



May 2015

UNITED NATIONS RENOVATIONS

Original Scope
Reduced and Project
Over Budget, but
Lessons Learned
Could Improve Future
Projects

GAO Highlights

Highlights of [GAO-15-414](#), a report to the Chairman, Committee on Foreign Relations, United States Senate

Why GAO Did This Study

In December 2006, the UN approved a \$1.88 billion plan to modernize its headquarters by 2014 (the CMP project), including renovating five buildings. In a separate effort, the UN is considering options to address its future needs for office space. As the UN's largest financial contributor, the United States has a significant interest in these projects.

GAO was asked to review progress on these efforts. GAO examined (1) the extent to which the CMP is on schedule and achieving its originally planned scope of work within budget, (2) the UN's application of lessons learned from the CMP to other UN capital projects, and (3) how the UN determines and plans to address future office space needs at its headquarters. To perform this work, GAO reviewed CMP schedule, planning, budget, and cost documents; examined relevant UN General Assembly resolutions; and met with officials from the Department of State and relevant UN offices.

What GAO Recommends

The Secretary of State and the U.S. Permanent Representative to the United Nations should work with other member states to (1) ensure that lessons learned during the CMP are used to develop documented guidance for future capital projects and (2) clearly justify assumptions used to estimate future office space needs, for example, by documenting the underlying factors, data, and analyses.

The Department of State concurred with GAO's recommendations.

View [GAO-15-414](#). For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov, or David Wise at (202) 512-2834 or wised@gao.gov.

May 2015

UNITED NATIONS RENOVATIONS

Original Scope Reduced and Project Over Budget, but Lessons Learned Could Improve Future Projects

What GAO Found

The Capital Master Plan (CMP) intended to modernize, secure, and restore the United Nations (UN) Headquarters Complex, is substantially complete. However, the project is 3 years behind schedule primarily due to unplanned security upgrades and is projected to be over budget, while the UN has removed two buildings from its scope due to lack of a feasible solution to security concerns. As of February 2015, the UN estimated that the CMP will cost about \$379 million more than originally planned. In resolutions passed in December 2013 and April 2015, the UN General Assembly authorized financing of the CMP cost overrun through various means, including an additional member state assessment.

United Nations Headquarters Complex in New York City



Source: UN/Mark Garten (photo). | GAO-15-414

UN internal and external auditors have identified lessons learned from the CMP that could be applied to future capital projects, such as including all foreseeable costs at a project's outset. The UN is applying some of these lessons to a new capital improvement project in Geneva. However, the UN has not made these lessons standard practice as called for by federal and UN standards for internal control. As a result, the UN could miss the opportunity to apply its experience to help achieve long-term savings and efficiencies in future capital improvement efforts.

The UN has identified as viable three options to address its future office space needs in New York, including a new building within the UN Headquarters Complex, a new building south of the UN Complex, and the status quo—relying on leased space. However, GAO found the assumptions upon which the UN bases these options—including UN workforce projections and the potential impact of flexible workplace policies such as teleworking or desk sharing—are not well supported and documented. Without an understanding of the methodology and calculations underlying the assumptions, UN decision makers may have difficulties deciding which options will achieve the most efficient and effective allocation of resources in the coming years.

Contents

Letter		1
	Background	3
	CMP Is Substantially Complete but Is Behind Schedule, Has Been Authorized to Reduce Its Scope, and Is Projected to Be Over Budget	7
	UN Is Applying Some Lessons Learned from the CMP but Has Not Made Them Standard Practice for All Capital Improvements	17
	UN Has Identified as Viable Three Options to Address Future Office Space Needs, but Some Key Assumptions Could Be Better Documented	23
	Conclusions	33
	Recommendations for Executive Action	34
	Agency Comments	34
Appendix I:	Objectives, Scope, and Methodology	36
Appendix II:	United Nations Cost Estimates for Three Options the UN Secretary-General Deemed Viable to Address UN Future Office Space Needs	39
Appendix III:	United Nations Leased Office Space	41
Appendix IV:	Comments from the Department of State	42
Appendix V:	GAO Contacts and Staff Acknowledgments	45
Related GAO Reports		46
Tables		
	Table 1: Projected Completion Dates for United Nations Capital Master Plan (CMP) Activities	11

Table 2: Additional United Nations Capital Master Plan (CMP) Project Scope to Be Completed After the CMP Office Closes in June 2015	13
Table 3: United Nations Capital Master Plan Estimated Cost Overruns, as of February 2015	15
Table 4: Components Contributing to the United Nations Capital Master Plan's (CMP) Estimated Total of \$379.2 Million in Cost Overruns, as of February 2015	16
Table 5: United Nations Financing of Capital Master Plan (CMP) Projected Cost Overrun	17
Table 6: Application of Lessons Learned from the United Nations Capital Master Plan (CMP) to the Strategic Heritage Plan (SHP)	21
Table 7: Eight Options to Address Future Office Space Needs Presented by the United Nations Secretary-General in February 2014	24
Table 8: Total Project Costs (2014-2064) for Three Options Deemed Viable to Address Future United Nations Headquarters Office Space Needs, under Three Staff Growth-Rate Scenarios	39
Table 9: Total Project Costs in 2014 Dollars Net Present Value for Three Options Deemed Viable to Address Future United Nations Headquarters Office Space Needs, under Three Staff Growth-Rate Scenarios	40
Table 10: United Nations Leased Property as of March 2014	41

Figures

Figure 1: United Nations Headquarters Complex in New York City	5
Figure 2: Renovation of the "Glass Curtain" Wall of the United Nations Secretariat Building, During and After	8
Figure 3: Renovation of the United Nations Security Council Chamber, During and After	9
Figure 4: Renovation of the United Nations General Assembly Hall, During and After	10
Figure 5: UN Campus with Rendering of Proposed North Lawn Building	26
Figure 6: United Nations Headquarters Complex Shown with Architectural Rendering of Proposed DC-5 Building	27

Abbreviations

ACABQ	UN Advisory Committee on Administrative and Budgetary Questions
CMP	Capital Master Plan
MOU	memorandum of understanding
SHP	Strategic Heritage Plan
State	Department of State
UN	United Nations
UNDC	United Nations Development Corporation

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



May 14, 2015

The Honorable Bob Corker
Chairman
Committee on Foreign Relations
United States Senate

Dear Mr. Chairman:

In December 2006, the United Nations (UN) approved a \$1.88 billion Capital Master Plan (CMP) to renovate and modernize its Headquarters Complex in New York City by 2014. To support the CMP, the United States has provided approximately \$488 million to the UN. Renovations to the UN Headquarters Complex began in 2008. We have periodically reviewed UN efforts to develop and implement the CMP and reported on the progress of the project.¹ In our most recent review in 2012,² we found that the CMP faced risks related to meeting its completion schedule and delivering its agreed upon scope. We also found that the CMP was about \$430 million over budget, as of February 2012.

Separate from the CMP, the UN General Assembly³ has stressed the need for a long-term strategy to meet the office space needs at the UN headquarters in New York. In 2012, we found that the UN estimated that its future office space needs would exceed the capacity of its real estate portfolio in New York by 2023, primarily due to expiring leases. We reported that, as a potential solution, the city and state of New York proposed the construction of a new UN Consolidation Building known as DC-5. We found that, as of July 2012, the UN had not developed a cost estimate for the building and recommended that the Department of State (State) direct the UN to ensure the development of such an estimate using GAO's best practices for cost estimation. Recently, in addition to DC-5, the UN General Assembly has been considering other options for

¹For a discussion of the planning efforts of the CMP, see *Related GAO Reports*.

²GAO, *United Nations Renovations: Best Practices Could Enhance Future Cost Estimates*, [GAO-12-795](#) (Washington, D.C., July 25, 2012).

³The General Assembly is the UN's main policy-making body and comprises all 193 member states.

its long-term office space needs, such as constructing a new building on the north lawn of the UN campus, an idea first considered in 2006.⁴

You asked us to provide updated information on the CMP's progress and on the UN's efforts to address its future office space needs. In this report, we examine (1) the extent to which the CMP is on schedule and achieving its originally planned scope of work within budget, (2) the UN's application of lessons learned from the CMP to other UN capital projects, and (3) how the UN determines and plans to address future office space needs at its headquarters.

To evaluate the extent to which the CMP is on schedule and achieving its originally planned scope of work within budget, we analyzed CMP schedule and planning documents to compare current completion dates and planned scope with initial schedule and scope projections approved in 2006, as well as CMP budget documents to compare current cost estimates to initial budget projections approved in 2006. As criteria, we used a UN General Assembly resolution adopted in December 2006 that approves the CMP's original scope and states that the CMP is to be completed within a specific timetable and at a cost not to exceed the approved budgeted amount of \$1.88 million.⁵ We also examined other relevant CMP documentation, including monthly reports and procurement information. Although we did not audit the CMP cost data and are not expressing an opinion on them, based on our examination of the documents received and our discussions with cognizant officials, we concluded that the data were sufficiently reliable for the purposes of this report. Additionally, we interviewed officials from State and relevant UN offices, including the CMP office, UN Office of Central Support Services. We also interviewed officials from the UN Board of Auditors, and visited the CMP project site. To assess the UN's application of lessons learned from the CMP to other UN capital projects, we reviewed relevant UN documents. We also assessed the UN's collection of lessons learned from the CMP against UN and federal standards for internal control related to designing control activities.⁶ We also interviewed UN officials

⁴G.A. Res. 60/282, UN 60th Sess., UN Doc A/RES/60/282 (2006).

⁵G.A. Res. 61/251, UN 61st Sess., UN Doc A/RES/61/251 (2007).

⁶UN Joint Inspection Unit, *Accountability Frameworks in the United Nations System*, JIU/REP/2011/5 (Geneva: 2011). GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1, ("Green Book") (Washington, D.C.: November 1999).

from the Strategic Heritage Plan, a UN capital project underway in Geneva, Switzerland, to determine which of the lessons learned identified in UN studies they planned to apply to their project. Finally, to evaluate how the UN determines and plans to address future office space needs at its headquarters, we reviewed UN documents such as the Secretary-General's *Study on the Long-Term Accommodation Needs at United Nations Headquarters 2014–2034* and a related report by the Advisory Committee on Administrative and Budgetary Questions to understand the UN's long-term office space needs and identify UN recommendations to address them, the assumptions upon which the recommendations were based, and the justifications for those assumptions. We also interviewed officials from State, the U.S. Mission to the UN, the UN Office of Central Support Services, the UN Board of Auditors, and the UN Development Corporation regarding UN deliberations and plans and cost estimations for various options proposed by the UN to address future office space needs. We also reviewed UN General Assembly resolutions⁷ and GAO practices related to the analysis of alternatives.⁸ See appendix I for further information on our scope and methodology.

We conducted this performance audit from July 2014 to May 2015 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.

Background

In 2001, we reported that the UN Headquarters Complex in New York City—built largely between 1949 and 1952⁹—no longer conformed to current safety, fire, and building codes or to UN technology and security

⁷G.A. Res. 67/254, UN , 67th Sess., UN Doc. A/RES/67/254 (2013). G.A. Res. 69/262, UN, 69th Sess., UN Doc. A/RES/69/262 (2015).

⁸For more information on best practices for analyzing alternatives, see *DOE and NNSA Project Management: Analysis of Alternatives Could Be Improved by Incorporating Best Practices*, GAO-15-37. (Washington D.C.: Dec.11, 2014).

⁹Additional buildings in the complex, such as the Library and South Annex, were built between 1960 and 1982.

requirements.¹⁰ The UN General Assembly noted that conditions in the UN Headquarters Complex posed serious risks to the health and safety of staff, visitors, and tourists. In December 2006, after several years of design and planning, the UN General Assembly unanimously approved the CMP to renovate the UN Headquarters Complex, at a budget not to exceed \$1.88 billion.

The CMP was initially intended to be implemented between 2006 and 2014. The UN member states authorized the creation of an office and hired a team to oversee the day-to-day project activity. The scope included the renovation of five buildings in the UN Headquarters Complex—the General Assembly Building, the Conference Building, the Secretariat Building, the Library, and the South Annex (see fig.1). The renovation also included the replacement of electrical and other building system components in basements connecting several of the buildings and the construction of a temporary conference building on the north lawn of the complex.

¹⁰GAO, *United Nations: Planning for Headquarters Renovation is Reasonable; United States Needs to Decide Whether to Support Work*. [GAO-01-788](#). (Washington, D.C.: June 15, 2001).

Figure 1: United Nations Headquarters Complex in New York City



Source: UN/ Mark Garten (photo). | GAO-15-414

To house UN staff during the renovation, the CMP included plans to lease space in nearby buildings, as well as house staff within the temporary north lawn building. Additionally, the CMP included landscaping, demolition of the temporary north building, security upgrades, measures to promote environmental sustainability, and improvements to the reliability and redundancy of headquarters systems such as emergency power.

To finance the CMP, the UN General Assembly approved a plan to assess member states for the cost of the CMP, under which they could choose to pay their assessment in either a lump sum or over a 5-year period, from 2007 to 2011. CMP assessments, whether collected as

lump-sum or multiyear payments, were invested to earn interest. The UN General Assembly also approved a \$45 million working capital reserve for the CMP to cover any temporary cash flow deficits. According to CMP office documents, member states would receive this reserve back in the form of a credit at the end of the project's construction phase. In the resolution approving the CMP, the UN General Assembly decided that, in the event of cost escalations over the approved budget of \$1.88 billion, member states would be subject to a further assessment to meet the revised requirements of the CMP. The United States has contributed approximately \$488 million to the CMP, broken down as follows:

- \$378 million in assessed contributions, paid in five annual payments of \$75.5 million from 2007 to 2011;
- \$9.9 million in assessed contributions in 2007 to support the CMP's working capital reserve; and
- \$100 million in UN Tax Equalization Fund¹¹ credits attributable to the United States in 2011 to fund additional security enhancements, including adjustments to the Conference Building and installing protective structures, including bollards and gates along the perimeter of the UN complex.

In several resolutions, the UN General Assembly has noted that it has the sole prerogative to decide on any changes to the CMP's scope, budget, and implementation strategy. The UN General Assembly has exercised this prerogative to make changes to the CMP or authorize changes proposed by the Secretary-General. These changes include:

- In December 2007, the UN General Assembly approved an expedited strategy for the CMP known as accelerated strategy IV. The strategy expedited the schedule for the Secretariat Building's renovation by reducing construction time from 6 to 3 years. The expedited schedule required the UN to vacate most of the Secretariat Building during the renovation—which required the CMP office to increase the amount of leased space.¹² Under the accelerated strategy, all CMP activity was

¹¹The Tax Equalization Fund is a UN fund used to reimburse U.S. nationals working at the UN for U.S. taxes paid on their UN salaries.

¹²Under the original CMP, the Secretariat building was to be partially occupied during construction, resulting in the need for less leased space.

projected to be completed in mid-2013. According to an August 2014 Secretary-General report, the CMP Office will be disbanded in June 2015 and post renovation and close-out activities will continue under the management of the UN's Office of Central Support Services (Central Support Services).

- In April 2009, the UN General Assembly decided that certain costs related to the CMP—known as associated costs—would be financed from within the \$1.88 billion CMP budget. Associated costs cover a wide range of requirements, such as broadcast equipment, new furniture, and additional staffing requirements to manage information technology and security. Other associated costs requirements include moving supplies and services, archive space, and storage facilities. According to CMP officials, the CMP office originally expected associated costs to be borne by the UN program offices through the UN's regular budget process.
- In April 2009, the UN General Assembly requested that the CMP absorb some of the costs associated with setting up and operating a secondary data center, which is intended to enable the UN to continue critical elements of its operations during emergencies that impair its regular information and communication technology infrastructure.

CMP Is Substantially Complete but Is Behind Schedule, Has Been Authorized to Reduce Its Scope, and Is Projected to Be Over Budget

The CMP is nearing completion but is 3 years behind schedule, has been granted permission to reduce its scope, and is estimated—by the CMP office—to be approximately \$379 million over its original budget as of February 2015. According to the CMP office, schedule delays are due primarily to changes in security requirements. In addition, while three of the five buildings in the original scope of the project are substantially complete, the UN General Assembly removed from the project the renovation of two of the five buildings due to issues in meeting security requirements. The cost overrun is due in part to scope additions authorized by the UN General Assembly without a corresponding increase in budget; however, a majority of the cost overrun is attributable to growth in direct project costs caused primarily by a greater than anticipated need for asbestos abatement, unforeseen conditions in the Conference Building, and renovation complexities in the basements. In resolutions passed in December 2013 and April 2015, the UN General Assembly approved a strategy to fund the cost overrun.

Renovation of Three of Five Buildings Is Substantially Complete

Major renovation work on three of the structures in the CMP project scope—the Secretariat Building, Conference Building, and General Assembly Building—is substantially complete. Work on the Secretariat and Conference Buildings began in 2010, and both were fully occupied by May 2013. During the renovation of those two buildings, staff was transferred to leased space off campus and a temporary North Lawn Building. Renovation of the Secretariat Building included demolition, asbestos abatement, and replacement of the glass curtain wall, shown in figure 2. The Secretariat renovation also included a modernization of the office space within the structure, increasing both energy efficiency and the amount of open space available to UN employees.

Figure 2: Renovation of the “Glass Curtain” Wall of the United Nations Secretariat Building, During and After



Source: CMP (photo left); UN/ Paulo Filgueiras (photo right). | GAO-15-414

Renovation of the Conference Building included work on conference space, updating the basement infrastructure for electrical and mechanical systems, layout and equipping of work spaces, and preparation of the building for occupancy. Other project activity aimed to increase energy efficiency and enhance building security. A central piece of the Conference Building renovation was the restoration of the UN Security Council Chamber. This included a full cleaning of the tapestries and artwork, as well as reupholstering the seats with the same kind and color of fabric used when the room was built in 1952 (see fig. 3).

Figure 3: Renovation of the United Nations Security Council Chamber, During and After

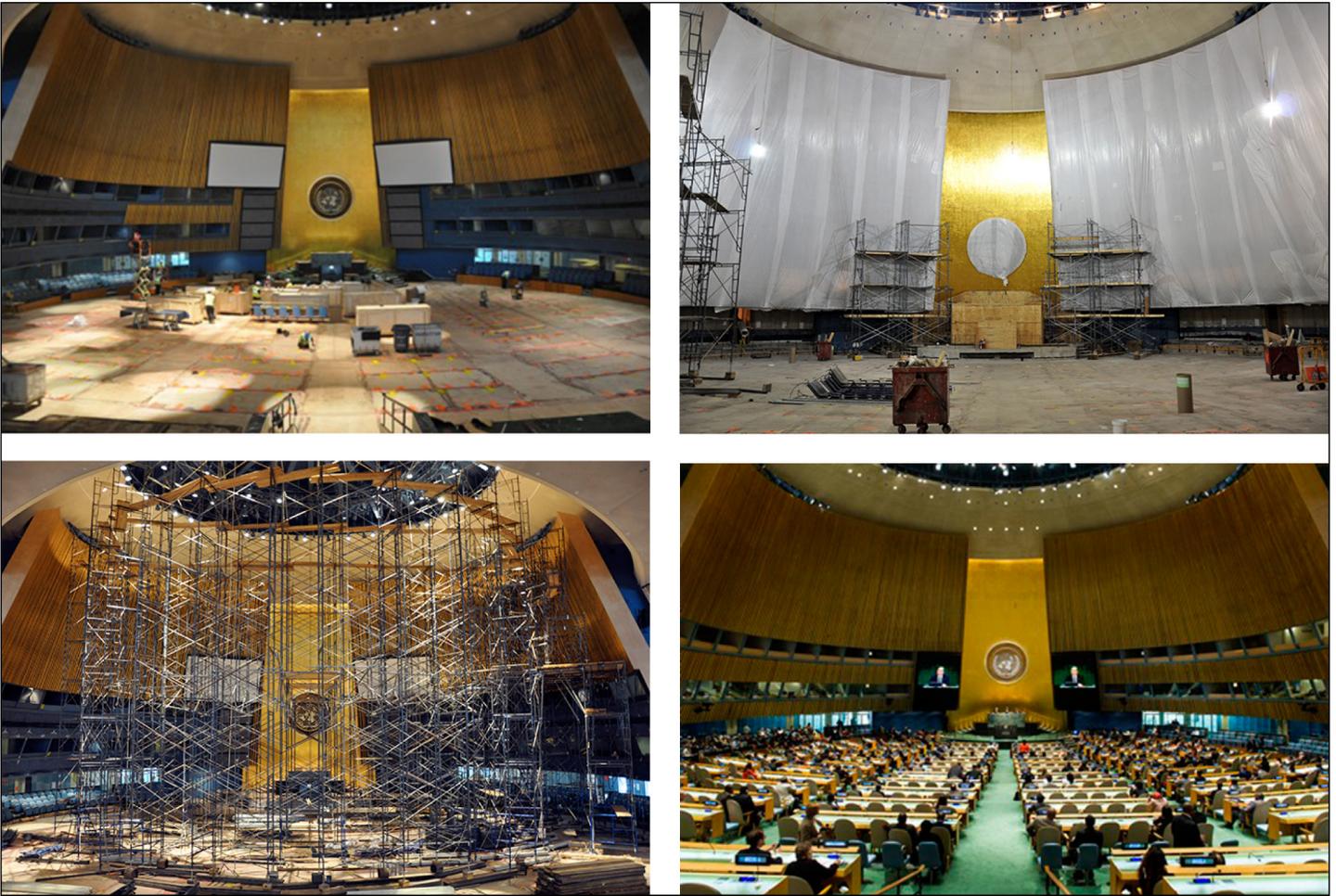


Source: UN/ JC McIlwaine (photo). | GAO-15-414

Work on the General Assembly Building began in June 2013 and was substantially completed by October 2014. The temporary North Lawn Building served as an interim space for the UN General Assembly meetings during that building's renovation. Work on the General Assembly Building included, among other things, the installation of new mechanical, electrical, and plumbing systems and the reconstruction of interiors, including ceilings, wall coverings, and flooring.

Within the General Assembly Building, the General Assembly Hall underwent some of the most extensive work of the UN renovation, as shown in figure 4. Leather chairs, desks, and carpets were fully restored or replaced; the hall was outfitted with updated electronics; and the space was rearranged to increase the number of member states that the chamber could accommodate. Most of the work on the General Assembly Hall was completed in time for the general debate of the 69th session of the UN General Assembly on September 16, 2014.

Figure 4: Renovation of the United Nations General Assembly Hall, During and After



Source: CMP (photo top left); UN/ Werner Schmidt (photo top right and bottom left); UN/ Mark Garten (photo bottom right). | GAO-15-414

In addition to substantially completing work on the three main buildings of the UN Headquarters Complex, the CMP office completed security enhancements, including placing a line of bollards adjacent to the western perimeter of the complex. The CMP office also constructed two pedestrian screening buildings at the staff entrances to the complex on First Avenue between 42nd and 43rd Streets and on First Avenue, between 46th and 47th streets. The bollards and the screening buildings, along with other features, were added to the UN Headquarters complex to help the structures withstand a potential attack.

CMP Is Approximately 3 Years Behind Schedule

While renovation work on three of the five buildings in the UN Headquarters Complex is substantially complete, the CMP project is behind schedule. As shown in table 1, the CMP office is currently reporting a completion date of late 2016; that is approximately 3 years behind the schedule the CMP projected in October 2008, which reflected the Accelerated Strategy IV approved by the UN General Assembly in December 2007.

Table 1: Projected Completion Dates for United Nations Capital Master Plan (CMP) Activities

Activity	Projected completion date in CMP's Accelerated Strategy IV (October 2008)	Projected completion date in CMP's Twelfth Annual Progress Report (August 2014)	Approximate delay	Reason for delay, as reported by CMP office
Secretariat Building	Early 2012	Mid-2012	3 Months	Delay in the construction of the temporary North Lawn building.
Conference Building	Mid-2011	Early 2013	15 Months	Enhanced security upgrades and damage caused by Hurricane Sandy.
General Assembly Building	Mid-2013	Mid-2014	1 Year	Enhanced security upgrades.
South Annex	Early 2012	—	—	Removed from project scope by UN General Assembly in April 2015.
Library	Early 2013	—	—	Removed from project scope by UN General Assembly in April 2015.
Completion of CMP activities	Mid-2013	Late 2016	3 years	

Source: GAO analysis of CMP office data. | GAO-15-414

CMP officials attributed most of the schedule delays to enhanced security requirements, which were added to the project in 2011 to implement a resolution passed by the UN General Assembly. While some security upgrades were featured in the original CMP project plan, due to increasing threats the UN faced globally, the UN Department of Safety and Security, in coordination with the U.S. government and the city of New York, identified additional security enhancements not envisaged in the original CMP to mitigate various vulnerabilities at the Headquarters Complex. We reported in 2009 that security upgrades to the CMP represented a key risk to the project's timely progress. According to the CMP office, implementing enhanced security upgrades to address security issues resulted in delays up to 1 year in completing building renovations.

Various other factors contributed to delays in project completion. For example, because of damage to the complex caused by Hurricane Sandy in 2012, staff members were unable to return from temporary space to the Conference Building on schedule. This relocation was delayed from January 2013 to May 2013. This, in turn, led to postponing construction on the General Assembly Building because the temporary North Lawn Building was not available to house staff that would be displaced during construction, as it was in use by Conference Building staff.

Although most of the CMP's major renovation work was completed as of February 2015, the CMP office has yet to complete a number of tasks. As shown in table 2, these unfinished tasks include reconfiguring the 42nd Street and 48th Street vehicle entrances and service drives, demolition of the temporary North Lawn Building, and site landscaping. The work on the vehicle entrances was delayed due to the CMP office lacking the necessary permits to begin construction. The demolition of the temporary North Lawn Building has been delayed until the structure is no longer in use as interim office space, and site landscaping can only be completed once the temporary North Lawn Building has been removed. The CMP office will close in June 2015 and at that time, Central Support Services will assume responsibility for completing these remaining project tasks. According to CMP officials, the two offices are preparing for project handover with weekly meetings to review the current status of documentation and handover responsibility, including the administrative tasks associated with the closure of the office, such as the appropriate disposition of files and records, the transfer to Central Support Services of remaining assets (computers, furniture, etc.), and the preparation for onward employment or assignment of CMP staff. All CMP project activities are projected to be completed in late 2016 when work on the vehicle entrances and service drives comes to an end (see table 2).

Table 2: Additional United Nations Capital Master Plan (CMP) Project Scope to Be Completed after the CMP Office Closes in June 2015

Activity	Projected completion date in CMP's Accelerated Strategy IV (October 2008)	Projected completion date as of February 2015	Reason for delay
Site landscaping	Mid-2013	Late 2015	End of site landscaping will be completed once the temporary North Lawn Building is removed.
Disassembly of temporary North Lawn Building	Mid-2013	Early 2016	Ongoing discussion regarding potential continued use of the building.
Work at 42nd Street and 48th Street entrances and service drives	—	Late 2016	Permit discussions with New York City officials.

Source: GAO analysis of CMP Office data. | GAO-15-414

Note: A completion date for the work at 42nd and 48th streets entrances and service drives was not reported in October 2008. The CMP Office first reported a projected completion date for this activity in 2014.

The UN General Assembly Has Removed Two of Five Buildings from the CMP and Approved Relocation of Their Functions to Mitigate Security Concerns

In an April 2015 resolution, the UN General Assembly decided to remove the renovation of two of the five buildings in the original plan of the CMP.¹³ The CMP office originally suspended planned renovations for these two buildings—the Library and the South Annex—because UN security studies had found these buildings to be vulnerable to vehicle blast threats. CMP officials stated that it would not be possible to renovate these buildings to fully address security concerns. To upgrade the Library and South Annex to required security standards, CMP officials told us they would have to demolish and replace the buildings, which would not be cost effective. In 2013, CMP office documents proposed permanently suspending renovation of the Library and South Annex. In April 2015 the UN General Assembly removed the renovation of the buildings from the CMP project, and requested that the Secretary-General present future proposals for renovating the Library and South Annex outside the scope of the CMP.

While the CMP will not renovate the Library and South Annex as originally planned, the CMP office will be responsible for taking steps to mitigate the security risks of the buildings and relocate the buildings' functions to other parts of the UN Headquarters Complex. For example, the South

¹³A. Res. 69/274, UN GAOR, 69th Sess., UN Doc. A/RES/69/274 (2015).

Annex contains, among other things, the cafeteria for the UN Headquarters Complex. As of April 2015, the CMP has commenced the planning process to remove staff from the South Annex building and reduce the number of people working in the Library. Functions currently contained within the South Annex building will be moved to other parts of the UN Headquarters campus. In order for some staff to remain in the Library, a blast resistant wall will be constructed separating the north and south sides of the library to shield employees in case of an emergency. This will allow occupancy to continue on the north side of the structure, with the south side (adjacent to the compound perimeter) being used for storage. The CMP Office has stated that the estimated cost to complete this work will be approximately \$14 million. This amount will be funded from the CMP budget using cost savings from value engineering achieved by contractors and efficiencies to be built into remaining project tasks such as the demolition of the temporary North Lawn Building, according to the CMP office.¹⁴

As the renovation of the Library and South Annex will not be completed by the CMP Office, the General Assembly has requested that the Secretary-General present future proposals relating to the renovation of these two buildings. This additional renovation work would be separate from the CMP project and require an additional funding source to complete.

CMP Is Estimated to Be Approximately \$379 Million Over Its Original Budget

As shown in table 3, as of February 2015, the CMP office has projected that the completed CMP will cost approximately \$2.37 billion, for a cost overrun of \$379.2 million. The total estimated cost for the CMP includes about \$2.11 billion in direct project costs that cover the renovation work, swing space (temporary space for relocated UN employees), professional fees, and management costs; \$139.8 million in associated costs covering a wide range of requirements, such as broadcast equipment, new furniture, and additional staffing; \$19.3 million for a secondary data center; and \$100 million in enhanced security upgrades.

¹⁴According to the U.S. General Services Administration, value engineering is an organized effort directed at analyzing designed building features, systems, equipment, and material selections for the purpose of achieving essential functions at the lowest life cycle cost consistent with required performance, quality, reliability, and safety.

Table 3: United Nations Capital Master Plan Estimated Cost Overruns, as of February 2015

Dollars in millions

Funding	Direct project funding	Associated cost funding	Secondary data center funding	Enhanced security funding	Total Funding (A)
Originally approved budget	\$1,876.7		\$4.2		
Voluntary Contributions	\$13.9				
Funding for enhanced security upgrade				\$100.0	
Totals	\$1,890.6	\$0	\$4.2	\$100.0	\$1,994.8

Estimated costs	Direct project costs	Associated costs^a	Secondary data center costs^b	Enhanced security costs^c	Total estimated costs (B)
Building renovation	\$1,236.1				
Swing space ^d	\$510.0				
Professional fees, management costs	\$368.9				
Associated costs		\$139.8			
Secondary data center			\$19.3		
Enhanced security measures				\$100.0	
Totals	\$2,115.0	\$139.8	\$19.3	\$100.0	\$2,374.1

Estimated cost overrun	Direct project costs	Associated costs	Secondary data center	Enhanced security costs	Total estimated cost overrun (A – B)
	(\$224.4)	(\$139.8)	(\$15.0)	\$0	(\$379.2)

Source: GAO analysis of United Nations documents. | GAO-15-414

Note: All cost estimates in this table were generated by the United Nations (UN), and totals may not add due to rounding.

^aThese are additional costs that the UN General Assembly urged be financed from within the \$1.88 billion Capital Master Plan (CMP) budget. Associated costs cover a wide range of requirements, such as broadcast equipment, new furniture, and additional staffing requirements to manage information technology and security.

^bThe UN General Assembly requested that the CMP partially absorb costs associated with a secondary data center, including leasing a commercial facility and establishing a contractual agreement with a third party to provide equipment and services.

^cThe U.S. government and the UN reached an agreement in January 2011 on the design requirements for more stringent security measures than those originally planned for the CMP. Consequently, the UN decided to implement enhanced security upgrades for the CMP.

^dTo house UN staff during the renovation, the CMP included plans to lease additional space in nearby buildings.

According to the CMP office, the estimated cost overruns result from a number of factors, including \$224.4 million in unplanned direct project costs, \$139.8 million in associated costs, and \$15 million for the secondary data center, as shown in table 4. Both the associated costs and secondary data center were added to the CMP budget without a corresponding increase in funding; however, a majority of the overrun, 59 percent, is attributable to growth in direct project costs. In explaining the reasons for the direct project cost overruns, the CMP office cited several factors, including additional work to address a greater than anticipated need for asbestos abatement, unforeseen conditions in the conference building, and unforeseen complexities in the basements concerning the electrical and telecommunication wiring.

Table 4: Components Contributing to the United Nations Capital Master Plan’s (CMP) Estimated Total of \$379.2 Million in Cost Overruns, as of February 2015

Dollars in millions			
Component	Description	Estimated overrun	Percentage of total
Direct costs of the CMP	Includes renovation costs, swing space estimates, contingency, and price escalation. Renovation costs include construction, professional fees, and management costs.	\$224.4	59
Associated costs	Not included in the initial CMP budget. In April 2009, the UN General Assembly decided that associated costs would be paid from the \$1.88 billion CMP budget. The majority of the associated costs relate to the renovation of the Secretariat Building and the Conference Building; the main cost drivers pertain to the purchase of furniture, the permanent broadcast facility, and media asset management system.	\$139.8	37
Secondary data center	Not included in the initial CMP budget. In April 2009, the General Assembly requested that the CMP partially absorb costs associated with a secondary data center.	\$15.0	4
Total estimated cost overrun		\$379.2	100

Source: GAO analysis of CMP office data and United Nations General Assembly resolutions. | GAO-15-414

The UN General Assembly Has Authorized Financing for the CMP Cost Overrun

In resolutions passed in December 2013 and April 2015, the UN General Assembly approved a strategy to pay for the CMP’s projected \$379.2 million cost overrun. Funding sources approved by the General Assembly include interest income from the project, the CMP’s working capital reserve, funds that would have gone toward the Library and South Annex, the UN Special Account, and contributions by member states such as a new member state assessment of \$45 million of which the United States pays approximately \$10 million. Details on this financing are shown below in table 5.

Table 5: United Nations Financing of Capital Master Plan (CMP) Projected Cost Overrun

Dollars in millions		
Funding Source	Amount	Resolution Date
Interest income from CMP ^a	\$114.4	December 2013
CMP working capital reserve ^b	\$45.0	December 2013
Removing Library and South Annex from CMP	\$65.0	April 2015
Unencumbered balance for biennium 2012-2013 ^c	\$40.2	April 2015
Member state assessment ^d	\$45.0	April 2015
Credits from cancellation of prior period obligations for biennium 2012-2013 ^e	\$33.0	April 2015
United Nations (UN) Special Account ^f	\$36.6	April 2015
Total funding	\$379.2	

Source: GAO analysis of G.A. Res. 68-247, 68th Sess. UN Doc. A/68/247 and Draft G.A. Res. 69/L36, 69th Sess., UN Doc. A/C.5/69/L.36. | GAO-15-414

^aInterest income from the CMP is interest earned on member state assessments that funded the original \$1.88 billion CMP budget.

^bThe CMP's Working Capital Reserve Fund was funding that had been set aside at the start of the project to cover any temporary cash flow deficits. In 2006, a CMP office document stated that member states were to receive their portion of the working capital reserve back in the form of a credit at the end of the project's construction phase.

^cUnencumbered balances of the UN General Fund are the portion final appropriations which have not been expended, and are calculated by subtracting the total expenditures of the fund from its final appropriations.

^dThe U.S. share of any future assessment is 22 percent, which amounts to approximately \$10 million for this \$45 million assessment. A Department of State official stated that funds to cover the U.S. share will not be requested until fiscal year 2017.

^eCredits are obtained when the expenditure of obligated funds is canceled.

^fThe UN Special Account is one of the funds used by the UN to address cash flow issues faced by the organization. According to State officials, the funds from the Special Account will be used without replenishing them.

UN Is Applying Some Lessons Learned from the CMP but Has Not Made Them Standard Practice for All Capital Improvements

Throughout the renovation of the UN Headquarters Complex, the UN General Assembly has requested that lessons learned from the CMP inform the planning and implementation of all future UN capital projects. We found that a number of lessons learned have been identified from the CMP. While the UN is applying some of these lessons to its capital improvement efforts, it is doing so on a project-by-project basis without incorporating them into formal policies and procedures to ensure they become standard practice.

Various UN Entities Have Identified Lessons Learned from the CMP

The UN General Assembly requested that the Secretary General work to identify lessons learned from the implementation of the CMP. In various reports issued from 2012 to 2014, the UN's internal and external auditors—including the UN Board of Auditors,¹⁵ the UN Office of Internal Oversight Services, and the UN Joint Inspection Unit— identified a number of lessons learned from the CMP. We found the following four lessons to be the most commonly cited.

Identify and Include All Foreseeable Costs at the Outset

Background: At the start of the CMP, associated costs were not included in the project budget. Associated costs were necessary project-related purchases, such as furniture, that were not included in the project cost estimates.¹⁶ Once the project had begun, the UN General Assembly urged the Secretary-General to make every effort to absorb the associated costs within the budget approved for the CMP. According to CMP officials, this ultimately contributed, in part, to the project's cost overrun.

Lesson learned: UN auditing units recommend that these types of routine costs be included in the initial budgets of all future UN capital projects to avoid project shortfalls.

Develop a Risk Management Strategy That Guides the Use of Contingency Funds

Background: According to the UN Board of Auditors, although the CMP applied the good budgeting practice of including a contingency fund in its initial budget, it did not base the amount of the fund on an assessment of risk. Instead, the CMP office opted to use a blanket 10 percent contingency allowance based on each contract awarded for completion of major project components.

Lesson learned: According to UN auditing units, project teams should make every effort during the conceptual phase of the project to identify

¹⁵The UN Board of Auditors is comprised of the heads of the Supreme Audit Institutions from three UN member states and provides independent external audit services to the UN General Assembly. See: United Nations Board of Auditors, *Lessons Learned from the United Nations Capital Master Plan*, (December 2014).

¹⁶The original cost estimates for the CMP only included furniture for three midsized conference rooms, supplemental furniture for the temporary Conference Building, and 100 sets of office furniture for the swing space. Additionally, in 2005, the CMP office reported that its cost estimates did not include furniture or equipment such as computers, servers, television cameras, or shop machinery, except where that equipment is part of the permanent building infrastructure. In that report, the CMP office estimated that providing proper furniture and equipment would cost up to \$100 million.

risks that may increase project costs. Once the risks are identified, they should be assessed and quantified in terms of their potential cost implications and then incorporated within the project's contingency fund.

Establish a Formal Project Steering Committee

Background: Under the current management structure of the CMP, the Under-Secretary-General for Management and the director of the CMP are responsible for managing the project. According to the Board of Auditors, it is unusual for a complex project like the CMP to have no high-level steering committee to provide input into decision making and help oversee the performance of the project team.

Lesson learned: UN audit units recommend that formal, independent steering committees be established on future capital projects. Steering committees should be responsible for regularly overseeing the project team and approving critical project decisions. The steering committee should comprise pertinent officials representing key stakeholders and appropriate areas of expertise.

Develop a Global Strategy for UN Asset Management

Background: The UN Joint Inspection Unit and the UN Board of Auditors found that the periodic need for the UN to undertake large-scale construction projects could have been mitigated had the UN possessed a global strategy and prioritization system of capital improvements. According to the UN Board of Auditors, the UN has taken a "reactive approach" with regard to maintenance and repairs and this has led to the need for major refurbishment projects, such as the CMP, which result in large, one-time expenses.

Lesson learned: UN auditing units have observed that a central UN office should track and document all UN property in order to develop a global strategy for UN asset management. This inventory would include assessments of all UN structures to identify potential capital improvement projects. This would allow UN stakeholders to better understand the condition of assets in its portfolio and make well-informed decisions concerning the preservation of each asset.

UN Has Applied Lessons Learned from the CMP to Some Capital Improvement Efforts but Has Yet to Incorporate These Lessons into Its Policies and Procedures

The UN is applying the first three lessons learned described above to its new capital improvement project, the Strategic Heritage Plan (SHP), the UN's plan for renovating and expanding the Palais des Nations to consolidate staff in Geneva (see sidebar). The UN is applying the fourth lesson learned above, regarding asset management, toward an effort to become more strategic in managing its overall capital improvement portfolio.

Renovation of the Palais Des Nations

The Palais des Nations in Geneva is the largest United Nations (UN) conference center in Europe. The Palais Des Nations was completed in 1937 to house the League of Nations. The complex contains 34 major conference rooms and some 2,800 workspaces.



A large number of UN entities use this complex to advance initiatives in such areas as sustainable development, human rights, and disarmament and disaster risk reduction. The Strategic Heritage Plan's goals include a modernization of the facilities and renovation work designed to provide additional space for UN employees.

Source: UN documents. | [GAO-15-414](#)

The UN General Assembly has requested that lessons learned from the CMP be used to guide the implementation of the SHP. According to UN documents, The SHP will be implemented in four construction phases, which will commence in 2017, after the completion of the CMP. Members of the SHP team told us that they have been in contact with officials within the CMP office to identify strategies that would assure problems faced during the CMP could be avoided on the SHP. It appears that at least three of the lessons learned have been used to guide the initial design phases of the SHP (see table 6).

Table 6: Application of Lessons Learned from the United Nations Capital Master Plan (CMP) to the Strategic Heritage Plan (SHP)

Lesson learned from CMP	How SHP is applying lesson learned
Identify and include all foreseeable costs at the outset	SHP officials informed us that their team had made an effort to include all costs in the initial project budget. The SHP team has worked with officials within the Palais des Nations in Geneva to identify costs that will be necessary to successfully renovate the complex. SHP officials have attempted to solicit opinions from these officials throughout the process in order to develop a comprehensive project budget proposal. These costs have been included and tracked in the project team’s most recent budget request to the United Nations (UN) General Assembly.
Develop a risk management strategy that guides the use of contingency funds	The SHP team has made an effort to identify risks that could potentially impact the project budget and to develop a contingency fund that could pay for these risks if they were to occur. The SHP has hired an independent firm to analyze risk and develop a formal risk register. This risk register will use probabilistic modeling to attempt to identify the likelihood of each risk occurring. Once the risk register is complete, the project team will work to prioritize each risk and set requisite contingency levels. This will allow UN officials to obtain a more accurate portrayal of the potential cost of the renovation.
Establish a formal project steering committee	The SHP team has proposed the creation of a project steering committee. The Steering Committee will include the heads of departments or their appointed representatives, as well as representatives from leading departments and offices in Geneva and New York with a direct operational interest in the project. This board will receive regular updates, review critical project decisions, and offer advice to the Director General of the United Nations Office at Geneva, who is the designated project owner. With this advice in mind, the Director General of the United Nations Office at Geneva will then direct the project team to take a specific course of action. This arrangement would leave day-to-day project management to a team of officials but ensure that critical decisions are influenced by a board composed of project stakeholders.

Source: GAO analysis of UN documents. | GAO-15-414

Separate from the SHP, UN officials are using lessons learned from the CMP to develop a plan to manage the organization’s portfolio of owned or leased space. The UN is currently developing a Strategic Capital Review intended, among other things, to rectify the lack of data on UN property by creating a facilities database that identifies and prioritizes structural issues that will require attention. According to the UN, access to this database would help UN stakeholders develop strategies and budgets to address maintenance issues. Ultimately, it is expected that this initiative will enable the UN to track all its real property assets and infrastructure and design a comprehensive strategy for future UN capital projects. The findings of the Strategic Capital Review have been presented and are currently being reviewed and discussed by the UN General Assembly.

While the UN has applied lessons learned from the CMP to individual capital projects, to date, it has not designed policies and procedures to ensure that these lessons are used to guide the implementation of future UN capital projects. UN and GAO standards for internal control state that organizations should design control activities to achieve objectives and

respond to risks.¹⁷ A control activity is a rule, regulation, policy, or procedure designed to ensure that the organizations achieve their objectives. Control activities allow an organization to set parameters to guide the implementation of a strategy in order to ensure that the strategy is carried out appropriately. The UN may benefit from the development of control activities designed to guide the implementation of large capital projects. The UN Board of Auditors reported that the CMP was delivered largely without a framework intended to guide the implementation of this large capital project, which led to complications during project's delivery. The Board of Auditors has observed that this could be mitigated by the creation of an internal office or UN entity designed to provide unified guidance concerning future capital projects.

While lessons learned from the CMP are being used in the SHP and Strategic Capital Review, they will not necessarily be considered in future UN endeavors. For example, the UN General Assembly asked the SHP team to review and apply lessons learned from the CMP to its renovation work but may not provide similar guidance to other UN initiatives. Without control activities that incorporate the lessons learned from the CMP into UN policies and procedures, future project teams may be unaware of these lessons and the UN may miss the opportunity to enhance the management of its capital projects.

¹⁷UN Joint Inspection Unit, *Accountability Frameworks in The United Nations System*, JIU/REP/2011/5 (Geneva: 2011) and GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) ("Green Book") (Washington, D.C.: November 1999).

UN Has Identified as Viable Three Options to Address Future Office Space Needs, but Some Key Assumptions Could Be Better Documented

To address its future office space needs, the UN Secretariat evaluated eight options, three of which it deemed viable. Two of the options deemed viable involve constructing a new building, while the third option is the status quo—continuing to rely on leased space. To date, all eight options remain under consideration by the UN General Assembly. The UN Secretariat based its estimates of future office space needs on several assumptions, including UN workforce requirements, the potential impact of flexible workplace, and other factors, but in some cases did not clearly document the justification for its assumptions.

UN Has Proposed Three Options for UN General Assembly Consideration and Approval

In February 2014, the UN Secretary-General issued his *Study on the Long-Term Accommodation Needs at United Nations Headquarters for the Period from 2014 to 2034* in which eight options to address its future office space needs were evaluated. The three options the Secretary-General deemed viable by that study include a new building on the north lawn of the UN campus, a new building south of the campus known as the UN Consolidation Building (DC-5), and maintaining the status quo—relying on leased space. Four options were deemed not viable for various reasons, including cost, lack of commercial financing, and design and security issues; and the viability of a fifth was not specified (see table 7). According to the Secretary-General's February 2014 report, the status quo is the most expensive of the three options the Secretary-General deemed viable, with the North Lawn Building being the least costly, and DC-5 falling in the middle (for more information on cost estimates of the three options, see app. II).

Table 7: Eight Options to Address Future Office Space Needs Presented by the United Nations Secretary-General in February 2014

No.	Option	Description	Status	Funding mechanism	Deemed viable by UN? If not, why not?
1	North Lawn Building, financed by special assessment	New 816,337 square foot high-rise building on North Lawn of United Nations (UN) campus	Construction may be delayed until 2023 when the Strategic Heritage Plan in Geneva is completed, due to UN General Assembly resolution requesting that major capital expenditure projects cannot be implemented simultaneously in order to prevent the need to finance and supervise them at the same time. Matters relating to architectural integrity must be considered.	Special assessment from member states	Yes.
2	UN consolidation building (DC-5)	Construction of a new 931,500 gross square foot high-rise office tower south of the UN campus. Built by the United Nations Development Corporation (UNDC). ^a The land, owned by the city, is to be transferred to UNDC.	UNDC has provided a preliminary design. A memorandum of understanding between the city and state of New York imposes conditions that need to be satisfied by no later than December 31, 2015 to allow the project and land transfer to take place. The December 31, 2015 deadline will need to be extended.	UNDC to issue bonds to be redeemed through UN rent payments over an agreed term (assumed 30 years) under a rent-to-own arrangement.	Yes.
3	Status quo	Continue to meet office space needs with current off-campus commercial leases.	Current leases with below-market rental rates in DC-1 and DC-2 expire in 2018 with options to renew at below-market rates through March 31, 2023. After March 2023, leases at DC-1 and DC-2 will be subject to full market lease rates. ^b	Not applicable	Yes.
4	North Lawn Building, financed by third-party financing	New 816,337 square foot high-rise building on North Lawn of UN campus	Construction may be delayed until 2023 when the Strategic Heritage Plan in Geneva is completed, due to a General Assembly resolution requesting that major capital expenditure projects cannot be implemented simultaneously in order to prevent the need to finance and supervise them at the same time. Matters relating to architectural integrity must be considered.	Third-party financing	No. ^c Commercial financing would be difficult due to concerns about whether the UN can offer adequate collateral.

No.	Option	Description	Status	Funding mechanism	Deemed viable by UN? If not, why not?
5	UN purchases DC-1 and DC-2 Buildings (1 and 2 UN Plaza)	Buildings are likely to be converted from commercial to residential use.	Not discussed	Not discussed Estimated purchase price of \$332 million and \$406 million for commercial use. Capital improvement expected to exceed \$100 million according to UNDC.	No. UN would be unlikely to outbid commercial users. Buildings will require significant capital improvements.
6	New building on site of current UN library	Long-term use of current library not feasible due to security concerns.	Not discussed	Not discussed	No. Building area is too constrained, not feasible for a new building the same size or efficiency as the North Lawn and DC-5 sites; also extensive security requirements.
7	Rent commercial space elsewhere in the area ^d	Consolidate all staff now located outside of UN campus in one building.	Not discussed	Not discussed	Not specified. But rents estimated to be 12 percent higher than around UN. Too far from headquarters.
8	UN purchases land to construct new building	Purchase land near UN or elsewhere in Manhattan to construct new building.	Land similar in size to the parcel for DC-5 would be in the range of \$225 to \$370 million.	Not discussed	No. Too costly given advantage of DC-5, and on-campus construction on North Lawn, compared to commercial opportunities.

Source: United Nations Secretariat. | GAO-15-414

^aUnited Nations Development Corporation (UNDC) is a New York State public benefit corporation created in 1968. The mission of UNDC is to provide office space and other facilities that help meet the current and future needs of the UN, missions to the UN, and UN-related programs.

^bCurrent leases for DC-1 and DC-2 buildings are \$27.50 per square foot. Leases for both buildings will be \$30.00 per square foot beginning April 1, 2018 through March 31, 2023. Starting April 1, 2023, the UN estimates it will pay a market rate of \$65.00 per square foot. According to Building Owners

and Managers Association International, current average office lease costs in the New York City market were about \$53 per square foot in 2013.

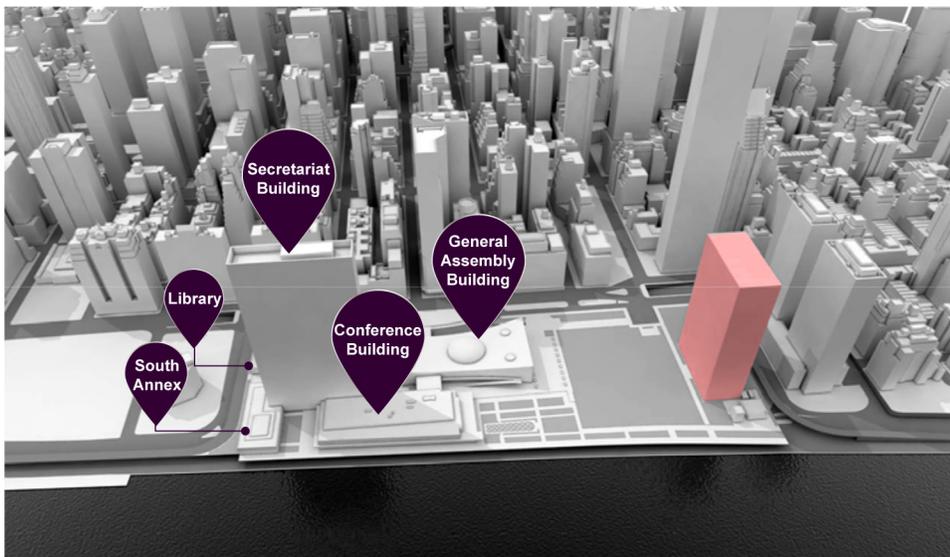
^cA subsequent UN General Assembly resolution has asked for more information about this option. Some members of the UN General Assembly maintain that this type of financing could be possible [G.A. Res. 69/262, UN GAOR, 69th Sess., UN Doc. A/RES/69/262 (2015)].

^dThis option considers leasing space inside or outside a 20-minute walking radius from the UN campus, in one of New York City's other boroughs, or elsewhere within the tri-state area.

Option 1: Construction of North Lawn Building

Figure 5 shows a rendering of the UN campus with the proposed North Lawn Building, shown in pink, at the far north end of the UN campus (options 1 and 4 in table 7).

Figure 5: UN Campus with Rendering of Proposed North Lawn Building



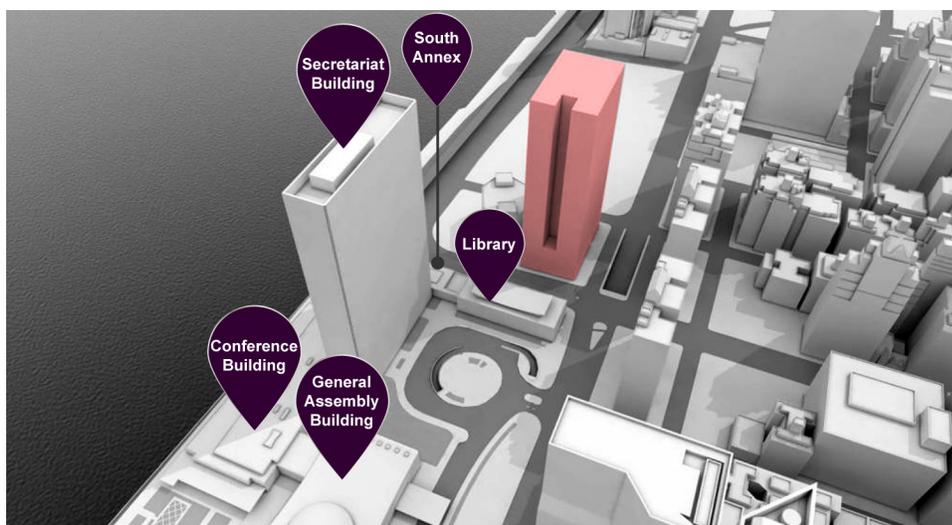
Source: UN (photo). | GAO-15-414

As mentioned in table 7, construction of the North Lawn Building may not begin until 2023 and matters related to the architectural integrity of the proposed building need to be taken into account. According to the Secretary-General's February 2014 report, the UN complex is considered "an iconic masterpiece of mid-century modernism of worldwide historical significance." The size of the proposed new building is larger than anything previously envisioned historically, and the scale of the proposed North Lawn Building would not meet the UN's criteria for historic preservation. According to UN officials, should the building need to be downsized, the cost of this option could increase because downsizing the building would require the UN to lease more office space.

Option 2: Construction of the United Nations Consolidation Building (DC-5)

Figure 6 shows a rendering of the UN Consolidation Building, as shown in pink, sometimes referred to as DC-5—located just south of the UN campus, which the United Nations Development Corporation (UNDC) is to develop, finance, and construct (option 2 in table 7).¹⁸

Figure 6: United Nations Headquarters Complex Shown with Architectural Rendering of Proposed DC-5 Building



Source: UN (photo). | GAO-15-414

The DC-5 project is subject to the terms of an October 2011 memorandum of understanding (MOU) agreed to by New York City and State elected representatives. While not parties to the agreement, the use of the site for construction of DC-5 requires that UNDC and the UN fulfill certain requirements. For example, UNDC and the UN would have to agree on a lease by the UN of DC-5 from UNDC, potentially in a lease-to-own or similar arrangement.

¹⁸The United Nations Development Corporation (UNDC) is a New York State public benefit corporation created in 1968. The mission of UNDC is to provide office space and other facilities that help meet the current and future needs of the UN, missions to the UN and UN-related programs; and otherwise to assist the UN community in meeting its current and future real estate needs. In July 2011, the governor of the state of New York signed legislation authorizing the city of New York to transfer to UNDC part of a public park adjacent to the UN Headquarters Complex to construct a new UN office building.

To date, the UN has not entered into any agreements with UNDC regarding the DC-5 project. UN officials informed us the UN wants a more precise cost estimate, which will not be possible until a later date. In December 2014, the UN General Assembly approved a resolution asking the Secretary-General to provide a preliminary UN credit rating, proposed lease terms and accurate cost projections. The UN credit rating would affect the interest rate on the bonds financing the DC-5 project. According to UNDC officials, UNDC can only rent space in DC-5 to UN entities, and before the issuance of bonds to finance the project could occur, UNDC would have to make a major investment in the project. As of late March 2015, UNDC reported that it had already incurred design and planning costs of approximately \$14 million for the project and foresaw additional costs of approximately \$25 million for development of a full design package to be recouped in the future financing arrangement.

UNDC expects that extending the MOU's December 31, 2015 expiration date may be possible as the city of New York has a strong commitment to the project. According to the MOU, the financing for the DC-5 project is required to provide a \$70 million payment to the city of New York to fund a greenbelt or parkland along the East River that would benefit the larger New York community.¹⁹ In October 2014, UNDC officials told us that if a UN agreement on DC-5 were to happen soon, the new building could be ready for occupancy in 2021. However, a U.S. Mission to the UN official told us that a UN General Assembly decision on DC-5 was not likely until the 70th special session of the UN General Assembly in December 2015 or the first resumed session in March 2016.

Option 3: Maintaining the Status Quo

Under the status quo option, the UN would rely on commercial leases for its office space needs. The UN maintains that its rental costs will increase sharply in 2023 when its leases with below-market rental rates expire in two buildings, known as DC-1 and DC-2. According to the UN Secretariat, renegotiating these leases beyond 2023 would likely result in lease rates set at projected commercial rates of \$65 per square foot per month,

¹⁹On October 5, 2011, a coalition of city and state elected officials announced an agreement that provides a framework and plan to finance the completion of the 32-mile Manhattan Greenway—filling the last major gap in the greenway, between 38th and 60th Streets on the East Side of Manhattan.

rather than the favorable below-market rates the UN now pays.²⁰ The UN estimates that by 2018, its total off-campus space requirement will be approximately 1.1 million square feet in the no-growth scenario described in the Secretary-General's February 2014 report. That estimate includes office space as well as shared amenities and building support spaces, and it takes into account flexible workplace strategies (telecommuting and various desk- and office-sharing arrangements), which the UN anticipates will reduce the overall space requirement by 20 percent.²¹

To Date, All Eight Options Remain under Consideration by the UN General Assembly

To date, the UN General Assembly has made no decision on whether to proceed with any of the Secretary-General's proposed eight options. In December 2014, the UN General Assembly issued a resolution asking for more information about options one through four.²² A U.S. Mission to the UN official stated that the UN General Assembly may not make a decision regarding the eight options until the 70th special session of the UN General Assembly in the fall of 2015.

UN Assumptions Justifying Determinations on Future Office Space Needs Could Be Better Documented

In April 2013, the UN General Assembly issued a resolution requesting that the Secretary-General submit a report on its future office space needs at the UN Headquarters Complex, which it stressed should include details on several factors, including total UN workforce requirements and the impact of implementing flexible workplace policies on the capacity of the buildings in the UN Headquarters Complex. The resolution noted that previous information provided to the UN General Assembly was not precise or comprehensive enough to facilitate its decision making.

²⁰The current lease for DC-1, which commenced in 1976, is \$27.50 per square foot. The current lease for DC-2, which commenced in 1983, is also \$27.50 per square foot. Leases for both buildings will be \$30.00 per square foot beginning April 1, 2018 through March 31, 2023. Starting April 1, 2023, the UN estimates it will pay a market rate of \$65.00 per square foot.

²¹According to UN Central Support Service officials, this percentage will be increased slightly in the next Secretary-General report on long-term accommodation requirements.

²²G.A. Res. 69/262, UN GAOR, 69th Sess., UN Doc. A/RES/69/262 (2014). Specifically, the UN General Assembly requested more information about availability of third party financing of a new North Lawn Building, a financing mechanism which the Secretary-General's report had not considered commercially viable.

In prior work, we have also supported precise and comprehensive analyses to justify executive decision making on alternative actions facing an organization. For example, we have found that the process for analyzing alternatives can be enhanced by using generally accepted practices, including documenting all steps taken to identify, analyze, and select alternatives in a single document; documenting and justifying all assumptions and constraints used in the analysis; identifying and considering a diverse range of alternatives to meet the mission need; and including one alternative representing the status quo to provide a basis of comparison among alternatives.²³

The Secretary-General's February 2014 report, *Study on the Long-Term Accommodation Needs at United Nations Headquarters for the Period from 2014 to 2034*, analyzes UN workforce requirements and the potential impact of flexible workplace policies as called for by the UN General Assembly, but the report does not clearly document the justification for assumptions underlying its analysis of these and other factors. For example:

- *Workforce requirements:* The report states that it based a projected 1.1 percent workforce growth rate on historical trends of the past 20 years but does not provide a similar justification for its no-growth scenario, citing only future program increases and decreases. Similarly, the report states that a projected 0.5 percent workforce decrease is based on program increases and decreases, partially offset by changes in work practices, without specifying what work practices or other factors underlie this assumption. In addition, while the report assumes a time frame of 2014 through 2034 for its workforce growth-rate scenarios, its cost estimate projections for the three options the Secretary-General deemed viable are through 2064. According to the Secretariat, the UN did not extrapolate workforce figures after 2034 because it considered that period to be too far into the future to make assumptions useful for planning purposes.
- *Flexible workplace policies:* The report on long-term accommodation needs assumes that the UN plans to implement flexible workplace policies, such as telecommuting and desk-sharing that will reduce its

²³For more information on best practices for analyzing alternatives, see *DOE and NNSA Project Management: Analysis of Alternatives Could Be Improved by Incorporating Best Practices*. [GAO-15-37](#) (Washington D.C.: Dec. 11, 2014).

office space needs.²⁴ For example, the report states that a flexible workplace will reduce gross square feet per workspace needed by 20 percent, assuming a no-growth workforce. However, the report does not provide any methodology or calculations to support this reduction in needed workspace, nor does it provide any workspace reduction predictions for the other two workforce scenarios—1.1 percent growth and 0.5 percent decrease. In a March 2014 report, the UN Advisory Committee on Administrative and Budgetary Questions (ACABQ) called the estimated 20 percent reduction in workspace “indicative at best” and recommended that the Secretary-General conduct further analysis.²⁵

- **Lease rates:** The report also does not fully document how it derived the total projected costs for the status quo option. As mentioned earlier, the UN Secretary-General based the total cost estimate for the status quo on the assumption that rental rates for currently leased space (DC-1 and DC-2) will rise to market rates in 2023. According to the Secretary-General’s February 2014 report, the total estimated cost (2014-2064) for the status quo option is \$10.73 billion.²⁶ In March 2014, the Secretary-General provided additional information on its methodology for calculating this total. That is, the Secretary-General showed that this amount was derived by totaling the annual rents the UN would pay for UN leased space from January 1, 2014, through December 31, 2063. However, this information did not clarify whether these rents per year included those only for DC-1 and DC-2 or for all of the UN’s leased space. For example, according to the Secretariat, the UN’s total annual rent for DC-1 and DC-2 in 2014 was \$21.85

²⁴The UN Secretary-General’s report, *Implementation of a Flexible Workplace at the United Nations Headquarters*, issued in September 2013, identified the most common types of flexible working as telecommuting—working at an alternative worksite, desk-sharing—sharing a common workstation, hotelling—working in multiple buildings depending on availability, and hot-desking—increasing the number of staff that a given building can support through the deployment of non-dedicated work stations.

²⁵The Advisory Committee on Administrative and Budget Questions (ACABQ) is an expert committee of sixteen UN member states elected by the General Assembly for a period of 3 years, on the basis of a broad geographical representation. Members serve in a personal capacity and not as representatives of member states. The committee holds three sessions a year with total meeting time between 9 and 10 months per year. The ACABQ issued a report on March 21, 2014, that considered the Secretary-General’s February 2014 report, *Study on the Long-Term Accommodation Needs at United Nations Headquarters for the Period from 2014 to 2034*.

²⁶This estimated cost is for the status quo with no growth in UN staff.

million. Yet, the Secretary-General used \$56 million in its cost estimate for the status quo, a dollar amount that is closer to the total rent the UN paid for all of its leased property in 2014 (\$54,402,628). Including all of the UN leases might make sense, but the UN Secretary-General did not document how or whether it factored in the different lease expiration dates into its estimates. According to the Secretary-General, most UN leases expire before 2023, which could affect the total lease costs. For example, according to the Secretary-General, the UN's lease with the Albano Building, where it rents 187,060 square feet of space, expires in July 2017 with no option for renewal. In addition, the Secretary-General has reported on the difficulty of predicting market fluctuations as rents go up and down in response to many factors, including conversions from commercial to residential use or rezoning. For example, the Wall Street Journal reported in February 2015 that the ALCOA building, where the UN leases 30,385 square feet of office space, is to be converted to condominiums. (See app. III for more information on UN rented property.)

- *Size of proposed North Lawn Building:* In addition, the February 2014 report assumes the size of the North Lawn Building (option 1) to be 816,337 square feet. However, according to UN officials we spoke with, the actual size of a new North Lawn Building will likely be smaller (500,000 square feet). The reduction in the planned size of the building can be attributed to physical limits on building footprint and height to preserve the architectural integrity of the UN campus, as desired by member states. As a result, according to these officials, the cost estimate in the February 2014 report is likely to be understated because it does not include the cost of the additional rental space needed to compensate for a smaller building.
- *UN credit rating:* Furthermore, the February 2014 report notes that, because DC-5 is to be financed by proceeds from a bond issuance, its projected cost will be affected by the UN's credit rating (yet to be determined) because the credit rating determines interest rates for financing the project which, in turn, affect the cost of repaying the bond. The report presents indicative 30-year taxable fixed interest rates and their respective credit ratings, ranging from 5.75 percent for

the highest credit rating to 6.95 percent for the lowest.²⁷ In costing out the DC-5 project, the report used a mid-range credit rating with a 6.2 percent interest rate. However, while the report estimates that the lowest credit rating considered would increase overall project costs by \$200 million, it does not estimate the potential cost savings from the highest credit rating.

In seeking solutions to its future office space needs, the UN has made important assumptions, including future UN workforce levels in New York City, the extent to which that workforce will use telecommuting or other nontraditional work environments, the future cost of UN rental space, the size and scale of proposed new construction, and the estimated interest rates for financing new construction. However, without additional details on the analyses used to justify these assumptions, it will be difficult for UN decision makers to make effective comparisons and trade-offs among alternatives and to ensure that resources are allocated efficiently and effectively.

Conclusions

The UN's multiyear renovation of its headquarters in New York City has been a complex endeavor that has resulted in major security and communications upgrades and restoration of classic and historic interior design features. However, cost overruns of the project will result in additional cost to the U.S. government through a member assessment. With an eye toward improving future capital projects, the UN has provided member states with analyses on what may have led to cost overruns and delays during the CMP project. The UN Strategic Heritage Plan in Geneva has adopted some of these lessons learned, but if they are not incorporated into UN policies and procedures, UN member states will have little assurance the lessons will continue to be applied to future capital projects. The UN is also grappling with how to meet its future office space needs and has identified several options that it considers viable, including new construction, relying on leased space, or a combination thereof. The UN is basing its assessment of options on various assumptions about its workforce and long-term office rental costs, but without a clear understanding of the methodology and calculations underlying the assumptions, UN decision makers may have difficulties

²⁷The Secretary-General indicates that the interest rates are based on a spread to the 30-year U.S. Treasury bond rate estimated using the results of recent taxable municipal debt offerings in New York as guidance.

deciding which options will achieve the most efficient and effective allocation of resources in the coming years.

Recommendations for Executive Action

To allow UN member states to make informed decisions about completing the CMP and addressing future UN office space needs, we recommend that the Secretary of State and U.S. Permanent Representative to the United Nations work with other member states to take the following two actions:

1. Ensure that lessons learned during implementation of the CMP are used to develop documented guidance for future capital projects funded by UN member states.
2. Clearly justify assumptions used to estimate future office space needs, for example, by documenting the underlying factors, data, and analyses.

Agency Comments

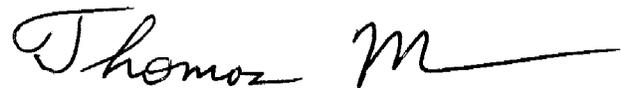
We provided a draft of this report to State and the UN for review and comment. State provided written comments, which are reproduced in appendix IV. State, the UN, and the UN Board of Auditors also provided technical comments, which we have incorporated as appropriate.

State concurred with our recommendations. As State explains in its written comments, to address the recommendations, it plans to work with the UN to reform the UN's facility management and construction processes through the UN's Strategic Capital Review, which is now ongoing.

We are sending copies of this report to interested congressional committees, the Secretary of State, the U.S. Mission to the United Nations, and the UN. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact Thomas Melito at (202) 512-9601 or melitot@gao.gov, or David Wise, (202) 512-2834 or wised@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Sincerely yours,

A handwritten signature in black ink that reads "Thomas M" followed by a long horizontal line.

Thomas Melito
Director, International Affairs and Trade

A handwritten signature in black ink that reads "David J. Wise" in a cursive style.

David Wise
Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

This report provides updated information on the Capital Master Plan's (CMP) progress and on the efforts of the United Nations (UN) to address its future office space needs. Specifically, we examine (1) the extent to which the CMP is on schedule and achieving its originally planned scope of work within budget, (2) the UN's application of lessons learned from the CMP to other UN capital projects, and (3) how the UN determines and plans to address future office space needs at its headquarters.

To address our objectives, we reviewed and analyzed relevant planning, schedule, and budget documents related to the CMP, as well as relevant planning and legal documents related to the UN's efforts to address its future office space needs. Additionally, we discussed the progress, plans, risks, and costs of the CMP and the UN's efforts to address its future office space needs with officials from Department of State's (State) Bureau of International Organizations, the U.S. Mission to the UN, and UN offices, including the CMP office and Central Support Services. We also discussed the UN's efforts to address its future office space needs with the United Nations Development Corporation (UNDC), a public benefit corporation created to develop and operate office space for the benefit of the UN. We focused on these organizations because they are involved in the efforts of the CMP and the UN's efforts to address its future office space needs.

To examine the extent to which the CMP is on schedule and achieving its originally planned scope of work within budget, we analyzed documents such as CMP annual reports, UN Board of Auditor reports on the CMP, and UN General Assembly resolutions. We compared current planned renovation scope, projected completion dates, and cost estimates with previously reported scope, schedule, and budget projections. For our baseline comparison, we referred to UN General Assembly resolutions that approved the planned renovation scope and schedule from Accelerated Strategy IV in 2007 and the \$1.88 billion budget for the CMP in 2006. Further, we examined other relevant CMP documentation, including monthly reports and procurement information. To understand the project's cost estimates, we examined materials provided by the CMP office to the UN General Assembly's Fifth Committee documenting the project's financial condition as of June 2014, and analyzed reports on CMP progress. We also traveled to New York City, New York, to tour the renovation sites and observe the progress of the CMP. During these visits, we met with officials from the CMP office, the UN Board of Auditors, various UN departments, such as the Office of Program Planning, Budget, and Accounts and the Office of Central Support Services, and the U.S. Mission to the UN to discuss the ways in which the

CMP is meeting its planned renovation scope, schedule, and budget. We also obtained written answers to our questions from the UN Office of Internal Oversight Services. To understand options for funding projected CMP cost overruns, we reviewed UN General Assembly resolutions, UN Financial Rules and Regulations, the UN Financial Report, and Audited Financial Statements. Further, we held discussions with officials from the CMP office, Office of Program Planning, Budget, and Accounts, UN Board of Auditors, and State's Bureau of International Organizations to understand the various options. For criteria we used a UN General Assembly resolution issued in March 2007 that approves the CMP's original scope and states that the CMP is to be completed within a specific time table and at a cost not to exceed the approved budgeted amount of \$1.88 billion.¹ To understand options for resolving the security issues with the Library and South Annex, we reviewed UN policy and audit reports on safety and security, and spoke to officials from the CMP Office, the UN Office of Central Support Services, and the UN Office of Safety and Security to identify the options proposed to mitigate the security risk. Although we did not audit the CMP cost data and are not expressing an opinion on them, based on our examination of the documents received and our discussions with cognizant officials, we concluded that the data were sufficiently reliable for the purposes of this engagement.

To examine the UN's application of lessons learned from the CMP to other UN capital projects, we first identified lessons learned described in various UN documents, including CMP annual reports, UN Board of Auditor reports on the CMP, and a report from the UN Office of Internal Oversight Services. We then identified the lessons learned most frequently recommended by these UN entities for implementation on future UN capital projects. Next, to determine whether the UN was implementing its lessons learned, we reviewed planning documents for the UN's next capital project, the Strategic Heritage Plan in Geneva. We also spoke with officials who were implementing the Strategic Heritage Plan about the extent to which they were currently applying and planned to apply these lessons to their project. We compared the UN's collection

¹G.A. Res. 61/251, UN GAOR, 61st Sess., UN Doc A/RES/61/251 (2007).

of lessons learned from the CMP to UN² and federal³ standards for internal control related to designing control activities.

To evaluate how the UN determines and plans to address future office space needs at its headquarters, we reviewed UN documents such as the Secretary-General's *Study on the Long-Term Accommodation Needs at United Nations Headquarters 2014–2034* and a related report by the Advisory Committee on Administrative and Budgetary Questions to understand the UN's long-term office space needs and identify UN recommendations to address them, the assumptions upon which the recommendations were based and the justifications for those assumptions. We also interviewed officials from State, the U.S. Mission to the UN, the UN Office of Central Support Services, the UN Board of Auditors, and the UN Development Corporation regarding UN deliberations and plans and cost estimations for various options proposed by the UN to address future office space needs. We also reviewed UN resolutions⁴ and GAO practices related to the analysis of alternatives.⁵

We conducted this performance audit from July 2014 to May 2015 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.

²UN Joint Inspection Unit, *Accountability Frameworks in The United Nations System*, JIU/REP/2011/5 (Geneva: 2011).

³GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) ("Green Book") (Washington, D.C.: November 1999).

⁴G.A. Res. 67/254, UN , 67th Sess., UN Doc. A/RES/67/254 (2013). G.A. Res. 69/262, UN GAOR, 69th Sess., UN Doc. A/RES/69/262 (2015).

⁵For more information on best practices for analyzing alternatives, see *DOE and NNSA Project Management: Analysis of Alternatives Could Be Improved by Incorporating Best Practices*. [GAO-15-37](#). (Washington D.C.: Dec. 11, 2014).

Appendix II: United Nations Cost Estimates for Three Options the UN Secretary-General Deemed Viable to Address UN Future Office Space Needs

The United Nations (UN) Secretary-General’s February 2014 report on options for long-term accommodation for UN staff at its headquarters contained cost estimates for each of the three options it deemed viable. According to the report, the status quo is the most expensive of the three options deemed viable, with the North Lawn Building being the least costly, and DC-5 falling in the middle. The UN made two types of cost estimates in evaluating the three options: total project costs through 2064 and total project costs in 2014 dollars using net present value.¹ It estimated these two costs for each of three UN headquarters workforce growth-rate scenarios: 1.1 percent growth, no growth, and 0.5 percent decrease (see tables 8 and 9).²

Table 8: Total Project Costs (2014-2064) for Three Options Deemed Viable to Address Future United Nations Headquarters Office Space Needs, under Three Staff Growth-Rate Scenarios

Dollars in millions			
Estimated United Nations headquarters workforce growth rate	North Lawn Building	DC-5	Status quo
1.1 percent growth	\$10,622	\$10,907	\$14,407
No growth	\$6,790	\$7,075	\$10,730
0.5 percent decrease	\$5,418	\$5,732	\$9,127

Source: UN documents. | GAO-15-414

Note: According to the United Nations, cost estimates include breakdowns of hard costs, soft costs, and operational costs. Hard costs: construction trade costs and construction management fees, construction contingencies, insurances and cost escalation. Soft costs: design fees, program management/owners representation fees, legal, design contingencies and staff costs. Operational costs: utilities, cleaning, repairs and maintenance, grounds keeping, security, and administrative costs.

¹In its February 2014 report, *Study on the Long-Term Accommodation Needs at United Nations Headquarters from 2014 to 2034*, the UN Secretary-General defines net present value as a central tool in discounted cash flow analysis. It is a standard method for using the time value of money to appraise long-term projects. It compares the present value of money today to the present value of money in the future, taking inflation and returns into account.

²In this report we use the term “workforce” in place of the phrase “total population of the United Nations located in New York,” which is defined as staff, consultants, interns, associate experts and contractors in the Secretary-General’s February 2014 report.

**Appendix II: United Nations Cost Estimates for
Three Options the UN Secretary-General
Deemed Viable to Address UN Future Office
Space Needs**

Table 9: Total Project Costs in 2014 Dollars Net Present Value for Three Options Deemed Viable to Address Future United Nations Headquarters Office Space Needs, under Three Staff Growth-Rate Scenarios

Dollars in millions

Estimated United Nations headquarters workforce growth rate	North Lawn Building	DC-5	Status Quo
1.1 percent growth	\$5,103	\$5,662	\$6,069
No growth	\$3,530	\$4082	\$4.551
0.5 percent decrease	\$3,001	\$3,571	\$3,914

Source: United Nations. | GAO-15-414

Note: According to the UN, cost estimates include breakdowns of hard costs, soft costs, and operational costs. Hard costs: construction trade costs and construction management fees, construction contingencies, insurances and cost escalation. Soft costs: design fees, program management/owners representation fees, legal, design contingencies and staff costs. Operational costs: utilities, cleaning, repairs and maintenance, grounds keeping, security, and administrative costs.

Appendix III: United Nations Leased Office Space

As shown in table 10, as of March 2014, United Nations (UN) off-campus leases for office space totaled more than 1.2 million square feet with a current total annual rent of over \$53 million, with an average rent per square foot of about \$46.

Table 10: United Nations Leased Property as of March 2014

UN leased properties	Lease expiry date	Option to renew	Current annual rent	Square footage	Rent per square foot
II UN Plaza (DC-2)	March 2018	Yes	\$11,780,416	312,064	\$37.75
I UN Plaza (DC-1)	March 2018	Yes	\$10,074,008	196,566	\$51.25
Albano Building	July 2017	No	\$9,689,708	187,060	\$51.80
FF building	April 2017	No	\$6,809,729	138,381	\$49.21
Innovation Building	Sept 2018	Yes	\$7,751,401	132,602	\$58.46
UN FederaCredit Union (Court Square)	April 2018	Yes	\$2,886,384	79,079	\$36.50
Falchi Building	Sept 2024	No	\$730,989	50,413	\$14.50
Daily News Building	April 2017	No	\$2,168,588	31,891	\$68.00
ALCOA Building	July 2015	Yes	\$1,511,405	30,845	\$49.00
Total			\$53,402,628	1,158,901	

Source: United Nations Secretariat and GAO analysis. | GAO-15-414

Appendix IV: Comments from the Department of State



United States Department of State

Comptroller

Washington, DC 20520

APR 27 2015

Dr. Loren Yager
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

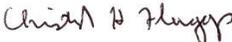
Dear Dr. Yager:

We appreciate the opportunity to review your draft report, "UNITED NATIONS RENOVATION: Original Scope Reduced and Project Over Budget, but Lessons Learned Could Improve Future Projects" GAO Job Code 321039.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Paula Harrison, Program Analyst, Office of Management, Policies and Resources, Bureau of International Organizations at (202) 647-6395.

Sincerely,


Christopher H. Flaggs

Enclosure:
As stated.

cc: GAO – David Wise
IO – Bathsheba N. Crocker
State/OIG - Norman Brown

Department of State Comments on GAO Draft Report

**UNITED NATIONS RENOVATIONS: Original Scope Reduced and Project
Over Budget, but Lessons Learned Could Improve Future Projects**
(GAO-15-414; GAO Code 321039)

Thank you for the opportunity to comment on the draft report entitled *United Nations Renovations: Original Scope Reduced and Project Over Budget, but Lessons Learned Could Improve Future Projects*. The Department of State welcomes the report and concurs with the recommendation that the United States work with the UN and other member states to ensure that the UN captures lessons learned during the Capital Master Plan (CMP) for future capital projects, and that the UN clearly justify assumptions used to estimate future office space needs.

To address the recommendations, the Department will push the UN to reform facility management and construction processes through the ongoing Strategic Capital Review (SCR). In the GAO report, the review is described primarily as a “facilities database that identifies and prioritizes structural issues.” However, there are other significant components to the SCR. As part of SCR, the General Assembly recently directed the UN to compile lessons learned and best practices for distribution to all UN duty stations. In addition, the SCR is expected to incorporate global project prioritization, life-cycle replacement methodologies, cost estimation, industry benchmarking, continuity and quality control, space-usage efficiency (e.g., flexible workspace strategies), and oversight.

The GAO report also addresses the status of the CMP, a renovation of the UN headquarters complex in New York that has brought the facilities into compliance with building codes and modern security standards. Although small amounts of work related to the project will extend into 2016, such as security improvements to the headquarters perimeter, the primary facilities – the Secretariat, Conference, and General Assembly buildings – are all essentially complete.

After pressing the UN for several years to fully absorb the cost overrun (estimated at \$430 million by the GAO in 2012), the General Assembly agreed in March on a drastic combination of measures, including alternative sources of financing, scope reductions, and cost-saving measures, to eliminate the cost overrun and complete the project. Ultimately, the agreement provided for \$45 million of associated costs in the UN regular budget to be assessed in calendar year 2016; the U.S. share will be slightly less than \$10 million. This represents the final piece of financing for

-2-

the CMP, and the only additional amount assessed since the initial project funding envelope was agreed in 2006.

This result is a significant achievement for a project of the CMP's magnitude, especially given the amount of the original overrun. That said, it is a top U.S. administrative priority to eliminate cost overruns for assessed capital projects such as the CMP. For this reason, the Department will continue its significant engagement with other member states and the UN to ensure the SCR moves forward, incorporating multiple facility and construction management best practices.

Appendix V: GAO Contacts and Staff Acknowledgments

GAO Contacts

Thomas Melito, (202) 512-9601, melitot@gao.gov

David Wise, (202) 512-2834, wised@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Elizabeth Repko (Assistant Director), Michael Armes (Assistant Director), Anthony Costulas, and Nina Pfeiffer made key contributions to this report. Tina Cheng, David Dayton, Mark Dowling, Maria Edelstein, Justin Fisher, Jason Lee, Jennifer Leotta, and Adam Yu provided technical assistance.

Related GAO Reports

United Nations Renovations: Best Practices Could Enhance Future Cost Estimates. [GAO-12-795](#). Washington, D.C.: July 25, 2012.

United Nations: Renovation Still Scheduled for Completion in 2013, but Risks to Its Schedule and Cost Remain. [GAO-09-870R](#). Washington, D.C.: July 30, 2009.

United Nations: Renovation Schedule Accelerated after Delays, but Risks Remain in Key Areas. [GAO-08-513R](#). Washington, D.C.: April 9, 2008.

Update on the United Nations' Capital Master Plan. [GAO-07-414R](#). Washington, D.C.: February 15, 2007.

United Nations: Renovation Planning Follows Industry Practices, but Procurement and Oversight Could Present Challenges. [GAO-07-31](#). Washington, D.C.: November 16, 2006.

United Nations: Early Renovation Planning Reasonable, but Additional Management Controls and Oversight Will Be Needed. [GAO-03-566](#). Washington, D.C.: May 30, 2003.

United Nations: Planning for Headquarters Renovation is Reasonable; United States Needs to Decide Whether to Support Work. [GAO-01-788](#). Washington, D.C.: June 15, 2001.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

