



Highlights of [GAO-08-634](#), a report to the Subcommittee on Commerce, Justice, Science, and Related Agencies, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

The federal Bureau of Prisons (BOP) is responsible for the custody and care of more than 201,000 federal offenders. To provide housing for the federal prison population, BOP manages the construction and maintenance of its prison facilities and oversees contract facilities. GAO was asked to look into recent increases in estimated costs for Federal Correctional Institution (FCI) construction projects located in Mendota, CA; Berlin, NH; and McDowell, WV, which have led to almost \$278 million or 62 percent more being provided in funding than initially estimated. This report addresses (1) the reasons for the changes to the estimated costs and (2) the actions BOP has taken—or plans to take—to control future cost increases and delays. GAO reviewed and analyzed BOP's fiscal years 2001 to 2009 budget documents, files for these three projects, and project management guidance. GAO also reviewed government and industry guidance on project management and met with BOP officials.

What GAO Recommends

GAO recommends that the Attorney General of the United States instruct the Director of BOP to clearly communicate in DOJ's annual congressional budget submission (1) the extent to which project costs may vary from initial estimates and (2) changes that may impact the functionality of projects. BOP agreed with GAO's recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-634](#). For more information, contact Terrell Dorn at (202) 512-6923 or dorn@ga.gov.

PRISON CONSTRUCTION

Clear Communication on the Accuracy of Cost Estimates and Project Changes Is Needed

What GAO Found

For these three projects, delays in starting construction or disruptions in available funding that interrupted construction contributed to increases in cost estimates due to inflation and unexpected increases in construction material costs. According to BOP officials, delays resulted from problems with selecting and approving the sites for the prisons and with the availability of funding. BOP officials stated that they expected costs to increase by the inflation rate during the delay period, but did not anticipate that market forces would cause the construction costs to increase above the inflation rate, as they did. For example, steel prices rose about 60 percent and oil prices rose by almost 170 percent between the time that BOP prepared the initial cost estimates for these projects and when construction was ready to begin. In addition, because BOP estimates initial project costs early in the planning process, generally before an actual prison location is selected, variance from the initial estimates would be expected to some extent, even if the projects are not delayed. BOP, like other agencies, is not required to communicate how much it expects costs may vary from its estimates in its budget documents. Without such information, Congress and other stakeholders do not know the extent to which additional funding may be required to complete the project, even absent any project delays.

BOP eliminated or reduced portions of two projects to remain within the amount that was funded and plans to use its construction management policies and procedures to control further cost increases and schedule delays. When awarding the contract for FCI Mendota in 2007, BOP eliminated a UNICOR facility, which would have provided additional employment and job skills training opportunities for inmates, and the minimum-security prison camp. At FCI Berlin, BOP eliminated the UNICOR facility when it awarded the contract in 2007, but subsequently added a smaller UNICOR facility to the project, which will be paid for by UNICOR. Intended to reduce costs, these changes also reduced the functionality of the two prisons, deviating from what BOP planned and requested funding for. In the subsequent budget submission to Congress and other stakeholders, BOP did not clearly communicate these changes, since BOP does not provide such detailed project information. Now that BOP has awarded the construction contracts for the three projects, BOP officials believe that their construction management policies and procedures will allow them to control cost increases and schedule delays. These policies and procedures reflect current government and industry project management practices to monitor and track projects, and to report on their status. Furthermore, BOP officials said that they plan to continue to avoid making changes that would increase construction costs after construction begins. GAO did not evaluate the effectiveness of BOP's construction policies and procedures in controlling cost increases and schedule delays on these projects because while construction contracts were awarded, little construction had been done.