

Highlights of [GAO-13-302](#), a report to the Chairman, Committee on Veterans' Affairs, House of Representatives

## Why GAO Did This Study

The VA operates one of the nation's largest health care delivery systems. Charged with addressing the issues of increasing medical demands and aging medical facilities, VA currently manages the construction of 50 major medical-facility projects, each costing at least \$10 million, some in the hundreds of millions of dollars. As requested, GAO examined VA's management of such projects. GAO reviewed (1) changes to costs, schedule, and scope for selected new medical-facility construction projects and (2) actions VA has taken to improve management and any opportunities that exist for VA to improve its management of costs, schedule, and scope of these construction projects. GAO analyzed documents, VA data as of November 2012 on selected major construction projects, and interviewed VA officials, architecture and engineering, and construction firms.

## What GAO Recommends

GAO recommends that VA (1) develop and implement agency guidance for assignment of medical equipment planners to major medical construction projects; (2) develop and disseminate procedures for communicating to contractors clearly defined roles and responsibilities of VA officials who manage major medical-facility projects, particularly the change-order process; and (3) issue and take steps to implement guidance on streamlining the change-order process. VA concurred with GAO's recommendations, but expressed concerns about the depiction of cost increases and schedule delays; GAO believes its methodology is accurate as discussed in this report.

View [GAO-13-302](#). For more information, contact Lorelei St. James at (202) 512-2834 or [stjamesl@gao.gov](mailto:stjamesl@gao.gov).

April 2013

## VA CONSTRUCTION

### Additional Actions Needed to Decrease Delays and Lower Costs of Major Medical-Facility Projects

#### What GAO Found

Costs substantially increased and schedules were delayed for Department of Veterans Affairs' (VA) largest medical-center construction projects in Denver, Colorado; Las Vegas, Nevada; New Orleans, Louisiana; and Orlando, Florida. As of November 2012, the cost increases for these projects ranged from 59 percent to 144 percent, with a total cost increase of nearly \$1.5 billion and an average increase of approximately \$366 million. The delays for these projects range from 14 to 74 months, resulting in an average delay of 35 months per project. In commenting on a draft of this report, VA contends that using the initial completion date from the construction contract would be more accurate than using the initial completion date provided to Congress; however, using this date would not account for how VA managed these projects prior to the award of the construction contract. Several factors, including changes to veterans' health care needs and site-acquisition issues contributed to increased costs and schedule delays at these sites.

Although VA has taken some actions to address problems managing major construction projects, the agency has opportunities for further improvement. For example, VA established a Construction Review Council in June 2012 to oversee the department's development and execution of its real property programs. However, construction management challenges remain, and opportunities exist for VA to avoid further cost increases and schedule delays.

- Given the complexity and speed of medical advances, many health care organizations have enlisted the services of experts in planning the procurement and installation of medical equipment for new medical centers. VA has used these planners at various phases for some projects and is reviewing its overall procurement of medical equipment. However, VA has not taken full advantage of medical equipment planners on all projects, in part because there is no guidance for doing so. Not using a medical equipment planner can lead to increased design and construction changes resulting in cost increases and schedule delays.
- VA has not yet clearly defined roles and responsibilities of VA construction management staff, even though the agency previously identified the need to do so. GAO found that conflicting direction from VA to contractors can cause some confusion and lead to cost increases and construction delays. For example, contractor officials at one site said that VA's project manager directed them to defer the design of specific rooms until medical equipment was selected for the facility; however, VA's central office then directed the contractor to proceed with designing the rooms. This conflicting direction from VA will require the contractor to redesign the space, further expending project resources.
- The federal government's regulations and VA's policy specify that changes to construction contracts, known as change orders, should be issued in a timely manner; however, VA's change-order approval process requires time-consuming reviews at multiple organizational levels that have resulted in extensive delays and increased costs for some projects. VA is reviewing options to shorten the decision cycle for approval of construction contract modifications but has not yet streamlined the process.