

Highlights of [GAO-15-332T](#), a testimony before the Committee on Veteran's Affairs, House of Representatives

Why GAO Did This Study

The VA operates one of the nation's largest health care delivery systems. In April 2013, GAO reported that VA was managing the construction of 50 major medical-facility projects at a cost of more than \$12 billion. This statement discusses VA construction management issues, specifically, (1) the extent to which the cost, schedule, and scope for four selected major medical-facility projects has changed and the reasons for these changes, (2) actions GAO reported that VA had taken since 2012 to improve its construction management practices, and (3) VA's response to GAO's recommendations for further improvements in its management of these construction projects.

This statement is based on GAO's April 2013 report (GAO-13-302) and May 2013 (GAO-13-556T) and April 2014 (GAO-14-548T) testimonies. GAO included selected updates on VA projects—located in Denver, Colorado; Las Vegas, Nevada; New Orleans, Louisiana; and Orlando, Florida—and documentation obtained from VA in April 2014 and January 2015.

What GAO Recommends

In its April 2013 report, GAO recommended that VA (1) develop and implement agency guidance for assignment of medical equipment planners; (2) develop and disseminate procedures for communicating to contractors clearly defined roles and responsibilities of VA officials; (3) issue and take steps to implement guidance on streamlining the change-order process. VA implemented GAO's recommendations.

View [GAO-15-332T](#) . For more information, contact David Wise at (202) 512-2834 or WiseD@gao.gov.

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VA CONSTRUCTION

VA Actions to Address Cost Increases and Schedule Delays at Major Medical-Facility Projects

What GAO Found

In April 2013, GAO found that costs substantially increased and schedules were delayed for Department of Veterans Affairs' (VA) largest medical-facility construction projects, located in Denver, Colorado; Las Vegas, Nevada; New Orleans, Louisiana; and Orlando, Florida. As of January 2015, in comparison with initial estimates, the cost increases for these projects ranged from 66 percent to 144 percent and delays ranged from 14 to 86 months. Since the 2013 report, some of the projects have experienced further cost increases and delays. For example, the cost for the New Orleans project increased by nearly \$40 million, and delays at the Orlando project has extended from 39 months to 57 months. Several factors, including changes to veterans' health care needs, site-acquisition issues, and a decision in Denver to change plans from a medical center shared with a local medical university to a stand-alone VA medical center, contributed to increased costs and schedule delays.

In its April 2013 report, GAO found that VA had taken some actions since 2012 to address problems managing major construction projects. Specifically, VA established a Construction Review Council in April 2012 to oversee the department's development and execution of its real property programs. VA also took steps to implement a new project delivery method, called Integrated Design and Construction, which involves the construction contractor early in the design process to identify any potential problems early and speed the construction process. However, in Denver, VA did not implement this method early enough to garner the full benefits of having a contractor early in the design phase.

VA stated it has taken actions to implement the recommendations in GAO's April 2013 report. In that report, GAO identified systemic reasons that contributed to overall schedule delays and cost increases at one or more of four reviewed projects and recommended ways VA could improve its management of the construction of major medical facilities. In response, VA has

- issued guidance on assigning medical equipment planners to major medical facility projects who will be responsible for matching the equipment needed for the facility in order to avoid late design changes leading to cost increases and delays;
- developed and disseminated procedures for communicating to contractors clearly defined roles and responsibilities of the VA officials who manage major medical-facility projects to avoid confusion that can affect the relationship between VA and the contractor; and
- issued a handbook for construction contract modification (change-order) processing which includes milestones for completing processing of modifications based on their dollar value and took other actions to streamline the change order process to avoid project delays.

VA has implemented GAO's recommendations; however, the impact of these actions may take time to show improvements, especially for ongoing construction projects, depending on several issues, including the relationship between VA and the contractor.