

Alert Memorandum (September 8, 2014) on NSF's Relocation to its New Headquarters

Location: Summary

The memo expresses our strong and immediate concerns about the missed schedule milestone dates that have occurred and could continue to occur as a result of the ongoing impasse between NSF and AFGE Local 3403 (the Union) with respect to issues related to NSF's new headquarters building in Alexandria, VA, and the possible financial impact of the schedule slippage.

Two of the objectives of our ongoing inspection of NSF's oversight of its relocation to its new headquarters location are to determine (a) the effectiveness of NSF's controls for adhering to NSF-required milestones and maintaining schedule and (b) the extent to which NSF is able to identify and mitigate limitations and disruptions from the planning phase through occupancy.

In June 2013, the U.S. General Services Administration announced that it selected and signed a 15 year lease agreement on behalf of NSF for a new headquarters building to be constructed in Alexandria, VA. The new building will be approximately the same size as NSF's current location, with 2,629 more rentable square feet and 12,480 more usable square feet. NSF is scheduled to occupy the new building by December 30, 2016, and begin paying rent on that building on January 1, 2017; however, depending upon the result of schedule impacts, these dates could change. Any delays in the occupancy date caused by NSF could have a significant cost to NSF.

From June to September 2013, the Future NSF Headquarters office (FNSF), which is responsible for NSF's relocation efforts, conducted studies on various issues associated with the new building. From December 2013 through early January 2014, an FNSF official and the Labor Relations Officer met with the Union to discuss these matters. Later meetings and work on these issues added 6 to 10 weeks of delay exposure. On June 10, 2014, in a meeting with officials from FNSF and the Union, the results of the additional work were discussed.

In a further attempt to resolve outstanding issues, NSF and the Union negotiated for two days in June 2014. A mediation session, with a mediator from the Federal Mediation and Conciliation Service attending, occurred on June 27, but NSF and the Union did not reach an agreement. The Union filed a Request for Assistance with the Federal Labor Relations Authority's Federal Service Impasse Panel (FSIP) on June 27, 2014, immediately after the June negotiations and mediation session. On July 9, 2014, NSF submitted its Request with the same panel. The FSIP has notified NSF that it will not respond to the request until September 2014. The FSIP's decision is binding, and according to an NSF official, the FSIP can take any of the following actions:

- Send NSF and the Union to an arbitrator, at NSF's expense,
- Send the issue back to NSF and the Union for further negotiations,
- Work with NSF and the Union to reach a consensus, or
- Decide the issue.

The impasse on the outstanding issues has caused milestone dates for the design of the new building to be missed and could affect the construction schedule. Any delays caused by NSF

(rather than by the builder) to the December 2016 completion date will require NSF to pay delay costs in addition to rent costs at NSF's current headquarters.

Due to the building schedule's milestone dates that NSF has already missed, the potential cost of any delays, and the potential for protracted negotiations with the union, it is imperative that NSF senior management focus the highest level of attention on this issue.

We provided a draft of the memorandum to NSF management on August 8, 2014 for its review and comment. NSF provided us with updated and clarified information, including delay costs. NSF also provided information on additional negotiation sessions. Where appropriate, we incorporated NSF's comments in the final memorandum.