GAO

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

Health, Education and Human Services Division

B-261021

August 25, 1995

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 requires that, for major construction projects costing $3 million or more, VA award (1) construction documents[1] contracts by September 30 of the fiscal year in which funds are appropriated and (2) construction contracts by September 30 of the following fiscal year. VA's fiscal year 1994 appropriation contained funding for 13 new projects that required construction documents contracts by September 30, 1994. In addition, VA's appropriation for fiscal year 1993 contained funding for 13 other projects for which VA was to award construction contracts by September 30, 1994.[2]

Its annual appropriations act requires VA to report to your Committees and to us the projects that did not meet these time limits. The act also requires us to review the

[1]Construction documents are working drawings and other documents necessary for the bidding and construction of the project.

[2]Since fiscal year 1984, all of VA's annual appropriations acts have included similar contract award time limits.

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contracting delays of reportable projects for impoundment implications under the Impoundment Control Act of 1974. In performing this review, we assessed whether VA had reported all projects funded through these acts for which it had not awarded contracts by September 30, 1994.

On December 13, 1994, VA reported that, as of September 30, 1994, it had not awarded contracts for 6 of the 13 new fiscal year 1994 projects requiring construction documents contracts or contracts for 2 of the 13 fiscal year 1993 projects that required construction contracts. VA also reported that it had not awarded either construction documents or construction contracts for seven other projects that appropriations acts funded in fiscal years 1986 through 1993.

SCOPE AND METHODOLOGY

To identify major construction projects for which VA should have awarded either a construction contract or a construction documents contract by September 30, 1994, we reviewed (1) VA's April 1995 list of current construction projects, (2) its fiscal year 1994 budget request, and (3) the congressional appropriations committee reports for fiscal year 1994.

We compared this information with that provided to us in VA's December 13, 1994, letter. For those projects that VA's data indicated it had awarded contracts, we obtained and reviewed copies of the award documents. With staff in the Veterans Health Administration's Office of Construction Management and Office of Resource Management and in the Construction Service under the Deputy Assistant Secretary for Budget we discussed projects that appeared to be delayed to determine their status and reasons for delays. We used this information to determine whether any VA officials intentionally withheld funds from obligation instead of awarding contracts as required by the acts.

We conducted this review between March 1995 and August 1995 in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

VA's December 13, 1994, letter to your Committees and the Comptroller General correctly identified 15 of 16 projects

that were required to but did not have construction documents or construction contracts awarded by September 30, 1994. VA, however, inadvertently omitted reporting an unawarded construction contract arising from the fiscal year 1990 appropriations act. We believe that the contracting delays for all 16 projects, as described in the enclosure, do not constitute impoundments of budget authority under the Impoundment Control Act because we found no evidence that VA deliberately refrained from using the funds appropriated.

Instead, information and documentation that VA provided us indicate that programmatic considerations caused the contracting delays. The reason cited most often for delays was changes in project scope or design. VA expects to award 14 of the 18 required contracts for these 16 projects by September 30, 1995.[3] Awards were made for nine projects by the end of our review, and VA eliminated the need for another contract award by becoming, in effect, its own contractor on one project.

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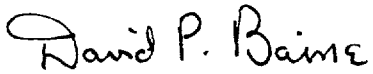
We discussed the contents of this letter with the Director, Management and Policy Service, and incorporated her comments as appropriate.

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.

This letter was prepared under the direction of James R. Linz, Assistant Director. Please contact him or Edward J. Murphy, Evaluator, at (202) 512-6843 if you have any questions about this report. Carlos Diz, attorney, also contributed to this report.

Sincerely,



David P. Baine
Director, Health Care Delivery
and Quality Issues

Enclosures - 5

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[3]Two projects require both construction documents contracts and construction contracts.

MAJOR CONSTRUCTION PROJECTS FOR WHICH VA DID NOT AWARD CONTRACTS AS OF SEPTEMBER 30, 1994

CLEVELAND (WADE PARK), OHIO

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

Type of contract: Construction documents

Time limit: September 30, 1994

Estimated award date: August 1995

Reason for delay: The 1991 functional and physical design program had to be altered to meet current needs before proceeding with the planning process.

GAINESVILLE, FLORIDA

Type of project: 120-bed psychiatric building and an ambulatory care addition

Type of contract: Construction documents

Time limit: September 30, 1990

Actual award date: February 22, 1995, for ambulatory care addition only

Reason for delay: The scope changed in 1991 from a 290-bed psychiatric building to a 120-bed facility and an ambulatory care addition. Because of higher priority projects, VA informed the House Veterans' Affairs Committee in April 1993 that it would delay requesting construction funding until the fiscal year 1996 budget. Along with this decision, VA officials decided to delay award of the construction documents contract to a date closer to the construction award date. In December 1994 VA notified the House Committee on Appropriations that VA was requesting approval to stop further design of the 120-bed psychiatric building. Work was proceeding on the ambulatory care addition, and a construction documents contract was awarded in February 1995.

HONOLULU, HAWAII

Type of project: New medical center and regional office

Type of contract: Construction documents

Time limit: September 30, 1993

Actual award date: March 14, 1995

Reason for delay: The schematic design was redone to place beds in a new clinical building adjacent to the "F" wing of Tripler Army Medical Center instead of in the "E" wing. A construction documents contract was awarded in March 1995.

HOUSTON NATIONAL CEMETERY, TEXAS

Type of project: Gravesite development

Type of contract: Construction documents

Time limit: September 30, 1994

Actual award date: June 2, 1995, for design-build contract

Reason for delay: VA decided to switch to the design-build approach for this project and awarded a design-build contract in June 1995.

JACKSON, MISSISSIPPI

Type of project: Relocate regional office to VA-owned grounds

Type of contract: Construction

Time limit: September 30, 1994

Actual award date: July 18, 1995

Reason for delay: The project's cost and scope were increased. As a result, the initial planning had to be redone, and the construction documents contract was not awarded until July 1994. A construction contract was awarded in July 1995.

MARTINEZ, CALIFORNIA

Type of project: Building 1 demolition and site development

Type of contract: Construction

Time limit: September 30, 1994

Actual award date: January 20, 1995, for design-build contract

Reason for delay: VA awarded a single contract for both demolition of Building 1 and construction of the nursing home care unit on that site.

MARTINEZ, CALIFORNIA

Type of project: 120-bed nursing home care unit

Type of contract: Construction documents and construction

Time limit: September 30, 1992, and September 30, 1993, respectively

Actual award date: January 20, 1995, for design-build contract

Reason for delay: A decision was made to redesign the nursing home care unit as a one-story building instead of a two-story building. It will be built on the site of the old medical center soon after the center is demolished. VA awarded a single contract for both demolition of Building 1 and construction of the nursing home care unit.

MOUNTAIN HOME, TENNESSEE

Type of project: Laundry building and warehouse

Type of contract: Construction documents and construction

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

Estimated award date: September 1995 and January 1996, respectively

Reason for delay: The Congress added funding to the fiscal year 1991 budget before design development, but the funds were insufficient for the project scope. A plan has been developed with a scope consistent with congressional funding.

MOUNTAIN HOME, TENNESSEE

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

Type of contract: Construction documents

Time limit: September 30, 1994

Estimated award date: March 1996

Reason for delay: Funds were appropriated before the planning process began.

PRESCOTT, ARIZONA

Type of project: 60-bed nursing home care addition

Type of contract: Construction documents

Time limit: September 30, 1994

Actual award date: December 1, 1994

Reason for delay: Funds were appropriated before the planning process began. A construction documents award was made in December 1994.

PROVIDENCE, RHODE ISLAND

Type of project: Renovate Building 31

Type of contract: Construction documents

Time limit: September 30, 1994

Actual award date: January 17, 1995

Reason for delay: Extended contract negotiations delayed awarding the contract. A construction documents award was made in January 1995.

RENO, NEVADA

Type of project: Clinical/bed addition

Type of contract: Construction documents

Time limit: September 30, 1992

Estimated award date: August 1995

Reason for delay: VA reduced the scope of the project from $100 million to $27.4 million. VA redid schematics and finished design development in 1993.

SAN DIEGO, CALIFORNIA

Type of project: Nonstructural seismic corrections (phase III)

Type of contract: Construction

Time limit: September 30, 1987

Award date: Not applicable

Reason for delay: VA split the project into phases to minimize interference with medical care delivery. During design, the project was found to require at least $15 million for asbestos abatement work before the nonstructural seismic work began. VA delayed the project until additional funds were available. VA decided to complete the asbestos work in conjunction with the construction using the purchase and hire method. VA is, in effect, its own contractor and construction is under way.

ST. PETERSBURG, FLORIDA

Type of project: Relocate regional office to VA-owned grounds

Type of contract: Construction

Time limit: September 30, 1993

Actual award date: January 19, 1995

Reason for delay: The scope of the work changed to add floor space because, under the Veterans Benefits Amendments Act of 1989 (P.L. 101-237), the regional office mission expanded and the region's staff increased. Obtaining approval of bid alternates delayed the bid opening. A construction contract was awarded in January 1995.

SEATTLE NATIONAL CEMETERY, WASHINGTON

Type of project: New cemetery development

Type of contract: Construction documents

Time limit: September 30, 1994

Estimated award date: August 1996

Reason for delay: Funds were appropriated before the planning process began. VA decided to switch to the design-build approach for this project and then switched back to the traditional approach.

WACO, TEXAS

Type of project: Renovate Building 11

Type of contract: Construction

Time limit: September 30, 1991

Estimated award date: May 1996

Reason for delay: The scope of work changed in April 1990 to conduct renovation work in phases and reduce the number of buildings out of service at any one time. To keep the medical center fully operational, renovation of Buildings 7 and 11 could not begin until the work on other buildings was completed. A construction contract for Building 7 was awarded in September 1994. Building 11 was the final phase and had an estimated cost of $10 million. According to VA, additional congressional appropriations were uncertain, so it delayed a decision to seek a cost limit increase of $7.5 million or attempt to reprogram the existing funds. VA did not report this project as delinquent because available funding was less than the $3 million reporting threshold.

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