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DHS and GSA Have Not Implemented Recommendations to Strengthen the Management of DHS Headquarters Consolidation

Statement of Chris P. Currie, Director, Homeland Security and Justice

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What GAO Found

In its September 2014 report, GAO found that Department of Homeland Security (DHS) and General Services Administration (GSA) planning for the DHS headquarters consolidation at the St. Elizabeths campus in Washington, D.C. did not fully conform with leading capital decision-making practices intended to help agencies effectively plan and procure assets. Specifically, GAO found that DHS and GSA had not conducted a comprehensive assessment of current needs, identified capability gaps, or evaluated and prioritized alternatives that would help officials adapt consolidation plans to changing conditions and address funding issues as reflected in leading practices. GAO recommended that DHS and GSA conduct various assessments and analyses and use the results to inform updated DHS headquarters consolidation plans. The agencies concurred with this recommendation.

In its September 2014 report, GAO also found that DHS and GSA cost and schedule estimates for the headquarters consolidation project at St. Elizabeths did not conform or, only minimally or partially conformed, with leading estimating practices, and were therefore unreliable. Thus, GAO recommended that DHS and GSA develop revised cost and schedule estimates for the remaining portions of the consolidation project in accordance with leading practices, and the agencies concurred with this recommendation.

The DHS Headquarters Consolidation Accountability Act of 2015, enacted in April 2016 would, according to the accompanying Senate committee report, ensure that DHS and GSA fully address the recommendations from GAO’s September 2014 report and provide Congress the information needed to make sound decisions regarding the project. Among other things, the Act required DHS, in coordination with GSA, to submit information to Congress, including various assessments and updated cost and schedule estimates related to the DHS headquarters consolidation. As of April 2018, however, DHS and GSA had not submitted the information to Congress that would either meet the requirements of the Act or address GAO’s recommendations. DHS and GSA officials cited funding instability as one challenge to updating consolidation plans and cost and schedule estimates.

What GAO Recommends

Among other things, GAO recommended in its September 2014 report that DHS and GSA develop revised DHS headquarters plans that reflect leading practices for capital decision making and also reliable cost and schedule estimates. DHS and GSA concurred with our recommendations.

View GAO-18-484T. For more information, contact Chris Currie at (404) 679-1875 or currie@gao.gov.

Progress of Center Building construction at St. Elizabeths campus from 2016 (left) to 2018 (right)

Source: GAO (left photo); Department of Homeland Security (right photo). | GAO-18-484T
Chairman Perry, Ranking Member Correa, and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of Homeland Security (DHS) headquarters consolidation project at St. Elizabeths campus in Washington, D.C., including a status update on the recommendations that we made in a 2014 report on this issue.¹ The multi-billion dollar construction project, managed by DHS and the General Services Administration (GSA),² is the centerpiece of DHS’s larger effort to manage and consolidate its workforce of over 20,000 in the National Capital Region.³ As conceived in 2006, the federally owned St. Elizabeths site was designed to consolidate DHS’s executive leadership, operational management, and other personnel at one secure location rather than at multiple locations throughout the Washington, D.C., metropolitan area.⁴ The St. Elizabeths project is intended to allow for more efficient DHS operations and provide long-term cost savings by reducing reliance on leased space. From fiscal year 2006 through fiscal year 2014, the St. Elizabeths consolidation project had received approximately $495 million through DHS appropriations and approximately $1.1 billion through GSA appropriations, for a total of over $1.5 billion.⁵ However, since construction began in fiscal year 2009, the project has generally received less funding than requested, which DHS and GSA officials have stated has led to cost escalations and schedule delays. The President’s fiscal


²GSA, the landlord for the civilian federal government, acquires space on behalf of the federal government through new construction and leasing, and acts as a caretaker for federal properties across the country. As such, GSA had the responsibility to select the specific site for a new, consolidated DHS headquarters facility, based on DHS needs and requirements.

³The National Capital Region is composed of the District of Columbia and nearby jurisdictions in Maryland and Virginia.

⁴The St. Elizabeths campus is a National Historic Landmark and a former federally-run hospital for the mentally ill.

⁵Since we reported in September 2014 through fiscal year 2018, approximately $277 and $485 million more had been appropriated to DHS and GSA, respectively, for the St. Elizabeths consolidations project. Since fiscal year 2006, amounts appropriated to DHS and GSA for the St. Elizabeths consolidation project have exceeded $2.3 billion in the aggregate.
year 2019 budget requests a total of about $400 million for continued consolidation and new development funds for the project.

In September 2014, we made three recommendations to improve the management of DHS headquarters consolidation, and DHS and GSA concurred with the recommendations.

In 2014, we recommended that:

1. DHS and GSA conduct the following assessments and use the results to inform updated DHS headquarters consolidation plans:
   - a comprehensive needs assessment and gap analysis of current and needed capabilities that take into consideration changing conditions; and
   - an alternatives analysis that identifies the costs and benefits of leasing and construction alternatives for the remainder of the project and prioritizes options to account for funding instability.

2. DHS and GSA develop revised cost and schedule estimates for the remaining portions of the consolidation project that conform to GSA guidance and leading practices for cost and schedule estimation, including an independent evaluation of the estimates.

3. DHS designate the headquarters consolidation program a major acquisition, consistent with DHS acquisition policy, and apply DHS acquisition policy requirements.

In our September 2014 report, we further stated that Congress should consider making future funding for the St. Elizabeths project contingent upon DHS and GSA developing a revised headquarters consolidation plan that conforms with leading practices and that (1) recognizes changes in workplace standards, (2) identifies which components are to be collocated at St. Elizabeths and in leased and owned space throughout the National Capital Region, and (3) develops and provides reliable cost and schedule estimates.

Subsequently, in 2015, we designated our three recommendations to DHS and GSA as “Priority Recommendations” due in part to the important fiscal and operational implications of DHS headquarters consolidation. In addition, we have designated the broader areas of Managing Federal Real Property and Strengthening DHS Management Functions as High
Risk areas due to mismanagement vulnerabilities or a need for transformation.\(^6\)

The Department of Homeland Security (DHS) Headquarters Consolidation Accountability Act of 2015, enacted in April 2016 would, according to the accompanying Senate committee report, ensure that DHS and GSA fully address the recommendations from our September 2014 report and provide Congress the additional information needed to make sound decisions regarding the headquarters consolidation project.\(^7\) Among other things, the Act requires DHS, in coordination with GSA, to submit information to Congress about DHS headquarters consolidation efforts not later than 120 days after enactment (enacted April 29, 2016).\(^8\) Required information includes a comprehensive assessment of the difference between the current real property and facilities needed by DHS in the National Capital Region, an analysis that identifies the costs and benefits of leasing and construction alternatives for the remainder of the consolidation project, and updated cost and schedule estimates. Furthermore, under the Act, the Comptroller General is to report on its review and evaluation of the quality and reliability of the cost and schedule estimates not later than 90 days after their submittal to Congress.\(^9\) As of April 2018, DHS and GSA had not submitted the required headquarters consolidation information to Congress or implemented our related recommendations.

Although DHS and GSA have yet to provide the information to Congress, construction is proceeding at the St. Elizabeths campus. Figures 1 and 2 show progress made to the Center Building from September 2016 to March 2018. This structure will house the Secretary of Homeland Security and other key leadership.


\(^8\)Specifically, the DHS Secretary, in coordination with the GSA Administrator, is to submit to the Committees on Homeland Security and Transportation and Infrastructure of the House of Representatives, and the Committee on Homeland Security and Governmental Affairs of the Senate, information on the implementation of the enhanced plan for the DHS headquarters consolidation project within the National Capital Region. See Pub. L. No. 114-150, § 2, 130 Stat. at 366-68.

My testimony summarizes the key findings of our September 2014 report on DHS and GSA efforts to manage the DHS headquarters consolidation project, and provides a status update on DHS and GSA implementation of...
our recommendations. To complete our September 2014 report, we compared DHS and GSA capital planning efforts against applicable leading practices in capital decision making and interviewed DHS and GSA officials responsible for the planning and management of the DHS headquarters consolidation.\(^{10}\) We also compared DHS and GSA documents on the estimated cost and schedule for the St. Elizabeths project with cost- and schedule-estimating leading practices we have identified in our prior work, and relevant GSA guidance.\(^{11}\) To assess subsequent DHS and GSA actions to implement our September 2014 recommendations, we conducted periodic follow-up with DHS and GSA officials and obtained relevant documentation. The work upon which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Consolidation Plans Did Not Fully Conform with Leading Capital Decision-Making Practices and GAO Recommendation Has Not Been Implemented

In our September 2014 report, we found that DHS and GSA planning for the DHS headquarters consolidation did not fully conform with leading capital decision-making practices intended to help agencies effectively

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Specifically, we found that DHS and GSA had not conducted a comprehensive assessment of current needs, identified capability gaps, or evaluated and prioritized alternatives that would help officials adapt consolidation plans to changing conditions and address funding issues as reflected in leading practices. At that time, DHS and GSA officials reported that they had taken some initial actions that may facilitate consolidation planning in a manner consistent with leading practices. For example, DHS had an overall goal of reducing the square footage allotted per employee across the department in accordance with workplace standards, such as standards for telework and hoteling.

As we reported in 2014, DHS and GSA officials acknowledged that new workplace standards could create a number of new development options to consider, as the new standards would allow for more staff to occupy the space at St. Elizabeths than previously anticipated. DHS and GSA officials also reported at that time that analyzing different leasing options could affect consolidation efforts. However, we found that the consolidation plans, which were finalized between 2006 and 2009, had not been updated to reflect these actions.

In addition, we found in September 2014 that funding for the St. Elizabeths project had not aligned with what DHS and GSA initially planned. We reported that according to DHS and GSA officials, the funding gap between what DHS and GSA requested and what was received from fiscal years 2009 through 2014, was over $1.6 billion. According to these officials, this gap created cost escalations of over $1 billion and schedule delays of over 10 years relative to original estimates. We found in 2014 that these delays posed challenges for DHS in terms of its leasing portfolio. Specifically, DHS’s long-term leasing portfolio was

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12 Congress, OMB, and GAO have all identified the need for effective capital decision making among federal agencies. OMB’s Capital Programming Guide, a Supplement to OMB Circular A-11, along with GAO’s Executive Guide: Leading Practices in Capital Decision-Making provides detailed guidance to federal agencies on leading practices for the four phases of capital programming—planning, budgeting, acquiring, and managing capital assets. These practices are, in part, intended to provide a disciplined approach or process to help federal agencies effectively plan and procure assets to achieve the maximum return on investment.


14 Telework is a work arrangement in which employees perform all or a portion of their work at an alternative work site, such as from home or a telework center. Hoteling allows employees to work at multiple sites and use non-dedicated, non-permanent workspaces assigned for use by reservation on an as-needed basis.
developed based on the original expected completion date for St. Elizabeths development in 2016. In 2014, DHS and GSA reported that they had begun to work together to consider changes to the DHS headquarters consolidation plans, but they had not announced when new plans would be issued. Furthermore, because final documentation of agency deliberations or analyses had not yet been developed, it was unclear if any new plans would be informed by an updated comprehensive needs assessment and capability gap analysis as called for by leading capital decision-making practices. Therefore, in our September 2014 report we recommended that DHS and GSA conduct various assessments and analyses and use the results to inform updated DHS headquarters consolidation plans. DHS and GSA concurred with this recommendation and stated that their forthcoming draft St. Elizabeths Enhanced Consolidation Plan would contain these analyses.

As of April 2018, however, the agencies had not submitted updated plan information to Congress that would either meet the requirements of the DHS Headquarters Consolidation Accountability Act or address our recommendation. According to DHS officials, the agencies prepared a comprehensive response to the Act, including updated analyses, but the information is no longer current and now needs to be revised and revalidated before it is submitted to Congress. Officials told us that the updated consolidation plans and analyses assumed that the project would receive more funding in fiscal years 2017 and 2018 than was appropriated. Further, officials told us that the current Administration is expected to provide input on the planned DHS component occupancies at the St. Elizabeths campus. We continue to believe that DHS and GSA attention to following leading capital decision-making practices—including having a consolidation plan that justifies future actions—is critical given the project’s multi-billion dollar cost and impact on departmental operations.

Cost and Schedule Estimates for the St. Elizabeths Project Did Not Reflect Leading Practices and GAO Recommendation Has Not Been Implemented

In our September 2014 report, we found that DHS and GSA cost and schedule estimates for the headquarters consolidation project at St. Elizabeths did not conform or only minimally or partially conformed with
leading estimating practices, and were therefore unreliable.\textsuperscript{15} Furthermore, we found that in some areas, the cost and schedule estimates did not fully conform with GSA guidance relevant to developing estimates.

### Cost Estimates

In 2014, we found that DHS and GSA cost estimates for the headquarters consolidation project at St. Elizabeths did not reflect leading practices, which rendered the estimates unreliable. For example, we found that the 2013 cost estimate—the most recent available at the time of our 2014 report—did not include (1) a life-cycle cost analysis of the project, including the cost of repair, operations, and maintenance; (2) was not regularly updated to reflect significant changes to the program including actual costs; and (3) did not include an independent estimate to determine whether other estimating methods produce similar results. In addition, a sensitivity and a risk and uncertainty analysis had not been performed to assess the reasonableness of the cost estimate. We have previously reported that a reliable cost estimate is critical to the success of any program.\textsuperscript{16} Specifically, we have found that such an estimate provides the basis for informed investment decision making, realistic budget formulation and program resourcing, meaningful progress measurement, proactive course correction when warranted, and accountability for results. Accordingly, in 2014, we concluded that DHS and GSA would benefit from maintaining current and well-documented estimates of project costs at St. Elizabeths—even if project funding is not fully secured.

### Schedule Estimates

In 2014, we also found that the 2008 and 2013 schedule estimates (the estimates available at the time of our review) did not include all activities for both the government and its contractors necessary to accomplish the project’s objectives and did not include schedule baseline documents to

\textsuperscript{15}GAO-09-3SP and GAO-12-120G. For both the cost and schedule estimates, our analysis focused on how well DHS and GSA met each of the four characteristics based on our assessment of conformance to the leading practices associated with that characteristic. We then arrayed the extent to which DHS and GSA cost and schedule estimates conformed with the four characteristics of each using five rating categories—fully meets, substantially meets, partially meets, minimally meets, or does not meet.

\textsuperscript{16}GAO-09-3SP.
help measure performance as reflected in leading practices and GSA guidance. For the 2008 schedule estimate, we found that resources (such as labor, materials, and equipment) were not accounted for and a risk assessment had not been conducted to predict a level of confidence in the project’s completion date. In addition, we found the 2013 schedule estimate was unreliable because, among other things, it was incomplete in that it did not provide details needed to understand the sequence of events, including work to be performed in fiscal years 2014 and 2015.

In 2014, we concluded that developing cost and schedule estimates consistent with leading practices could promote greater transparency and provide decision makers needed information about the St. Elizabeths project and the larger DHS headquarters consolidation effort. However, in commenting on our analysis of St. Elizabeths cost and schedule estimates, DHS and GSA officials said that it would be difficult or impossible to create reliable estimates that encompass the scope of the entire St. Elizabeths project. In response to our findings, officials said that given the complex, multiphase nature of the overall development effort, specific estimates are created for smaller individual projects, but not for the campus project as a whole. Therefore, in their view, leading estimating practices and GSA guidance cannot reasonably be applied to the high-level projections developed for the total cost and completion date of the entire St. Elizabeths project. GSA stated that the higher-level, milestone schedule currently being used to manage the program was more flexible than the detailed schedule we proposed, and had proven effective even with the highly variable funding provided for the project.

However, our September 2014 review found this high-level schedule was not sufficiently defined to effectively manage the program. For example, our review showed that the schedule did not contain detailed schedule activities that included all government, contractor, and applicable subcontractor efforts. In our 2014 report, we recognized the challenges of developing reliable cost and schedule estimates for a large-scale, multiphase project like St. Elizabeths, particularly given its unstable funding history and agreed that incorporating cost- and schedule-estimating leading practices could involve additional costs. However, we also concluded that unless DHS and GSA invest in these practices, Congress risked making funding decisions and DHS and GSA management risked making resource allocation decisions without the benefit that a robust analysis of levels of risk, uncertainty, and confidence provides. Therefore, in our September 2014 report we recommended that DHS and GSA develop revised cost and schedule estimates for the
remaining portions of the consolidation project in accordance with leading practices. DHS and GSA concurred with the recommendation.

As of April 2018, however, the agencies had not submitted revised cost and schedule information to Congress that would either meet the requirements of the DHS Headquarters Consolidation Accountability Act or address our recommendation. GSA is leading efforts to revise the project’s cost and schedule estimates, and according to GSA officials, the revised figures will take into account leading cost- and schedule-estimation practices, including a risk assessment. We continue to believe that creating up-to-date, reliable cost and schedule estimates for DHS headquarters consolidation should be an integral part of DHS and GSA efforts to reassess the project. Without this information, it will be more difficult for agency officials and Members of Congress to make informed decisions regarding resource allocations and compare competing funding priorities.

DHS Did Not Consistently Apply Its Acquisitions Guidance When Overseeing the St. Elizabeths Project, but Has Taken Steps to Implement GAO’s Recommendation

In our September 2014 report, we also found that DHS had not consistently applied its major acquisition guidance for reviewing and approving the headquarters consolidation project. Specifically, we found that DHS had guidelines in place to provide senior management the opportunity to review and approve its major projects, but DHS had not consistently applied these guidelines to its efforts to work with GSA to plan and implement headquarters consolidation. Part of the inconsistency was the result of DHS designating the headquarters consolidation project as a major acquisition in some years but not in others. For example, we found that in 2010 and 2011, DHS identified the headquarters consolidation project as a major acquisition and included the project on
DHS’s Major Acquisitions Oversight List. Thus, the project was subject to the oversight and management policies and procedures established in DHS major acquisition guidance; however, the project did not comply with major acquisition requirements as outlined by DHS guidelines. For example, we found that the project had not produced any of the required key acquisition documents requiring department-level approval, such as life-cycle cost estimates and an acquisition program baseline, among others.

As we reported in 2014, in 2012, the project as a whole was dropped from the list. Subsequently, in 2013 and 2014, DHS included the information technology (IT) acquisition portion of the project on the list, but not the entire project. DHS officials explained that they considered the St. Elizabeths project to be more of a GSA acquisition rather than a DHS acquisition because GSA owns the site and the majority of the building construction is funded through GSA appropriations. In our 2014 report, we recognized that GSA had responsibility for managing contracts associated with the headquarters consolidation project. However, we also noted that a variety of factors, including the overall cost, scope, and visibility of the project, as well as the overall importance of the project in the context of DHS’s mission, made the consolidation project a viable candidate for consideration as a major DHS acquisition. By not consistently applying this review process to headquarters consolidation, we concluded that DHS management risked losing insight into the progress of the St. Elizabeths project, as well as how the project fits in with its overall acquisitions portfolio. Thus, in our September 2014 report we recommended that the Secretary of Homeland Security designate the headquarters consolidation program a major acquisition and apply DHS acquisition policy requirements. DHS concurred with the recommendation.

As of April 2018, DHS has made some progress implementing this recommendation. For example, on September 16, 2014, DHS issued an Acquisition Decision Memorandum designating the DHS-funded portions of the headquarters consolidation program as a Major Acquisition

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17At the time of our 2014 report, DHS reviewed its acquisition portfolio annually and designated programs as major acquisitions based on DHS investment thresholds. Generally, programs that incurred costs greater than $300 million over the life cycle of the program were considered major acquisitions. In 2014, DHS changed the name of the Major Acquisition Oversight List to the Master Acquisition Oversight List to more accurately distinguish between the department’s major (Level 1 and 2) and nonmajor (Level 3) acquisitions and nonacquisition activities included in the list.
Program to be overseen by the departmental Acquisition Review Board (ARB). DHS also made progress implementing this recommendation by conducting and documenting an ARB of the program in November 2016. The ARB process provided DHS greater oversight of headquarters consolidation, and provided a forum for officials to consider a wide range of issues affecting consolidation efforts, such as funding and project scope. In addition, in January 2018, DHS officials reported that they were working to align headquarters consolidation program documentation to meet the spirit of DHS acquisition policy guidance. We will reassess the status of this recommendation after the consolidation plan and cost and schedule estimates are updated and submitted to Congress per the DHS Headquarters Consolidation Accountability Act. At that time, we believe there will be more certainty about the future direction of the project overall, and DHS’s funded portion in particular, and we will be better able to assess the level of DHS acquisitions oversight for the project.

Chairman Perry, Ranking Member Correa, and Members of the Subcommittee, this concludes my prepared statement. I look forward to responding to any questions that you may have.

GAO Contact and Staff Acknowledgments

If you or your staff members have any questions about this testimony, please contact Chris Currie, Director, Homeland Security and Justice Issues, at (404) 679-1875 or curriec@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement are John Mortin (Assistant Director), Karen Richey (Assistant Director), Juaná Collymore, Jennifer Leotta, Thomas Lombardi, David Lutter, and Erin O’Brien.
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