

## Why GAO Did This Study

In December 2006, the UN approved a \$1.88 billion CMP to modernize its headquarters in New York City by 2014, with a scope to include the renovation of five buildings. Separately from the CMP, the UN is also considering the option of a new office building, known as the consolidation building, to be located across the street from UN headquarters. As the UN's largest contributor, the United States has a significant interest in these projects. GAO was asked to report on (1) the extent to which the CMP is meeting its planned renovation scope, schedule, and budget; (2) the UN General Assembly's evaluation of CMP cost estimates; and (3) the status of the consolidation building project.

To perform this work, GAO reviewed cost and schedule documents for the CMP, as well as planning and legal documents for the consolidation building; examined relevant UN financial documents and UN General Assembly resolutions, as well as GAO's best practices for cost estimation; and met with officials from the Department of State (State), the UN CMP office and other relevant UN departments, and New York City.

## What GAO Recommends

The Secretary of State and the U.S. Permanent Representative to the United Nations should work with other member states to direct the CMP office and the UN to utilize best practices identified by GAO when developing cost estimates for the CMP and the consolidation building. State and the UN concurred with GAO's recommendations.

View [GAO-12-795](#). For more information, contact Thomas Melito at (202) 512-9601 or [melitot@gao.gov](mailto:melitot@gao.gov), or David Wise at (202) 512-2834 or [wised@gao.gov](mailto:wised@gao.gov).

## UNITED NATIONS RENOVATIONS

### Best Practices Could Enhance Future Cost Estimates

## What GAO Found

The Capital Master Plan (CMP) has made progress, but may not deliver the project's original scope, faces risks meeting its scheduled completion date, and is projected to be about \$430 million over budget as of February 2012. Regarding the project's scope, the CMP office may not renovate the Library and South Annex—two of the five buildings in its original scope—due to the lack of a workable design solution to address security concerns. Related to schedule, the CMP office expects to complete the CMP in 2014, but reports that previous schedule delays have reduced its ability to respond to unforeseen events without affecting the project's end date. According to the CMP office, the project's approximately \$430 million in projected cost overruns are due to a number of factors, including about \$266 million in direct project costs and over \$164 million from scope additions authorized without a corresponding increase in budget by the United Nations (UN) General Assembly. The CMP office has proposed financing options that could address a portion of these cost overruns. However, even if approved, an additional member assessment may be needed. One option for funding the U.S. portion of an additional member assessment is the use of credits attributable to the United States in the UN Tax Equalization Fund (TEF)—a fund used to reimburse U.S. nationals working at the UN for taxes paid on their UN salaries. According to the UN, as of May 2012, the balance of TEF credits attributable to the United States stood at \$120.9 million.

After evaluating the CMP's cost estimates, the UN General Assembly issued a resolution in April 2012 stating that the estimates lacked transparency, timeliness, and clarity. For example, the UN General Assembly expressed concern about the lack of clarity regarding the renovation of the Library and South Annex buildings. Specifically, member states inquired about the schedule for the two buildings and why renovations to the buildings were delayed. To address these concerns, the UN General Assembly requested that the CMP office improve reporting on projected CMP cost increases. While the UN General Assembly resolution did not specifically identify how the CMP office should report its future cost estimates, GAO has identified best practices for high-quality and reliable cost estimates. For instance, a well-documented cost estimate should describe in detail how the estimate was developed and the methodology used. Applying these best practices, as appropriate, could address the concerns raised by the UN General Assembly regarding the CMP's cost estimates.

To address its future office space needs, the UN is considering the option of a new building that would be separate from the CMP, but it does not have an estimate of the project's costs. The UN estimates that by 2023 its office space needs will have exceeded the capacity of its current real estate portfolio, primarily due to expiring leases. As a potential solution, the City and State of New York have proposed the construction of a new building known as the consolidation building. The UN has indicated its willingness to consider this proposal, but has not entered into any formal agreements. The current lack of a cost estimate for the consolidation building makes its cost implications for the UN and its member states unclear. GAO has previously reported that cost estimates are critical to program success, such as informed resource investments.