United States General Accounting Office

GAO

Report to Congressional Committees

May 1993

VA HEALTH CARE

Delays in Awarding Major Construction Contracts

149229

GAO/HRD-93-101

GAO

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

Human Resources Division

B-251369

May 26, 1993

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

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

The Department of Veterans Affairs (VA) fiscal year 1992 appropriation included funding for 12 new major construction projects, each estimated to cost $3 million or more.[1] The appropriation law required that VA award (1) construction documents[2] contracts for these projects by September 30, 1992, and (2) construction contracts by September 30, 1993. In addition, VA's appropriation for fiscal year 1991 contained funding for 11 other projects for which VA was to award construction contracts by September 30, 1992.[3]

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, 1992.

On December 17, 1992, VA reported that, as of September 30, 1992, it had not awarded construction documents contracts for 5 of the 12 new fiscal year 1992 projects, nor had it awarded construction contracts for 4 of the 11 fiscal year 1991 projects, as required. VA also reported that it had not awarded either construction documents or construction contracts by that

[1]For fiscal years 1990 and earlier, major construction projects were defined as construction of, or renovation to, VA's facilities for which the estimated cost was $2 million or more.

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

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

date for nine other projects that the acts funded in fiscal years 1984 through 1991.

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, 1992, we reviewed (1) VA's November 1992 list of current construction projects, (2) its fiscal year 1992 budget request, and (3) the congressional appropriations conference report for fiscal year 1992.

We compared this information to information that VA provided us in a letter dated December 17, 1992. For those projects that VA's data indicated it had awarded a contract, we obtained and reviewed copies of the award documents. We discussed with staff in the Veterans Health Administration's Office of Construction Management, Office of Operations, and Office of Resource Management and with staff in the Office of Asset and Enterprise Development under VA's Office of the Assistant Secretary for Acquisition and Facilities, projects that appeared to be delayed to determine the projects' statuses and reasons for the delays. We used the information that VA provided on the delinquent projects to determine whether any VA official or employee had ordered, permitted, or approved establishing a funding reserve instead of awarding contracts as required by the acts.

We did this review between December 1992 and April 1993 in accordance with generally accepted government auditing standards.

Results of Review

VA's December 17, 1992, letter to your Committees and the Comptroller General correctly identifies 18 projects that were required to but did not have construction documents or construction contracts awarded by September 30, 1992.[4] We believe the contracting delays for these projects do not constitute an impoundment of budget authority under the Impoundment Control Act. VA's actions show no intent to refrain from using the funds.

Information and documentation that VA provided showed that program considerations caused the contracting delays. Reasons cited most often for delays were

[4]Construction documents and construction contracts for Mountain Home, Tennessee, and Newington, Connecticut, medical centers are cited as separate projects in VA's letter.

- changes in project scope or design (10 projects),
- receipt of construction or construction documents appropriations for projects before preliminary design work was done (3 projects), and
- asbestos abatement projects that were more extensive than originally expected (2 projects).

VA expects to award contracts for 12 of the 18 projects by September 30, 1993. Information on the 18 projects, including VA's award schedule, and the primary reasons for delays in the projects' contract awards are in appendix I.

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. Copies also will be made available to others on request.

If you have any questions regarding this report, please contact me on (202) 512-7101. Other major contributors to this report are listed in appendix II.

Sincerely yours,

David P. Baine

David P. Baine
Director, Federal Health
Care Delivery Issues

Major Construction Projects for Which VA Did Not Award Contracts as of September 30, 1992

Ann Arbor, Michigan

Type of project: clinic addition

Type of contract: construction documents

Time limit: September 30, 1992

Estimated award date: September 1993

Reason for delay: The project scope had to be reduced to meet the budget target of $116.8 million.

Brooklyn (St. Albans), New York

Type of project: modernize kitchen

Type of contract: construction

Time limit: September 30, 1987

Estimated award date: September 1993

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. Finally, 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.

East Orange, New Jersey

Type of project: research facility relocation and consolidation, and expansion of clinic laboratory

Type of contract: construction

Time limit: September 30, 1985

Estimated award date: September 1993

Reason for delay: VA selected a small business firm noncompetitively in June 1985 for the construction phase that did not agree to do needed work

for the amount available. 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 lab, and VA selected a new Architect/Engineer contractor in July 1992 when the first Architect/Engineer refused to make requested changes.

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: May 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.

Houston, Texas

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

Type of contract: construction documents

Time limit: September 30, 1992

Estimated award date: May 1993

Reason for delay: The project approach changed from one that included separate contracts for design, preparation of construction documents, and construction to one in which one contract combines these functions.

Knoxville, Iowa

Type of project: laundry replacement

Type of contract: construction documents

Time limit: September 30, 1992

Estimated award date: June 1993

Reason for delay: The equipment vendor was late submitting drawings needed for negotiations for construction documents award.

Lake City, Florida

Type of project: 120-bed nursing home care unit

Type of contract: construction

Time limit: September 30, 1992

Estimated award date: March 26, 1993 (actual)

Reason for delay: The scope changed because the medical center requested increased air conditioning capacity.

Long Beach, California

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

Type of contract: construction

Time limit: September 30, 1992

Estimated award date: December 1993

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.

Mountain Home, Tennessee

Type of project: laundry and warehouse

Types of contracts: construction documents and construction

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

Estimated award date: May 1994 and March 1995, respectively

Reason for delay: The Congress provided funding for this project before VA completed design development. Funding of $3.4 million is insufficient for the current scope, and VA is deciding whether to reduce the scope, cancel the project, or combine it with another project.

Newington, Connecticut

Type of project: medical center modernization

Types of contracts: construction documents and construction

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

Estimated award date: August 1993 and August 1994, respectively

Reason for delay: The scope changed because of a decision to eliminate the medical center's surgery program and to concentrate more on long-term care. This change in project scope requires congressional approval but has not yet been approved by the Office of Management and Budget for submission to the Congress.

Palm Beach County, Florida

Type of project: 120-bed nursing home care unit

Type of contract: construction

Time limit: September 30, 1992

Estimated award date: December 16, 1992 (actual)

Reason for delay: The medical center requested revisions to design layout.

Reno, Nevada

Type of project: clinic addition and bed addition

Type of contract: construction documents

Time limit: September 30, 1992

Estimated award date: October 1993

Reason for delay: In June 1991, VA reduced the amount authorized from $100 million to about $50 million and reduced the scope of work from 224,000 square feet to 79,000 square feet, necessitating new drawings.

San Diego, California

Type of project: nonstructural seismic corrections (phase III)

Type of contract: construction

Time limit: September 30, 1987

Estimated award date: October 1993

Reason for delay: During design, the project was found to require at least $15 million for asbestos abatement work before beginning the nonstructural seismic work. VA delayed the project until additional funds were made available. VA is working to determine the best way to remove the asbestos. It will not award the construction contract until asbestos removal problems are resolved.

St. Petersburg, Florida

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

Type of contract: construction documents

Time limit: September 30, 1992

Estimated award date: June 1993

Reason for delay: The scope of work changed to add floor space. This need arose when legislation authorized an expanded regional office mission and the region's staff increased. VA dropped other planned functions to keep within the $24-million estimate. VA must wait for

congressional approval of the scope change before it can award a construction documents contract.

Waco, Texas

Type of project: renovate buildings 4, 7, and 11

Type of contract: construction

Time limit: September 30, 1991

Estimated award date: November 30, 1992 (actual - building 4), July 1994 for buildings 7 and 11

Reason for delay: Bids exceeded available funds. 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. Work on building 4 was authorized under the same contract as building 92 on November 30, 1992. VA plans to award the contract for buildings 7 and 11 in July 1994.

Wilmington, Delaware

Type of project: clinic addition

Type of contract: construction documents

Time limit: September 30, 1991

Estimated award date: September 1993 (phase I)

Reason for delay: The Congress provided funding for the construction documents on this project in fiscal year 1991 before VA completed design work. In April 1991, VA downsized the project to meet cost containment measures, which resulted in the need for new design development. In April 1993, VA stated that it would split the project into two phases: it will award a contract estimated at $2.5 million for site utilities in September 1993; it will contract for the remainder of the project ($22.65 million) in fiscal year 1994.

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