FEDERAL REAL PROPERTY

GSA Could Better Identify Risks of Unforeseen Conditions in Repair and Alteration Projects

What GAO Found

Both industry stakeholders and General Services Administration (GSA) officials told GAO that unforeseen conditions in repair and alteration projects are common. Such conditions, for example, included an unknown wood subflooring discovered during demolition work. Among the impacts identified by the stakeholders were increased project costs and schedule delays. In general, data are limited on unforeseen conditions since GSA does not analyze this type of information. Most of the repair and alteration projects GAO reviewed—11 of 18 projects—experienced an unforeseen condition. The overall impact of the unforeseen conditions on the 18 projects GAO reviewed was largely limited. On 9 of the 11 projects that experienced such conditions, the cost to remediate them accounted for 1 to 5 percent of the project’s original construction contract award amount, and on one project the cost was approximately 6 percent. These amounts were below the typical 10 percent construction contingency GSA adds to project costs. Schedule impacts were also limited: 4 of the 11 projects experienced delays ranging from 23 to 105 days. GAO also found that three projects reviewed that did not experience unforeseen conditions were attached to larger projects that did experience these conditions. In two of these larger projects the cost increases from unforeseen conditions were about $2 million each. Incomplete building drawings and lack of building information were among the possible causes of the unforeseen conditions experienced in the projects GAO reviewed.

GAO has a variety of methods to identify and assess risks of unforeseen conditions. GSA’s Project Planning Guide states that, among other things, facility condition assessments and site surveys should be conducted initially. GSA guidance also calls for preparation of a project management plan (PMP), which includes a risk assessment matrix. GAO found that, in general, GSA used at least one of its risk identification methods on the projects reviewed. For example, GAO found that GSA prepared PMPs for 13 of the 18 projects reviewed. Three of the remaining five projects were attached to larger projects that had PMPs and GSA was unable to provide a PMP for the other two projects. However, GSA’s risk identification was sometimes inconsistent with unforeseen conditions that were actually experienced. For example, on 11 of the projects, GSA did not identify risks that later materialized during the project. The Standards for Internal Control in the Federal Government state that agencies should comprehensively identify risks using a variety of quantitative and qualitative methods. GSA officials told GAO that contract change orders are used to document unforeseen conditions that result in a change to the contract, but that these change orders are not analyzed to identify what role these conditions represent on projects or their causes or impacts. As shown in the projects GAO reviewed, unforeseen conditions can delay schedules and increase project costs—in some cases in the millions of dollars. Analyzing project information such as change orders would allow GSA to better know what role unforeseen conditions play in repair and alteration projects and the magnitude of this risk.