

GAO

March 1989

VA HEALTH CARE

Delays in Awarding Major Construction Contracts



Human Resources Division

B-234874

March 31, 1989

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

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

Public Law 100-202 gave the Department of Veterans Affairs (VA), formerly the Veterans Administration, funding in fiscal year 1988 for 15 major construction projects, each estimated to cost \$2 million or more. Further, the act required that (1) working drawings contracts be awarded by September 30, 1988, and (2) construction contracts be awarded by September 30, 1989. VA's appropriation for fiscal year 1987 (P.L. 99-591) contained funding for 11 projects for which construction contracts were to be awarded by September 30, 1988. The acts also required VA to report to both your committees and GAO the projects that did not meet these time limits.

On January 26, 1989, VA reported that, as of September 30, 1988, working drawings contracts for 2 of the 15 fiscal year 1988 projects and construction contracts for 3 of the 11 fiscal year 1987 projects had not been awarded as required. VA also reported that working drawings contracts or construction contracts had not been awarded by that date for 17 other projects that were funded through appropriations acts in fiscal years 1984, 1985, and 1986. These acts also included contract award time limits and reporting requirements similar to those in Public Laws 100-202 and 99-591: working drawings contracts were to be awarded during the fiscal year in which the project funds were appropriated and construction contracts were to be awarded within the following fiscal year.

The acts require us to review the contracting delays for reportable projects for impoundment implications under the Impoundment Control Act of 1974. As agreed with your offices, we also assessed whether VA reported all projects funded through these acts for which contracts had not been awarded by September 30, 1988.

Scope and Methodology

To assess the impoundment implications of the contracting delays, we interviewed the director and other staff members within the VA Office of Facilities' Management and Budget Staff and staff in the Office of Project Management to determine the construction projects' current status and the reasons for the delays. We used this information to assist in determining impoundment implications of VA's actions; i.e., whether any officer or employee of VA had ordered, permitted, or approved the establishment of a funding reserve in lieu of awarding contracts as required by the acts.

To assess the accuracy of VA's report, we reviewed the appropriations acts and VA's prior report on projects delayed as of September 30, 1987, to identify the universe of projects that were potentially reportable as of September 30, 1988. For the 51 projects identified, we reviewed computer-generated records of VA's major construction projects to determine which projects had contract awards made before September 30, 1988. We validated the computerized data by tracing the contract award dates for a sample (19) of the 51 projects to the award documents. Finally, we matched our list of projects that did not have contract awards to the list of projects that VA reported.

We conducted this review between January and March 1989, in accordance with generally accepted government auditing standards.

Impoundment Implications of Contract Delays

In our opinion, the contracting delays for the 22 construction projects included in VA's January 1989 report 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 provided to us by VA officials indicates that various programmatic considerations caused the contracting delays. The most common reasons cited for delays were (1) changes in the projects' scope or design or (2) receipt of bids that exceeded the available funds. VA has awarded or expects to award contracts for 18 of the 22 projects by September 30, 1989. Appendix I provides information on VA's estimated award schedule and the primary reasons for the delays in awarding the contracts for the 22 projects.

VA's Report of Delinquent Projects Was Incomplete

VA did not report two projects that did not have primary construction contracts awarded by September 30, 1988. One project involves the modernization of buildings at the medical center in Livermore, California, and the other involves nonstructural seismic corrections at the medical center in San Diego, California. The following sections discuss the projects' current status and VA's reasons for not reporting them.

Livermore Project

This project was initially funded through an appropriation of \$6.5 million in fiscal year 1984. The award of a construction contract was delayed beyond the September 30, 1985, time limit because of major changes in the project's scope. An additional appropriation of \$9.5 million was provided in fiscal year 1988 to fund the expanded scope of the project, and a revised working drawings contract was awarded on June 2, 1988.

In its report, VA noted that the Livermore project was not reportable. VA stated that projects that have received additional funding should be reported until a construction contract is awarded. However, VA did not report the Livermore project because the project's additional funding requirement included a major scope change that necessitated a redesign of the project. VA believes the new appropriation obviated the need to report this project as delinquent because the construction contract time limit for fiscal year 1988 appropriations is September 30, 1989. VA estimates that a construction contract will be awarded in July 1989. In our opinion, this delay does not constitute an impoundment of budget authority under the Impoundment Control Act.

San Diego Project

VA did not report the San Diego project because a contract had been awarded for site preparation work and that contract, in VA's judgment, satisfied the appropriations act's requirement. VA received an appropriation of \$6.3 million for this project in fiscal year 1986. A contract for asbestos removal at the construction site and two contracts for architectural engineering were awarded in fiscal year 1987. As of September 30, 1988, a total of about \$217,000 had been obligated for the asbestos removal work—about 3 percent of the total appropriation. According to the Director of the Management and Budget Staff of VA's Office of Facilities, the seismic corrections work cannot begin until the asbestos is removed.

VA records show that, as of January 1989, VA had not estimated when the seismic corrections work at the San Diego facility will begin. According to the Director of the Management and Budget Staff, asbestos removal at the San Diego facility will be much more extensive than originally anticipated and is estimated to cost about \$14 million. Funds for this work have been included in the fiscal year 1989 VA appropriation. As with the Livermore project, in our opinion, this delay does not constitute an impoundment of budget authority under the Impoundment Control Act.

The Director of the Management and Budget Staff stated that a contract awarded for any part of a project within the time limit, including preliminary work required to be completed before the primary construction project can begin, obviates the need to report on the project to the committees or GAO. However, we noted that this project was reported as delinquent on last year's VA report even though the contract award was made within the required time limit. According to VA's assistant to the Director of the Management and Budget Staff, a lack of specific criteria as to when projects should be reported as delinquent allowed this project to be reported in error on last year's report.

In an earlier report (GAO/HRD-88-74, Mar. 11, 1988), we recommended that VA report all major construction projects that do not have contracts awarded within specified time limits, including those that had contracts awarded for some but not all of the funds appropriated. The report discussed a similar situation in which a construction project was not reported because an asbestos removal contract had been awarded before the specified time limit: the primary construction contract had not been awarded until after the time limit. VA disagreed with our recommendation, stating that it would place an excessive annual reporting burden on VA because most projects would have to be reported until all appropriated funds were obligated. In discussing these current reporting issues, VA officials stated that they continue to disagree with our recommendation.

Conclusions

We believe that the need for additional funding to properly complete a construction project, while a legitimate reason for delays in awarding construction contracts, should not obviate reporting the delays to the committees. We also believe that a contract award for preliminary or peripheral construction activities, even though necessary before the primary project can be started, or a contract award for a small portion of the total estimated cost of the project should not be used to justify

removing a project from the delinquency report. Such actions, in our opinion, circumvent the purpose of the statutory reporting requirement.

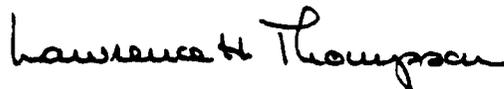
It was not the intent of the recommendation contained in our previous report that VA report projects until all appropriated funds are obligated. Rather, it was intended to require VA to report a project until a working drawings or construction contract is awarded for the primary activity for which the funds were appropriated. We believe that this approach will better enable (1) the Appropriations Committees of the Congress to exercise oversight concerning VA's construction activities, and (2) GAO to review the impoundment implications of the delays.

Recommendation to the Secretary of Veterans Affairs

We recommend that the Secretary of Veterans Affairs report on all major construction projects that do not have working drawings or construction contracts awarded within the specified time limits for the primary activity for which the funds were appropriated. With respect to projects for which additional funding has been requested or received, we recommend that the time limits established when the projects were originally funded be used to determine whether a project is reportable.

We did not obtain written agency comments on a draft of this report. However, we discussed its contents with VA officials and they agreed that the report accurately states their position. 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.

This report was prepared under the direction of David P. Baine, Director of Federal Health Care Delivery Issues. Other major contributors are listed in appendix II.



Lawrence H. Thompson
Assistant Comptroller General

Major Construction Projects for Which Contracts Were Not Awarded as of September 30, 1988

Allen Park, Michigan

Type of project: Hospital replacement and modernization

Type of contract: Working drawings

Time limit: September 30, 1986

VA estimated award: Fiscal year 1989

Reason for delay: Site acquisition and change in scope

Amarillo, Texas

Type of project: New nursing home care unit

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award: Fiscal year 1989

Reason for delay: Changes in design

Brooklyn (St. Albans), New York

Type of project: Kitchen modernization; satellite dining area

Type of contract: Working drawings/construction

Time limit: September 30, 1986/September 30, 1987

VA estimated award: Fiscal year 1989/fiscal year 1990

Reason for delay: Changes in design

Chicago (West Side), Illinois

Type of project: Fire/safety, patient privacy improvements

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award: Fiscal year 1991

Reason for delay: Bids exceeded funds available

**Appendix I
Major Construction Projects for Which
Contracts Were Not Awarded as of
September 30, 1988**

**Chicago (West Side),
Illinois (Phase 2)**

Type of project: Renovate two buildings
Type of contract: Construction
Time limit: September 30, 1987
VA estimated award: Fiscal year 1990
Reason for delay: Bids exceeded funds available

**Cleveland
(Brecksville), Ohio**

Type of project: Fire/safety improvements
Type of contract: Construction
Time limit: September 30, 1987
VA estimated award: Fiscal year 1989
Reason for delay: Asbestos abatement

**Cleveland
(Wade Park), Ohio**

Type of project: Fire/safety improvements
Type of contract: Construction
Time limit: September 30, 1987
VA estimated award: Fiscal year 1989
Reason for delay: Changes in design

**Durham,
North Carolina**

Type of project: Clinical addition/fire and safety improvements
Type of contract: Construction
Time limit: September 30, 1986
VA estimated award: Fiscal year 1989
Reason for delay: Bids exceeded funds available

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**East Orange,
New Jersey**

Type of project: Research relocation and consolidation; clinical lab expansion

Type of contract: Construction

Time limit: September 30, 1985

VA estimated award: Fiscal year 1990

Reason for delay: Bids exceeded funds available

**Los Angeles,
California**

Type of project: Outpatient clinic building

Type of contract: Construction

Time limit: September 30, 1986

VA estimated award: Fiscal year 1989

Reason for delay: Bids exceeded funds available

Lyons, New Jersey

Type of project: Renovate building 4 - intermediate care

Type of contract: Construction

Time limit: September 30, 1986

VA estimated award: Fiscal year 1989

Reason for delay: Audit of proposed contractor

Lyons, New Jersey

Type of project: Renovation of two buildings

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award: Fiscal year 1989

Reason for delay: Changes in design

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September 30, 1988**

Milwaukee, Wisconsin

Type of project: Fire/safety improvements

Type of contract: Construction

Time limit: September 30, 1988

VA estimated award: Fiscal year 1989

Reason for delay: Difficulty finding small business contractor

New York, New York

Type of project: Outpatient/clinic addition

Type of contract: Construction

Time limit: September 30, 1988

VA estimated award: Fiscal year 1989

Reason for delay: Bids exceeded funds available

**Northern California
National Cemetery,
California**

Type of project: Master plan and phase I development

Type of contract: Working drawings

Time limit: September 30, 1988

VA estimated award: Fiscal year 1989

Reason for delay: Land acquisition

Palm Beach, Florida

Type of project: New medical center

Type of contract: Working drawings

Time limit: September 30, 1988

VA estimated award: Fiscal year 1989

Reason for delay: Change in scope

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Poplar Bluff, Missouri

Type of project: Electrical distribution systems

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award: Fiscal year 1989

Reason for delay: Bids exceeded funds available

Sheridan, Wyoming

Type of project: Outpatient clinic addition

Type of contract: Construction

Time limit: September 30, 1986

VA estimated award: Fiscal year 1989

Reason for delay: Change in scope

St Louis, Missouri

Type of project: Remodel building 53

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award: Fiscal year 1989

Reason for delay: Small business contractor's bid exceeded funds available

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Tucson, Arizona

Type of project: Nursing home care unit
Type of contract: Construction
Time limit: September 30, 1987
VA estimated award: Fiscal year 1989
Reason for delay: Bids exceeded funds available

**West Los Angeles,
California**

Type of project: Nursing home care conversion
Type of contract: Construction
Time limit: September 30, 1986
VA estimated award: Cancelled
Reason for delay: VA data show that nursing home beds are not needed at this medical center. Cancellation included in fiscal year 1990 budget submission. Funds transferred to the working reserve.¹

**White River Junction,
Vermont**

Type of project: Research and education building
Type of contract: Construction
Time limit: September 30, 1988
VA estimated award: Fiscal year 1989
Reason for delay: Changes in design

¹On August 8, 1988, GAO published its decision (B-229149) that transfers to the VA working reserve are not impoundments of appropriated funds.

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