United States General Accounting Office

GAO

Report to Congressional Committees

June 1994

VA HEALTH CARE

Delays in Awarding Major Construction Contracts

GAO

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

151817

Health, Education, and
Human Services Division

B-256213

June 17, 1994

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

The Honorable Louis Stokes
Chairman
The Honorable Jerry Lewis
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 1993 appropriation contained funding for six new projects that required construction documents contracts by September 30, 1993. In addition, VA's appropriation for fiscal year 1992 contained funding for 13 other projects for which VA was to award construction contracts by September 30, 1993.[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 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, 1993.

[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.

On January 12, 1994, VA reported that, as of September 30, 1993, it had not awarded contracts for 2 of the 6 new fiscal year 1993 projects requiring construction document contracts or contracts for 4 of those 13 fiscal year 1992 projects that required construction contracts. VA also reported that it had not awarded either construction documents contracts or construction contracts for nine other projects that appropriations acts funded in fiscal years 1984 through 1992.

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, 1993, we reviewed (1) VA's October 1993 list of current construction projects, (2) its fiscal year 1993 budget request, and (3) the congressional appropriations committee reports for fiscal year 1993.

We compared this information to that provided to us in VA's January 12, 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 the projects' 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 November 1993 and May 1994 in accordance with generally accepted government auditing standards.

Results of Review

VA's January 12, 1994, letter to your Committees and the Comptroller General correctly identifies 15 projects that were required to but did not have construction documents contracts or construction contracts awarded by September 30, 1993. We believe the contracting delays for these projects, as described in appendix I, do not constitute impoundments of budget authority under the Impoundment Control Act. In our view, VA has shown no intent to refrain from using the funds appropriated.

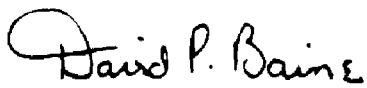
Information and documentation that VA provided us indicate that programmatic considerations caused the contracting delays. The reason cited most often for delays was changes in project scope or design. VA

expects to award 13 of the 17 required contracts for these 15 projects by September 30, 1994.[3]

Although we did not obtain written agency comments on this report, we discussed its contents with VA officials and incorporated their comments as appropriate.

We are sending copies of this report 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 report was prepared under the direction of Flora Milans, Associate Director. Please contact her, Stephen Backhus, Assistant Director, or Andrea Rozner, Senior Evaluator, at (202) 512-7120 if you have any questions about this report. Carlos Diz, attorney, also contributed to this report.



David P. Baine
Director, Federal Health
Care Delivery Issues

[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, 1993

Brooklyn, New York

Type of project: Outpatient clinic

Type of contract: Construction

Time limit: September 30, 1993

Estimated award date: September 1994

Reason for delay: The construction documents were delayed in order to assess the impact of applying new heating, ventilation, and air conditioning criteria for multiple-drug-resistant tuberculosis. These delays resulted in the construction contract not being awarded.

Brooklyn (St. Albans), New York

Type of project: Modernize kitchen and satellite dining areas

Type of contract: Construction

Time limit: September 30, 1987

Estimated award date: September 1994

Reason for delay: In April 1986, procurement authority was delegated to the medical center. In August 1987, VA redesigned the kitchen to incorporate new technology, and this delayed construction and design development. The agency further delayed design development when it learned in September 1989 that asbestos removal needs far exceeded the original estimated amounts, forcing the closing of the kitchen. Then, in July 1991, VA selected a new architect/engineer to prepare construction documents for the revised project scope. Construction documents were completed on December 16, 1992. However, the equipment supply company went out of business and a new firm had to be retained. Construction documents had to be redesigned because the new equipment differed from the old. (The old design had carts with a central power source, but the new design has power on each cart.) Completed construction documents are presently under review.

East Orange, New Jersey

Type of project: Research facility relocation, and expansion of clinic laboratory

Type of contract: Construction

Time limit: September 30, 1985

Award date: November 17, 1993 (actual)

Reason for delay: In June 1985, VA selected a small business firm noncompetitively for the construction phase, but the firm's bid exceeded the funds VA had available for the project. By December 1987, VA had determined that additional funds were needed. These funds, however, were not appropriated until fiscal year 1990. The project scope changed in August 1991 to include an acquired immune deficiency syndrome (AIDS) research laboratory, and VA selected a new architect/engineering contractor in July 1992 when the first architect/engineer refused to make requested changes. The low bid again exceeded the available funds. There was insufficient time to process a cost limit increase and award a construction contract by the due date.

Gainesville, Florida

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

Type of contract: Construction documents

Time limit: September 30, 1990

Estimated award date: June 1994

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. Negotiations with an architect/engineering firm for a smaller scope construction documents contract did not go as quickly as predicted, according to VA officials. The architect/engineering firm submitted a new fee proposal in March 1994; it is being reviewed.

Honolulu, Hawaii

Type of project: New medical center and regional office

Type of contract: Construction documents

Time limit: September 30, 1993

Estimated award date: September 1994

Reason for delay: The schematic design was redone to place beds in the clinical building instead of the "E" wing of Tripler Army Hospital.

Jackson, Mississippi

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

Type of contract: Construction documents

Time limit: September 30, 1993

Estimated award date: June 1994

Reason for delay: The cost and scope of the project were increased. As a result, the initial planning had to be redone and will be completed by June 1994.

Knoxville, Iowa

Type of project: Laundry replacement

Type of contract: Construction

Time limit: September 30, 1993

Estimated award date: September 1994

Reason for delay: Construction documents were delayed until the procurement of the laundry equipment. The vendor was late in providing necessary equipment drawings to the architect/engineer. The equipment purchase took longer than anticipated.

Long Beach, California

Type of project: Seismic corrections to building 1 and renovation of building 126

Type of contract: Construction

Time limit: September 30, 1992

Estimated award date: September 1994

Reason for delay: This was the last phase of a five-phase effort. The architect/engineer concentrated on earlier, higher priority phases of the project, for which construction contracts have already been awarded.

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

Estimated award date: September 1994 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 at the site of the old medical center soon after the center is demolished. VA officials expect the same contractor will be selected for both demolition and construction.

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: December 1994 and August 1995, 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.

Newington, Connecticut

Type of project: Medical center modernization

Type of contract: Construction documents and construction

Time limit: September 30, 1989, and September 30, 1991, respectively

Award date: November 2, 1993 (actual for construction documents), and November 1994 for construction

Reason for delay: A complete redesign, which caused a considerable delay, was necessary because the medical center's mission changed. A construction documents contract award was made in November 1993.

Reno, Nevada

Type of project: Clinical/bed addition

Type of contract: Construction documents

Time limit: September 30, 1992

Estimated award date: August 1994

Reason for delay: In June 1991, VA reduced the scope of work for the project from $100 million and 224,000 square feet to $50 million and 79,000 square feet. VA redid schematics and finished design development in 1993. An architect/engineer has been asked to submit a fee proposal for the preparation of construction documents.

San Diego, California

Type of project: Nonstructural seismic corrections (phase III)

Type of contract: Construction

Time limit: September 30, 1987

Estimated award date: October 1994

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 is determining the best way to remove or contain the asbestos and now plans to complete the asbestos work in conjunction with construction. VA is gathering information on contractors and plans to award a contract in October 1994.

St. Petersburg, Florida

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

Type of contract: Construction

Time limit: September 30, 1993

Estimated award date: September 1994

Reason for delay: The scope of the work changed to add floor space because, under Public Law 101-237, the Veterans Benefits Amendments Act of 1989, the regional office mission expanded and the region's staff increased.

Waco, Texas

Type of project: Renovate buildings 7 and 11

Type of contract: Construction

Time limit: September 30, 1991

Estimated award date: September 1994

Reason for delay: In total, VA awarded three contracts for work on six buildings. 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 cannot begin until the work on other buildings is completed.

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