

April 1990

VA HEALTH CARE

Delays in Awarding Major Construction Contracts



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Human Resources Division

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April 5, 1990

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 100-404 appropriated the Department of Veterans Affairs (VA) funding in fiscal year 1989 for 18 major construction projects, each estimated to cost \$2 million or more. The act required that (1) working drawings contracts for these projects be awarded by September 30, 1989, and (2) construction contracts be awarded by September 30, 1990. VA's appropriation for fiscal year 1988 (P.L. 100-202) contained funding for 15 other projects for which construction contracts were to be awarded by September 30, 1989. The acts also required VA to report to both your committees and to GAO the projects that did not meet these time limits.

On February 26, 1990, VA reported that, as of September 30, 1989, working drawings contracts for 3 of the 18 fiscal year 1989 projects and construction contracts for 4 of the 15 fiscal year 1988 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 10 other projects that were funded through appropriation acts in fiscal years 1984 through 1987. These acts also included contract award time limits and reporting requirements similar to those in Public Laws 100-404 and 100-202: 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 by the end of 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, 1989.

Scope and Methodology

To assess the impoundment implications of the contracting delays, we interviewed staff within the VA Office of Facility's Office of Management and Budget 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; that is, 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, 1988, to identify the universe of projects that were potentially reportable as of September 30, 1989. For the 50 projects identified, we reviewed computer-generated records of VA's major construction projects to determine which projects had contract awards made on or before September 30, 1989. We obtained copies of the award documents for the 33 projects for which VA records showed contracts had been awarded by the end of fiscal year 1989 and traced the contract award dates to the computer-generated records. 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 1990, in accordance with generally accepted government auditing standards.

Results of Review

We believe that VA's February 26, 1990, letter to your committees and the Comptroller General includes all projects that were required to but did not have working drawings or construction contracts awarded by September 30, 1989. We also believe the contracting delays for the 17 construction projects included in VA's letter 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.

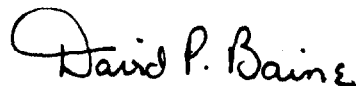
Various programmatic considerations caused the contracting delays, according to information provided by VA officials. The most common reasons cited for delays were (1) changes in the projects' scope or design or (2) receipt of bids that exceeded the funds available. VA has awarded or expects to award contracts for 14 of the 17 projects by September 30, 1990. Information on the 17 projects, VA's estimated award schedule, and the primary reasons for the delays in awarding the contracts for the projects is provided in appendix I.

VA Implemented GAO Recommendations

Last year,¹ we found that VA's report to your committees was incomplete because two projects were not reported although VA had not awarded contracts for the primary construction activity for which the funds had been appropriated. VA did not report one project because a contract had been awarded for preliminary construction activities (site preparation). VA excluded the other project because it had received an additional appropriation of funds during the year in order to pay higher than anticipated costs. We concluded that VA's actions had circumvented the purpose of the act's reporting requirements and recommended that VA change its reporting policies.

In November 1989, VA's Office of Facilities issued new guidelines for reporting delinquent major construction projects to GAO and your committees. These guidelines state that, in order to meet established time limits, contract awards must be for the primary activity for which funds were appropriated. For projects that have received additional funds with no change in scope, the guidelines state that the original time limits will be maintained. However, for projects that received additional funds because of a change in scope, the new time limits established by the appropriations act providing the additional funds will be used to determine whether a project is reportable. We believe these guidelines provide a reasonable framework for deciding which construction projects should be reported to your committees.

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) 275-6207. Other major contributors to this report are listed in appendix II.



David P. Baine
Director, Federal Health
Care Delivery Issues

¹VA Health Care: Delays in Awarding Major Construction Contracts (GAO/HRD-89-75, Mar. 31, 1989).

Major Construction Projects for Which Contracts Were Not Awarded as of September 30, 1989

**Brooklyn (St. Albans),
New York**

Type of project: Kitchen modernization; satellite dining area addition

Type of contract: Working drawings/construction

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

VA estimated award: Fiscal year 1990/fiscal year 1990

Reason for delay: Changes in design; selection of new architect

**Chicago (West Side),
Illinois**

Type of project: Fire/safety and 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

**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 1991

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 1990

Reason for delay: Change in state licensing laws delayed beginning of asbestos abatement work

**Appendix I
Major Construction Projects for Which
Contracts Were Not Awarded as of
September 30, 1989**

Dallas, Texas

Type of project: Clinical addition; renovate building 2; spinal cord injury center addition

Type of contract: Working drawings

Time limit: September 30, 1989

VA estimated award: Fiscal year 1990

Reason for delay: Scope change; Office of Management and Budget approval of the number of beds

East Orange, New Jersey

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

Type of contract: Construction

Time limit: September 30, 1985

VA estimated award: Fiscal year 1990

Reason for delay: Bids exceeded funds available

Indianapolis, Indiana

Type of project: Clinical improvements; mental health and behavioral science center addition

Type of contract: Working drawings

Time limit: September 30, 1989

VA estimated award: Fiscal year 1990

Reason for delay: Scope change

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Lyons, New Jersey

Type of project: Renovate building 4 and intermediate care unit

Type of contract: Construction

Time limit: September 30, 1986

VA estimated award: Fiscal year 1990

Reason for delay: Bids exceeded funds available

Madison, Wisconsin

Type of project: Central air conditioning

Type of contract: Construction

Time limit: September 30, 1989

VA estimated award: Fiscal year 1990

Reason for delay: Design was delayed because preliminary plans not completed until fiscal year 1989

Milwaukee, Wisconsin

Type of project: Fire/safety improvements

Type of contract: Construction

Time limit: September 30, 1988

VA estimated award: Fiscal year 1990

Reason for delay: Difficulty finding small business contractor

**Newington,
Connecticut**

Type of project: Medical center modernization

Type of contract: Working drawings

Time limit: September 30, 1989

VA estimated award: Fiscal year 1990

Reason for delay: Scope change due to medical center mission change

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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 1990

Reason for delay: Cost limit increase requested from the Congress in fall of 1988, still pending on September 30, 1989

San Diego, California

Type of project: Nonstructural seismic corrections

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award: Fiscal year 1992

Reason for delay: Major asbestos abatement work required

**San Francisco,
California**

Type of project: 120-bed nursing home

Type of contract: Construction

Time limit: September 30, 1985

VA estimated award: Fiscal year 1990

Reason for delay: Bids exceeded funds available

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**San Joaquin Valley
National Cemetery,
California**

Type of project: Master plan and phase I development

Type of contract: Construction

Time limit: September 30, 1989

VA estimated award: Fiscal year 1990

Reason for delay: Problems with land acquisition delayed design

Waco, Texas

Type of project: Renovate two buildings and the chiller plant

Type of contract: Construction

Time limit: September 30, 1989

VA estimated award: Fiscal year 1990

Reason for delay: Project divided into four phases

Wichita, Kansas

Type of project: Relocate VA regional office to VA grounds

Type of contract: Construction

Time limit: September 30, 1989

VA estimated award: Fiscal year 1990

Reason for delay: Working drawings not completed until June 1989

¹This project was identified as the Northern California National Cemetery in our previous report (GAO/HRD-89-75).

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