

GAO

Report to the Chairman, Committee on
Veterans' Affairs, U.S. Senate

August 1988

VETERANS ADMINISTRATION

Moves of Central Office Staffs and Offices



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

Human Resources Division

B-232034

August 8, 1988

The Honorable Alan Cranston
Chairman, Committee on Veterans' Affairs
United States Senate

Dear Mr. Chairman:

In your January 5, 1988, letter, you asked that we examine the Veterans Administration's (VA) 1987-88 relocation and renovation of the offices of the Chief Memorial Affairs Director (CMAD) in the Department of Memorial Affairs (DMA) and the Compensation and Pension Service (C&P) in the Department of Veterans Benefits (DVB), both located at VA's central office in Washington, D.C. In accordance with your request and subsequent discussions with Committee staff, we agreed to provide information on (1) the VA offices and number of people moved, (2) VA's purpose and justification for the moves, (3) the costs and benefits, and (4) the square feet of office space involved.

At the time of your request, there were allegations that VA had spent about \$2 million to renovate the affected offices and that the C&P staff were being permanently relocated from the VA central office building to the VA regional office in another part of Washington, D.C., about 1 mile away. Concerns were expressed about the \$2 million allegedly spent for these moves, given the reductions in VA's budget.

Results in Brief

Between September 1987 and March 1988, VA relocated and/or renovated offices of the CMAD in DMA, which administers the National Cemetery System, C&P, and several other DVB offices. These offices house 186 VA staff. The relocation, renovation, activities related to telephones and automated data processing (ADP), and new furniture cost \$727,066. The directors of DMA and C&P and their immediate staffs exchanged about 4,500 square feet of office space, but with other DVB renovations and upgrades that occurred at the same time, a total of 23,708 square feet was involved. According to VA officials, these activities were part of a series of VA office moves to place top VA program managers in the south wing of VA's central office building.

The purpose was to make the managers more accessible to the Administrator and each other and to improve agency efficiency. As a top manager, the CMAD was to be located in the south wing. The C&P director, who is a level below on the VA organization chart, was moved to make room.

Some C&P staff were temporarily relocated to VA's Washington Regional Office as part of the move but later moved back to the central office.

No formal plans, written justification, or cost-benefit analyses are required for VA moves and renovations, and VA did not prepare any. In conjunction with the moves, however, VA decided to purchase new furniture. Economic analyses are required for new furniture purchases; VA did not prepare these but assured us that in the future required analyses would be completed.

According to the VA Office of Administration, the exchange of office space involved 53 staff—30 in DMA and 23 in C&P—and related renovation and alteration of their office space. VA's decision to purchase new furniture resulted in costs of \$97,448 for DMA and \$36,146 for C&P. The relocation, renovation, and telephone- and ADP-related activities for the CMAD and the C&P director and their immediate staffs cost \$52,632 and \$19,962, respectively.

At the same time, as part of a continuing effort to upgrade offices in the central office building, VA purchased new furniture and renovated several other DVB offices for 133 staff. These relocations, renovations, and telephone- and ADP-related activities cost \$143,119, and their new furniture cost \$377,759. Overall, for the 186 DMA and DVB staff involved, the relocation, renovation, and related costs amounted to \$215,713, and the new furniture to \$511,353.

Background

In fiscal year 1987, DMA received \$45 million to administer the National Cemetery System, which serves veterans and other eligible persons. DMA also provides headstones and markers for graves in national, state veterans', and private cemeteries. In addition, DMA provides monetary aid to states for the establishment, expansion, and improvement of veterans' cemeteries. The state cemetery program received funding of \$6.5 million in fiscal year 1987.

C&P's portion of the fiscal year 1987 operations budget was about \$121.3 million (includes monies for DVB education programs). C&P's program responsibilities within DVB include handling claims and benefits for disability compensation and pensions, automobile allowances, specially adapted housing, emergency officers' retirement pay, survivors' claims for death compensation and death pensions, and claims for adjusted compensation in death cases of World War I veterans. Fiscal year 1987 appropriations for these programs and benefits were \$14.4 billion.

Scope and Methodology

Our work focused on obtaining information on the VA offices and the number of people moved, VA's purpose and justification for the moves, costs and benefits, and square feet of office space involved. We obtained information from interviews with agency officials, including the VA Chief of Staff, CMAD, the directors of C&P and the Office of Administration, and members of their staffs. We also contacted the General Services Administration's (GSA) Federal Supply Service to obtain information on federal regulations regarding furniture purchases. We analyzed relevant data about the moves—their planning, timing, justification, financing, and related procurement, including the purchase of furniture.

Our review was performed between February and May 1988 in accordance with generally accepted government auditing standards. VA provided written comments on a draft of this report on July 11, 1988. These comments are discussed on page 8 and included as appendix I.

VA Offices and the Number of Personnel Involved

In March 1987, VA decided to relocate and renovate the immediate offices of the staffs of DMA and C&P (30 and 23 persons, respectively). In addition, DVB decided at the same time to renovate several other offices, according to the VA Office of Administration. These offices included the rest of the C&P offices, involving 47 other staff, as well as two other offices in DVB—ADP Systems Management with 47 staff, and Administrative Services (in the Program Management Office) with 39. As a result, rather than the office space of 53 staff being involved in the moves in question, 186 staff spaces were affected.

To effect the renovations, 61 of the C&P staff were temporarily relocated to the VA Washington Regional Office, located about 1 mile from the VA central office building. The rest of the DVB and DMA staffs (125 people) were relocated within the central office, in turn, as their offices were renovated and refurnished. The chronology of the decisions and activities related to the alterations and refurnishing affecting the moves is summarized in table 1.

Table 1: Chronology of Activities Related to Alterations and Relocations

Date	Event
March 1987	Decision by VA Chief of Staff to move CMAD office to south wing of the central office building; 30 DMA staff and 23 C&P staff to exchange space.
March 1987	Decision by DVB to renovate other DVB offices totaling 133 staff (includes 47 other C&P staff).
March-August 1987	Planning for moves by DMA, C&P, DVB, and Administration offices (186 staff).
August-September 1987 ^a	Procurement of renovation services and furniture.
September 1987-March 1988	Renovations by private contractors, and moves of 125 staff: CMAD, C&P director, ADP Systems Management, and Program Management Office staffs.
October 1987	Temporary move of 61 C&P staff to the Washington Regional Office, including 17 of the 23 C&P staff involved in the DMA space exchange.
February-March 1988	Move of 61 C&P staff from the Washington Regional Office to the central office.

^aThe majority of purchases were made by the end of September 1987; however, some were not completed until 1988.

In October 1987, according to VA's Office of Administration, 61 staff in C&P, located on the south wing of the fourth floor of the central office building, were temporarily relocated to the VA Washington Regional Office about 1 mile away, so that the fourth floor space could be renovated. The director of C&P and eight of his immediate staff remained within VA's central office building (four were later relocated to other C&P offices).

Upon the completion of renovations of this fourth floor space, 30 DMA staff moved from their north wing, first and second floor space, to this south wing space during January and February 1988. Renovations were started on the second floor space after DMA moved to the fourth floor.

Although relocated within the VA central office building for a short time during renovations, the other DVB staff were moved back into renovated offices within the central office after renovations were completed. The moves and renovations for the 186 staff discussed in this report were completed on March 4, 1988, when the remaining C&P staff, who were relocated to the Washington Regional Office in October 1987, were moved back to the central office building. This also completed the moves of the C&P director and 22 staff to the second floor offices previously occupied by the DMA staff.

Purpose and Justification for the Moves

According to VA officials, including the Chief of Staff, VA did not prepare a written, formal plan for the exchange of office space involving the DMA and C&P offices, nor was a formal plan developed for the related renovation of these offices. Similarly, VA did not prepare a written plan for the renovation of DVB's other offices. The director of VA's Office of Administration told us that VA management has discretion to initiate the kind of renovation and alteration performed for DVB and DMA. He indicated that VA has no formal requirements regarding justification except for coordinating the planning of moves through his office and receiving appropriate authorization to procure services and materials.

According to the Chief of Staff, the decision for the DMA/C&P exchange of office space was predicated on a 1982 decision by the Administrator to move VA's top managers to the south wing of the central office building to make them more accessible to him, his immediate staff, and each other, and to improve the efficiency of VA's operations. DMA had been in its previous office space since 1973, when it was transferred to VA from the Department of the Army. This space was located on both the first and second floors on the north side of the central office building.

The exchange of office space between the DMA and C&P offices was the last move related to the 1982 decision. Other top VA managers who moved to the south wing since 1982 included the Associate Deputy Administrators for Congressional and Intergovernmental Affairs, Management, Logistics, and Public Affairs. Also located in the south wing are the Chief Benefits Director, Department of Veterans Benefits, and the Chief Medical Director, Department of Medicine and Surgery.

After the March 1987 decision, planning for the moves by DMA and C&P was initiated and coordinated with VA's Office of Administration. This office's planning and coordination included designing the configurations of the space for each component, soliciting bids from contractors, determining individuals' space needs, and purchasing the new furniture. The renovation and alteration services were procured through contractors available through GSA by VA's Office of Administration. Renovations involved removing walls, installing doors and new ceilings, removing and/or cleaning carpet, installing electrical fixtures, and painting. The moving contractors who relocated the VA employees and their office furniture were also obtained through GSA services. In addition, telephone services were procured through GSA; ADP services were also partly provided through GSA.

Costs and Benefits of the Moves

DMA's costs for the moves, alterations, and renovations were \$52,632, while C&P's estimated costs for the relocation and renovation of the director's office and immediate staff were about \$19,962 (see table 2). It cost \$143,119 for the moves and renovations relating to the other DVB staff, including the other C&P staff members. The director of VA's Office of Administration provided documents showing that funds for the renovations and alterations came from that office's budget.

Table 2: VA Costs, Staff Affected, and Square Feet of Space Involved in the Relocation and Renovation of DMA and DVB Staffs

Components	Total staff affected	Moving and renovation costs ^a	Furniture costs ^a	Square feet (from/to)	Average utilization rate per employee ^b
DMA	30	\$52,632	\$97,448	4,565/ 4,525	151
DVB:					
C&P director	23 ^c	19,962	36,146	4,525/ 4,565 ^d	164
Other renovated DVB offices, including the remainder of C&P	133	143,119	377,759	14,358/14,618	107 ^{d,e}
Total	186	\$215,713	\$511,353	23,448/23,708	120

^aReported costs based on purchase orders.

^bVA's Office of Administration reported the overall average utilization rate for DMA is 141 square feet; for C&P, it is 136 square feet; and for DVB, it is 115 square feet.

^cSeven staff formerly in the C&P director's office were relocated to other C&P areas.

^dFigure includes 791 square feet vacated by DMA on another floor and occupied by other DVB staff.

^eFigure includes 11 contract employees in occupied space.

VA is not required to and, according to the director of VA's Office of Administration, did not prepare a detailed cost-benefit analysis of the renovations and moves. GSA regulations, however, require federal agencies to perform some economic analysis when procuring new furniture. VA did not do so for the purchase of its new furniture. Federal Property Management Regulations (41 C.F.R. 101-25.104) require that before agencies purchase new furniture, documentation be prepared to show that (1) the current items are not economically repairable and/or (2) where reductions in office space occupancy are to be accomplished through smaller furniture, the space economies achieved offset the cost of the new furniture to be purchased.

VA officials told us that the agency will prepare detailed analyses for future purchases of furniture when GSA issues a bulletin (now in draft form) revising implementation guidelines for the applicable regulations.

Furniture purchases for the offices were \$511,353—\$97,448 for DMA, and about \$36,146 for the C&P staff relocated to DMA's offices (see table 2). The balance of \$377,759 represented the total spent for the other DVB components, including the rest of the C&P staff. The purchased furniture allowed space for computer video screens, key boards, desk top space, storage above and below the desk, office dividers, seating, and, in some cases, closets. No new furniture was purchased for the C&P director. DMA purchased furniture totaling \$20,151 for the contiguous offices of the CMAD, including conference tables, secretarial furniture, chairs, and sofas.

Funds for the moves, renovations, and alterations came from the Office of Administration's budget for fiscal years 1987 and 1988, while 95 percent of the funds to purchase new furniture came from the DVB and DMA fiscal year 1987 budgets. Costs for services, ADP, and telephones were funded from budgets for fiscal years 1987 and 1988.

Space Involved in the Moves

According to the VA Office of Administration, the C&P director's office vacated 4,525 square feet of office space on the fourth floor in the south wing of the VA central office, exchanging locations with the CMAD and his immediate staff, who occupied 4,565 square feet of space on the second floor of the north wing. The directors exchanged about the same amount of office space, with the C&P director leaving 444 square feet of space for the 455 square feet of space the CMAD occupied. Overall, C&P left 9,161 square feet and later moved into 9,507 square feet of office space. These exchanges are summarized in table 2 along with the office space exchanges of the other DVB staffs.

GSA regulations for the Quality Workplace Environment Program require federal agencies to meet an average square footage utilization rate of no more than 135 square feet per person by 1990. The director of VA's Office of Administration noted that for some VA offices the average space utilization rate for staff decreased as a result of the moves discussed in this report. In other offices, he said the space utilization rate increased because, after renovations, staff moved into offices where walls, closets, and hallways had been removed or altered and these spaces were included in the revised space utilization calculations. VA documents showed that DMA's and C&P's average utilization rates before the move were 143 and 131 square feet, respectively; after the move the average rates were 141 and 136 square feet, respectively.

Agency Comments

On July 11, 1988, VA provided formal agency comments on this report. VA agreed that the Federal Property Management Regulations require executive agencies to justify the acquisition of additional furniture. However, VA disagreed with a statement in our draft report that a cost-benefit study was required.

We agreed that these requirements do not specifically call for cost-benefit analyses. However, they require economic analyses where (1) the agency determines that items to be replaced are not economically repairable, and (2) reductions in office space occupancy are accomplished through the purchase of more convenient or smaller furniture and the space economies thus achieved offset the cost of furniture to be acquired. We have accordingly revised the report.

VA also stated that it had complied with existing Federal Supply Schedule requirements for the furniture purchases, and that recently VA's procedures and oversight requirements for space allocation and furniture acquisition had been improved.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will provide copies to the Administrator of Veterans Affairs. We will also make copies available to others on request.

Sincerely yours,



Linda G. Morra
Associate Director

Comments From the Veterans Administration

Office of the
Administrator
of Veterans Affairs

Washington DC 20420



JUL 11 1988

Mr. Lawrence H. Thompson
Assistant Comptroller General
Human Resources Division
U.S. General Accounting Office
Washington, DC 20538

Dear Mr. Thompson:

This responds to your request that the Veterans Administration (VA) review and comment on the General Accounting Office (GAO) June 10, 1988, draft report VETERANS ADMINISTRATION: Moves of Central Office Staff and Offices. The report discusses moves of the staffs and offices and does not contain recommendations. The enclosed annotated copy of your report contains a number of changes that should be made in order to correct terminology or statistics. Please incorporate them in the final report.

Now on pp. 2 and 6-7.

In addition, on pages 3 and 11, GAO states that cost/benefit analyses are required for new furniture purchases. The governing Federal Property Management Regulations (FPMR) do require executive agencies to justify the acquisition of additional furniture, but there is no specific requirement for a cost/benefit study. The purchase of additional furniture is to be limited to the least expensive lines which meet its needs, and the agency file must be documented accordingly. The FPMR citation governing the purchase of new furniture should read "41 C.F.R. sec. 101-25.104," rather than "41 101-25.103-3. The VA fully complied with all Federal Supply Schedule requirements (Federal Supply Catalog Group 71, Part III, Section N) for the automated data processing (ADP) furniture. It should also be noted that FPMR guidance on acquisition of space-saving furniture, including ADP furniture, was in draft form at that time.

The VA has recently strengthened procedures and oversight requirements for space allocation and furniture acquisition. On May 9, 1988, I approved the Comprehensive Assessment of VA Space in the National Capital Region. This report establishes Agency policy and guidance in the area of space utilization for the VA Central Office. Also, we are in the final stages of completing a comprehensive report on the acquisition of space-saving furniture. This report will soon be published and will provide a "how to" guide for all VA Central Office elements.

Sincerely,

THOMAS K. TURNAGE
Administrator

Enclosure

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