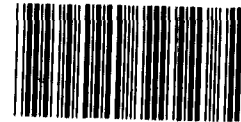


June 1992

VA HEALTH CARE

Delays in Awarding Major Construction Contracts



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Human Resources Division**B-234874**

June 11, 1992

**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**

The Department of Veterans Affairs (VA) fiscal year 1991 appropriation included funding for 16 major construction projects, each estimated to cost \$3 million or more.¹ The appropriation law required that (1) working drawings contracts for these projects be awarded by September 30, 1991, and (2) construction contracts be awarded by September 30, 1992. VA's appropriation for fiscal year 1990 contained funding for 11 other projects for which construction contracts were to be awarded by September 30, 1991. Since fiscal year 1984, all of VA's annual appropriations acts have included similar contract award time limits.

VA is required by these acts to report to your committees and to us the projects that did not meet these time limits. The acts also 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 assessed whether VA reported all projects funded through these acts for which contracts had not been awarded by September 30, 1991.

On March 13, 1992, VA reported that as of September 30, 1991, working drawing contracts for 4 of the 6 fiscal year 1991 projects, and construction contracts for 2 of the 11 fiscal year 1990 projects had not been awarded as required. VA also reported that required contract awards for either working drawings or construction contracts had not been awarded by that date for eight other projects that were funded through the acts in fiscal years 1984 through 1990.

¹For fiscal year 1990 and earlier, major construction projects were defined as those with an estimated cost of \$2 million or more.

Scope and Methodology

At VA's Office of the Assistant Secretary for Acquisition and Facilities, we interviewed officials from the Management and Budget Staff and Office of Project Management to determine the projects' status and the reasons for the delays. We used this information to assist in determining 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.

We reviewed the appropriations acts and VA's prior report on projects delayed as of September 30, 1990, to identify the universe of projects that were potentially reportable as of September 30, 1991. For the projects identified, we reviewed status reports of VA's major construction projects to determine which projects had contract awards made on or before September 30, 1991. We also obtained and reviewed copies of the award documents for the projects for which VA records showed contracts had been awarded by the end of fiscal year 1991, and compared the contracts with the status reports. Finally, we matched the list of projects that did not have contract awards with the list of projects that VA reported.

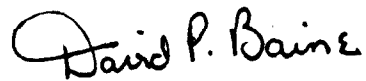
We conducted this review between January and April 1992, in accordance with generally accepted government auditing standards.

Results of Review

VA's March 13, 1992, letter to your committees and the Comptroller General correctly identifies the 14 projects that were required to but did not have working drawings or construction contracts awarded by September 30, 1991. We believe the contracting delays for the 14 projects do not constitute an impoundment of budget authority under the Impoundment Control Act. VA's actions, in our view, show no intent to refrain from using the funds.

Information and documentation provided by VA officials showed that programmatic considerations caused the contracting delays. The most often cited reasons for delays were (1) changes in the projects' scope or design, (2) receipt of bids that exceeded the funds available, or (3) funding projects before preliminary design work was completed. VA has awarded or expects to award contracts for 7 of the 14 projects by September 30, 1992. Information on the 14 projects, VA's estimated award schedule, and the primary reasons for the delays in awarding contracts for the projects is provided in appendix I.

We did not obtain written agency comments on this report. However, 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 available to others on request. If you have any questions regarding this report, please contact me at (202) 512-7101. Other major contributors to this report are listed in appendix II.



David P. Baine
Director, Federal Health
Care Delivery Issues

Major Construction Projects for Which Contracts Were Not Awarded as of September 30, 1991

Atlanta, Georgia

Type of project: Clinical addition (Phase II)

Type of contract: Construction

Time limit: September 30, 1990

VA estimated award date: Fiscal year 1992

Reason for delay: Bids for phase I exceeded VA estimate. Contract award was delayed until VA studied overall project to identify areas where scope changes could be made to reduce future costs. VA awarded a contract for this project in December 1991.

Brooklyn (St. Albans), New York

Type of project: Kitchen modernization

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award date: Fiscal year 1993

Reason for delay: VA redesigned kitchen to incorporate new technology. Design development was delayed further because VA had to select a new architect/engineer when the previous one resigned.

Calverton National Cemetery, New York

Type of project: Development of 90,000 gravesites

Type of contract: Construction

Time limit: September 30, 1990

VA estimated award date: Fiscal year 1992

Reason for delay: VA determined that small business competitive bidders were nonresponsive and rejected all bids. One rejected bidder filed a protest seeking to overturn VA's decision. The protest was denied; the bidder filed an appeal. In the interim, VA has solicited additional bids.

Chicago (West Side), Illinois (Phase II)

Type of project: Renovation of two buildings

Type of contract: Construction

Time limit: September 30, 1987

VA estimated award date: Fiscal year 1992

Reason for delay: Funds available were not sufficient for proposed scope. VA has redesigned the scope of the project to reduce the cost.

**Appendix I
Major Construction Projects for Which
Contracts Were Not Awarded as of
September 30, 1991**

**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 date: Fiscal year 1992
Reason for delay: Small business competitive bids exceeded available funds; scope change to include an aids research facility.

El Paso, Texas

Type of project: Ambulatory care facility replacement
Type of contract: Construction documents
Time limit: September 30, 1991
VA estimated award date: Fiscal year 1992
Reason for delay: The Congress provided funding for this project before VA's completion of preliminary design work. VA also had to reach a land permit agreement with the U.S. Army on whose land the facility will be constructed.

Gainesville, Florida

Type of project: Ambulatory care addition/120-bed psychiatric building
Type of contract: Construction documents
Time limit: September 30, 1990
VA estimated award date: Fiscal year 1993
Reason for delay: Scope change.

Leavenworth, Kansas

Type of project: Domiciliary/dietetics and chiller plant replacement
Type of contract: Construction documents
Time limit: September 30, 1990
VA estimated award date: Fiscal year 1992
Reason for delay: The Congress provided funding for this project before VA's completion of preliminary design work. Thus, VA was unable to complete preliminary work to award the contract within the required time frame.

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Contracts Were Not Awarded as of
September 30, 1991**

Martinez, California

Type of project: Clinical improvements/seismic corrections
Type of contract: Construction documents
Time limit: September 30, 1991
VA estimated award date: Not scheduled
Reason for delay: The project has been canceled.¹ The Martinez Medical Center is closed.

**Mountain Home,
Tennessee**

Type of project: Laundry/warehouse
Type of contract: Construction documents
Time limit: September 30, 1991
VA estimated award date: Fiscal year 1993
Reason for delay: The Congress provided funding for this project before VA's completion of preliminary design work. Thus, VA was unable to complete preliminary work to award the contract within the required time frame.

**Newington,
Connecticut**

Type of project: Medical center modernization (Phase II)
Type of contract: Construction documents/construction
Time limit: September 30, 1989/September 30, 1991
VA estimated award date: Fiscal year 1993/fiscal year 1993
Reason for delay: Scope change due to revised medical center mission.

San Diego, California

Type of project: Nonstructural seismic corrections (Phase III)
Type of contract: Construction
Time limit: September 30, 1987
VA estimated award date: Not scheduled
Reason for delay: Asbestos abatement more extensive than originally expected. VA has awarded a contract for a small part of the work to determine how asbestos removal can best be accomplished. The construction contract for the balance of the work will not be awarded until asbestos problems are resolved.

¹Unused funds have been transferred to VA's major construction working reserve fund. In a decision dated August 8, 1988 (B-229149), the Comptroller General determined that VA's working reserve fund is not a reserve as referred to in the Impoundment Control Act.

**Appendix I
Major Construction Projects for Which
Contracts Were Not Awarded as of
September 30, 1991**

Waco, Texas

Type of project: Renovation of building 4
Type of contract: Construction
Time limit: September 30, 1991
VA estimated award date: Fiscal year 1992
Reason for delay: Bids exceeded available funds.

Wilmington, Delaware

Type of project: Outpatient clinic addition
Type of contract: Construction documents
Time limit: September 30, 1991
VA estimated award date: Fiscal year 1993
Reason for delay: The Congress provided funding for this project before VA's completion of preliminary design work. Thus, VA was unable to complete preliminary work to award the contract within the required time frame. VA downsized project to meet cost containment measures, resulting in the need for new design development.

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