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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

GENERAL GOVERNMENT
DIVISION

May 31, 1972

Dear Mr. Sampson.

We have reviewed the repair and improvement (R&I) program administered by the General Services Administration (GSA) to maintain, repair, remodel, convert, and extend public buildings. Our review was made at the central office in Washington, D.C., and at the regional offices in San Francisco, California, and Washington, D.C. Our review included discussions with officials of selected Federal agencies where R&I projects were performed.

Our review disclosed that (1) R&I funds were used to finance parts of new construction projects, (2) R&I projects were started without obtaining congressional approval as required by law, (3) total project costs were not disclosed in prospectuses and reports, and (4) a need exists to improve the planning of R&I work. These matters are discussed in more detail in the following sections.

R&I FUNDS USED TO FINANCE PARTS
OF NEW CONSTRUCTION PROJECTS

GSA used R&I funds rather than construction funds to finance parts of the construction work of two buildings because of the shortage of construction funds. The work subsequently was completed and financed with R&I funds on the basis that the structures were accepted as complete and included in the GSA building inventory.

In January 1967 GSA awarded a contract for \$5.5 million to construct a Federal Building in Sacramento, California. GSA elected to omit from the contract paving, landscaping, sprinklers, and related work. The construction contractor had bid \$63,000 for the paving work and \$102,000 for the landscaping and sprinkler work. In August 1968 GSA awarded a contract for the paving work which was financed from R&I funds in the amount of about \$75,000, or \$12,000 more than had been bid by the building construction contractor. The building was occupied on October 15, 1968. In June 1969 GSA awarded another R&I contract for the landscaping and sprinkler work which was financed from R&I funds in the amount of \$122,000, or \$20,000 more than had been bid by the building construction contractor.

By omitting the paving, landscaping, and sprinkler work from the construction contract and later awarding separate R&I contracts for this work, GSA incurred additional costs of \$32,000 and, in effect, augmented construction funds by \$197,000.

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A year before accepting the Federal Building in West Los Angeles, California, GSA determined that R&I funds would be used to complete certain work required to make the building suitable for occupancy. A day before the building had been accepted as being completed, GSA awarded an R&I contract in the amount of \$354,000 for partitions and special facilities. These requirements for partitioning and special facilities were known far enough in advance to have been provided for in the construction contract.

GSA's use of R&I funds to complete new construction projects that could not be completed with the available construction funds does not comply with the purpose of the appropriations and weakens congressional control over GSA's construction and R&I programs and augments construction funds.

We were told by the Acting Administrator that (1) it is GSA's policy not to use R&I funds in connection with new construction projects but that, in the case of the two construction projects we examined, GSA had determined it to be in the Government's overall best interest to use R&I funds and (2) reemphasis will be given to GSA's policy of completing new construction projects within funds available for this purpose.

CONGRESSIONAL APPROVAL OF R&I PROJECTS NOT OBTAINED

In two instances GSA split R&I projects into segments and thereby avoided the need to obtain congressional approval for all projects estimated to exceed \$200,000 as required by section 7 of the Public Buildings Act of 1959.

GSA divided an R&I project, estimated to cost \$247,000, in the Civil Service Commission Building into two phases--modifications and extensions to the main air-handling system, and installation of a complete humidification system--so that the estimated cost of each phase was less than \$200,000.

In an R&I project for the Post Office Building in Vallejo, California, estimated to cost over \$200,000, GSA reduced the cost of the first phase to about \$198,000 by classifying certain items as alternative work to be done at GSA's option if funds were available. GSA completed the project in two phases at a total cost of \$262,000.

The division of an R&I project into phases so that the cost of each phase is less than \$200,000 does not, in our opinion, relieve GSA of the requirement to submit a project to the House and Senate Committees on Public Works.

We were told by the Acting Administrator that GSA would revise the R&I Handbook to emphasize the requirement for preparing and submitting a project for congressional approval when the estimated cost exceeds \$200,000

TOTAL PROJECT COSTS NOT DISCLOSED

Annual reports issued by GSA to the Congress on the status of approved R&I projects do not show (1) the total funds expended for completed projects, (2) the extent to which costs were financed by tenant agencies, and (3) the current estimated costs for uncompleted projects. Prospectuses submitted to the Congress to obtain approval of R&I projects and GSA's internal management reports on the status of approved prospectus projects similarly have not included complete cost information.

The internal management report dated June 30, 1971, showed cumulative obligations of \$10 million for renovating the Internal Revenue Service Building instead of the actual obligations of \$11.4 million. The difference of \$1.4 million represented costs of \$1.1 million paid by the Internal Revenue Service and \$ 3 million paid from other GSA funds. The report also showed cumulative obligations of \$14,579,000 for remodeling the Commerce Building but did not include about \$2,237,000 for the temporary relocation of occupants during the renovation of the building.

GSA should prepare prospectuses and reports showing complete cost information, current project cost estimates, and costs incurred to date. GSA management and the Congress would then be more adequately informed about program plans, costs, accomplishments, and needs.

We were told by the Acting Administrator that

- estimates of total costs currently were reported in annual reports to the Congress and that future annual reports would show the total accumulated obligations on all projects costing over \$200,000,
- action would be initiated to ensure that all project costs from all sources are recorded in the accounting records and management reports, and
- written procedures would be revised to require that all project costs would be included in reports to the Congress.

NEED FOR IMPROVED PLANNING

GSA did not adequately plan for certain building renovations and did not reach satisfactory agreements with agencies occupying the buildings before contracting for R&I projects. Additional costs incurred on the R&I projects could have been avoided or reduced by better planning.

Evacuating personnel not coordinated

In April 1967 GSA began moving Patent Office employees out of the Department of Commerce Building in Washington, D C , into leased space although renovation work in the building was not scheduled to begin until the end of February 1969. Rental costs of about \$640,000 were incurred by the end of February 1969.

Late evacuation of personnel from areas to be renovated in the Internal Revenue Service (IRS) Building delayed completion of the work and resulted in additional costs of \$160,000. Although the Space Management Division of the Washington region was aware of an impending major IRS reorganization, this information was not communicated to the region's Design and Construction Division for its consideration in the development of a work schedule for inclusion in the contract for renovation of the IRS Building. Because of the reorganization, IRS was not able to vacate the areas to be renovated in accordance with the contract work schedule. The contract provided that each floor, except for certain rooms, be vacated prior to the start of the renovation work on that floor. IRS, however, vacated each floor on a piecemeal basis.

Design deficiencies and late preparation of space layouts

The renovation of the Internal Revenue Service (IRS) Building was done in two phases. The contract in the amount of \$3,485,000 for the first phase was increased by \$1.3 million, or 39 percent, and the completion date was extended by 418 days. The contract for the second phase in the amount of \$2,687,000 was increased by \$652,000, or 24 percent, and the completion date was extended by 261 days. The increased cost and the extended completion date of each phase resulted principally from deficiencies in the design and from the late preparation of space layouts.

A GSA construction engineer stated that about \$600,000 of the increased cost for the first phase was attributable to design deficiencies. According to the engineer, many of the errors in the design also affected the second phase of the work.

GSA records indicate that the Design and Construction Division did not allow the Buildings Management Division sufficient time prior to the award of the contract to review the design and determine the changes necessary to ensure the complete coverage and coordination that was required by GSA regulations.

A contract for the space layout of the IRS Building was not awarded until 4 months after the contract for the first phase of the renovation work was awarded. Because of the delay in contracting for the space layout, changes had to be made in fully completed and partially completed renovation work.

Air supply system not being used

Before GSA installed a \$60,000 air supply system, the Food and Drug Administration (FDA) advised GSA that the system would not be operated unless plans were altered to provide an outside air intake. Nevertheless, GSA had the system installed with the air intake from the attic in order to save about \$9,000 in renovation costs.

FDA has not used the system since its installation because of a possible fire hazard and because of its concern that seepage from the laboratory fume exhaust systems, also located in the attic, would be recirculated to employees through the GSA installed system.

Because GSA did not satisfy FDA's requirements, corrective work at an estimated cost of \$10,000 is needed and is scheduled to begin in 1974.

Additional cost for second
space layout study

GSA had contracted for a space layout study of the Commerce Building at a cost of about \$55,000. The Department of Commerce, 2 years later, awarded a contract costing about \$123,000 for another study which duplicated the work of the first study. A Department of Commerce official told us that the second study was necessary because the first study did not include plans to air condition the building.

The duplication and additional costs could have been avoided or reduced by better coordination and planning between the two agencies.

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The Acting Administrator told us that

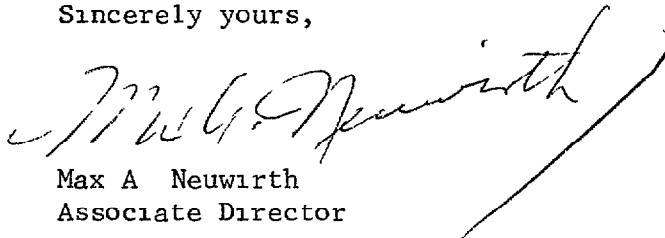
- a management information system had been instituted to delineate a step-by-step model for R&I projects from inception to completion,
- a pilot system to speed up the completion of and reduce the number of changes to projects was being tested in three regions and will be implemented nationwide in September 1972, and
- coordinators are assigned to projects involving many moves and considerable staging of personnel over long periods to maintain continuing vigil and open communication at all times with tenant agencies, construction contractors, and space management employees. These coordinators would also monitor project schedules and, where needed, initiate corrective measures.

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We wish to acknowledge the courtesy and cooperation extended to our representatives during the review.

We will appreciate receiving your comments on the action which remains to be taken on the matters discussed in this letter

Sincerely yours,



Max A Neuwirth
Associate Director

Mr. A F Sampson
Commissioner, Public Buildings Service
General Services Administration

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