

GAO Highlights

Highlights of [GAO-15-564T](#), a testimony before the Committee on Veterans' Affairs, U.S. Senate

Why GAO Did This Study

VA operates one of the nation's largest health care delivery systems. In April 2013, GAO reported that VA was managing the construction of 50 major medical-facility projects costing between \$10 million and hundreds of millions of dollars, including the ongoing project in Denver. This statement discusses VA construction management issues, specifically, (1) the extent to which the cost, schedule, and scope at Denver and other major medical-facility projects has changed and the reasons for these changes, (2) actions VA has taken since 2012 to improve its construction management practices, and (3) VA's response to GAO's recommendations for further improvements in its management of these construction projects.

This statement is based on GAO's April 2013 report ([GAO-13-302](#)), May 2013 ([GAO-13-556T](#)), April 2014 ([GAO-14-548T](#)), and January 2015 ([GAO-15-332T](#)) testimonies, and selected updates on VA projects—located in Denver, Colorado; Las Vegas, Nevada; New Orleans, Louisiana; and Orlando, Florida. To conduct these updates, GAO obtained documentation from VA in April 2015.

What GAO Recommends

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

View [GAO-15-564T](#). For more information, contact Mark L. Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

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VA CONSTRUCTION

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

What GAO Found

In April 2013, GAO found that costs substantially increased and schedules were delayed for Department of Veterans Affairs' (VA) largest medical-facility construction projects, located in Denver, Colorado; Las Vegas, Nevada; New Orleans, Louisiana; and Orlando, Florida. In comparison with initial estimates, the cost increases for these projects now range from 66 percent to 427 percent and delays range from 14 to 86 months. Since the 2013 report, some of the projects have experienced further cost increases and delays because of design issues. For example, as of April 2015, the cost for the Denver project increased by nearly \$930 million, and the completion date for this project is unknown.

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

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

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

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