

# GAO Highlights

Highlights of [GAO-15-723T](#), a testimony before the National Security Subcommittee, Committee on Oversight and Government Reform, House of Representatives.

## Why GAO Did This Study

VA operates one of the nation's largest health-care delivery systems. To help meet the changing medical needs of the veteran population, VA has increasingly leased medical facilities to provide health care to veterans. In April 2014, GAO reported that VHA's leasing program had long-term liability of \$5.5 billion and was growing.

This statement discusses VA outpatient clinic lease issues, specifically, (1) the extent to which schedule and costs changed for selected VA outpatient clinics' leased projects since they were first submitted to Congress and factors contributing to the changes and (2) actions VA has taken to improve its leasing practices for outpatient clinics and any opportunities for VA to improve its project management. It is based on GAO's April 2014 report (GAO-14-300) along with selected updates conducted in August and October 2014 to obtain information from VA on actions it has taken to address GAO's prior recommendation. For that report, GAO reviewed all 41 major medical leases that were associated with outpatient clinic projects for which a prospectus had been submitted to Congress, as required by law.

## What GAO Recommends

In its April 2014 report, GAO recommended that VA update VHA's guidance for the leasing of outpatient clinics. VA concurred with GAO's recommendation and is taking actions to implement the recommendation.

View [GAO-15-723T](#). For more information, contact Dave Wise at (202) 512-2834 or [WiseD@gao.gov](mailto:WiseD@gao.gov).

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## VA REAL PROPERTY

### Actions Underway to Improve the Leasing of Outpatient Clinics

## What GAO Found

In its April 2014 report, GAO found that schedules were delayed and costs increased for the majority of the Department of Veterans Affairs' (VA) leased outpatient projects reviewed. As of January 2014, GAO found that 39 of the 41 projects reviewed—with a contract value of about \$2.5 billion—experienced schedule delays, ranging from 6 months to 13.3 years, with an average delay of 3.3 years. The large majority of delays occurred prior to entering into a lease agreement, in part due to VA's Veterans Health Administration (VHA): 1) providing project requirements late or changing them or 2) using outdated guidance. Costs also increased for all 31 lease projects for which VA had complete cost data, primarily due to delays and changes to the scope of a project. For example, first-year rents increased a total of \$34.5 million—an annual cost which will extend for 20 years (the life of these leases).

GAO's report also found that VA had taken some actions to address problems managing clinic-leased projects. First, it established the Construction Review Council in April 2012 to oversee the department's capital asset programs, including the leasing program. Second, consistent with the council's findings and previous GAO work, VA was planning the following improvements:

- *Requiring detailed design requirements earlier in the facility-leasing process.* VA issued a guidance memorandum in January 2014 directing that beginning with fiscal year 2016, VA should develop detailed space and design requirements before submitting the prospectus to Congress.
- *Developing a process for handling scope changes.* In August 2013, VA approved a new concept to better address scope changes to both major construction and congressionally authorized lease projects. According to VA officials, among other improvements, this process ensures a systematic review of the impact of any ad-hoc changes to projects in scope, schedule, and cost.
- *Plans to provide Congress with clearer information on the limitations associated with costs of proposed projects.* VA's 2014 budget submission did not clarify that its estimates for future lease projects included only one year's rent, which does not reflect the total costs over the life of the leases, costs that VA states cannot be accurately determined in early estimates. VA officials clarified this estimate beginning with VA's 2015 budget submission.

However, these improvements were in the early stages, and their success will depend on how quickly and effectively VA implements them.

- Finally, GAO reported that VA was also taking steps to refine and update guidance on some aspects of the leasing process, for example the VA's design guides, but VHA has not updated the overall guidance for clinic leasing (used by staff involved with projects) since 2004. In October 2014, VA reported that it was in the process of revising its clinic leasing guidance in response to GAO's recommendation and that its leasing authority was now under the General Services Administration (GSA) and the handbook was undergoing further revisions to incorporate GSA leasing processes.