects, for which VA did not award a construction documents or construction contract by September 30, 1995. We also found one additional award that VA should have reported as delayed--a construction contract award for a renovation project at the Waco, Texas, Medical Center. We believe the contracting delays for these projects, as described in the enclosure, do not constitute impoundments of budget authority under the Impoundment Control Act of 1974. In our view, VA has shown no intent to refrain from using the funds appropriated.

Instead, information VA provided indicated that legitimate programmatic considerations caused most of the contracting delays. Common reasons for delays, as cited by VA, included changes in project scope or design and funding of projects before VA had completed design work. VA made one of the 11 delayed awards after September 30, 1995--a construction documents contract for the Mountain Home, Tennessee, medical school relocation project. VA expects to make two additional delayed awards by September 30, 1996:

-- a construction documents contract for the first phase of the new Dallas National Cemetery and

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-- a design/build contract⁴ for the first phase of the ambulatory care clinic project at the Phoenix Medical Center.

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A draft of this letter was reviewed by officials of VA's Office of Facilities Management. The officials generally agreed with the information contained in this correspondence. They also provided some updated information, which we incorporated into the letter and the enclosure.

We are sending copies of this letter to the Secretary of Veterans Affairs; the Director, Office of Management and Budget; and other interested congressional parties. We will also make copies available to others on request.

Gregory D. Whitney was Evaluator-in-Charge on this assignment. Please contact me or him at (202) 512-7120 if you have any questions about this letter. Edda Emmanuelli-Perez, Senior Attorney, and Carlos Diz, Attorney-Advisor, also contributed to this correspondence.



Stephen P. Backhus
Associate Director, Veterans' Affairs and
Military Health Care Issues

Enclosure

⁴A design/build contract is a combined construction documents and construction contract.

MAJOR CONSTRUCTION PROJECTS FOR WHICH
VA DID NOT AWARD CONTRACTS AS OF SEPTEMBER 30, 1995

BREVARD COUNTY, FLORIDA

Type of project: New medical center and 120-bed nursing home

Type of contract: Construction documents

Time limit: September 30, 1995

Estimated award date: Unknown

Reason for delay: In March 1995, VA asked the House and Senate Appropriations Committees for approval to reprogram \$5.5 million into the Advance Planning Fund for this project. VA planned to use most of these additional funds on a design development contract for the medical center and nursing home project.⁵ The Appropriations Committees did not agree to VA's reprogramming request. In a May 1995 letter to the Secretary of Veterans Affairs, the Chairman of the VA, HUD, and Independent Agencies Subcommittee, Senate Appropriations Committee, expressed concerns that the Congress would have difficulty providing construction and operating funds for the medical center and nursing home in fiscal year 1996 and subsequent fiscal years.

Since September 30, 1995, the Congress has significantly changed the Brevard County project's scope. VA's fiscal year 1996 appropriations law (P.L. 104-134), enacted in April 1996, authorized VA to construct a stand-alone outpatient clinic in Brevard County, instead of the medical center and nursing home. In addition, according to the conference report on this legislation, \$7.8 million was appropriated for the clinic project. The House and Senate Appropriations Committees directed that these funds, along with the \$17.2 million appropriated for the Brevard County project in fiscal year 1995, be used to meet the clinic's estimated \$25 million cost. The House and Senate Appropriations Committees also directed VA to proceed with construction of the outpatient clinic as soon as possible.

In its fiscal year 1997 budget request, VA is seeking partial construction funding for the medical center and nursing home project. However, the fiscal year 1997 VA appropriations bill (H.R. 3666), as passed by the House in June 1996 and reported by

⁵In design development, a contractor completes approximately 35 percent of the design work on a project. VA uses the design development phase to develop a cost estimate for the project.

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the Senate Appropriations Committee in July 1996, does not include the funds VA requested. Instead, both Appropriations Committees, in their reports on H.R. 3666, direct VA to proceed with the outpatient clinic project as soon as possible. According to VA, if the Congress does not provide funding for the medical center and nursing home, VA's options would be to (1) construct the Brevard County outpatient clinic or (2) ask the Congress to rescind the \$25 million appropriated for the clinic project.

CLEVELAND (WADE PARK DIVISION), OHIO

Type of project: Ambulatory care addition and spinal cord injury facility

Type of contract: Construction documents

Time limit: September 30, 1994

Estimated award date: October 1996 for Phase I (ambulatory care clinic)

Reason for delay: Delays have occurred in resolving issues about the amount of space required for this project, and how the project would be developed at each of the Cleveland VA Medical Center's two divisions (Wade Park and Brecksville). VA expects design development to be completed in September 1996.

DALLAS, TEXAS

Type of project: Construction of new National Cemetery--Master Plan and Phase I development

Type of contract: Construction documents

Time limit: September 30, 1995

Estimated award date: August 1996 (Phase I)

Reason for delay: VA's contractor submitted a final Master Plan for the new cemetery in July 1995. However, this Master Plan estimated total construction costs for Phase I of this project at \$20 million, well above VA's planned Phase I cost. This caused delays in completing the Master Plan and design development.

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LEAVENWORTH, KANSAS

Type of project: Ambulatory care addition

Type of contract: Construction documents

Time limit: September 30, 1995

Estimated award date: April 1997

Reason for delay: The Congress appropriated design funds for this project in fiscal year 1995, before VA had performed any design work. VA awarded a design development contract in March 1996.

MOUNTAIN HOME, TENNESSEE

Type of project: Laundry building and warehouse

Type of contract: Construction documents and construction

Time limits: September 30, 1991, and September 30, 1992, respectively

Estimated award date: January 1997 (design/build contract for both the laundry and warehouse)

Reason for delay: Changes in the laundry design were required. VA has recently changed the scope of this project; instead of separate contracts for the laundry and warehouse, a single design/build contract will be awarded for both facilities.

MOUNTAIN HOME, TENNESSEE

Type of project: Relocate medical school functions and renovate buildings 2, 3, and 5

Type of contract: Construction documents

Time limit: September 30, 1994

Actual award date: June 27, 1996

Reason for delay: The original project scope, developed by the Mountain Home VA Medical Center and the East Tennessee State University Medical School, exceeded the projected funding of \$47 million for this project (\$29 million from VA and \$18 million from East Tennessee State University). As a result, the revised project

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scope was not finalized until August 1994. Design development was completed in April 1996.

PHOENIX, ARIZONA

Type of project: Ambulatory care addition

Type of contract: Construction documents

Time limit: September 30, 1995

Estimated award date: September 1996 (design/build contract for Phase I)

Reason for delay: The Congress appropriated design and construction funds for this project before the completion of design development. VA awarded a design development contract in September 1995. VA plans to complete this project in two phases; Phase I involves construction of a new ambulatory care building.

PORTLAND, OREGON

Type of project: Research addition

Type of contract: Construction documents

Time limit: September 30, 1995

Estimated award date: November 1996 (design/build contract)

Reason for delay: The Congress provided funding in fiscal year 1995, before VA had completed design development. VA awarded a design development contract in October 1995.

TAMPA (ORLANDO), FLORIDA

Type of project: Convert Orlando Naval Hospital into an ambulatory care clinic and 120-bed nursing home

Type of contract: Construction documents

Time limit: September 30, 1995

Estimated award date: Unknown

Reason for delay: Lengthy negotiations with the prospective contractor delayed award of the design development contract until

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March 1996. Pending legislation in the Congress could further delay this project and possibly require rescoping of the project. VA's fiscal year 1997 major construction authorization bill (H.R. 3376), as passed by the House of Representatives in June 1996, would

- require VA to conduct a new study of the medical care needs of East Central Florida veterans, with emphasis on long-term and psychiatric care, and
- prohibit VA from obligating funds for the conversion of Orlando Naval Hospital to a nursing home and clinic (except for design work) until at least 45 days after VA completes the required study.

In addition, the House Appropriations Committee, in its report on VA's fiscal year 1997 appropriations bill, directed VA not to obligate funds for the nursing home conversion until VA completes a study of East Central Florida veterans' health needs.

WACO, TEXAS

Type of project: Renovate building 11

Type of contract: Construction

Time limit: September 30, 1991

Estimated award date: July 1997

Reason for delay: VA has not yet obtained final approval from the House Appropriations Committee of a reprogramming of \$8.8 million for the renovation of building 11. The Senate Appropriations Committee has approved this reprogramming.

VA did not report this project as delayed in its fiscal year 1995 major construction delays report, dated February 1, 1996. It considers the renovation of building 11 as the last phase of a larger project at the Waco Medical Center, involving several buildings. According to VA, work on most of the other buildings at the Waco Medical Center has been completed, and almost all of the approved funding has been obligated. We do not, however, consider this the last phase of a larger project; it is a separate project estimated to cost \$11.3 million. Thus, the renovation of building 11 is subject to the construction delay reporting requirements of VA's annual appropriations act and should have been reported as delayed by VA as of September 30, 1995.

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