

# GAO Highlights

Highlights of [GAO-17-70](#), a report to congressional addressees

## Why GAO Did This Study

VA has 26 ongoing medical-facility construction projects intended, for example, to provide improved care to veterans returning from Afghanistan and Iraq. GAO has previously reported on VA's weaknesses in managing major projects. Congress continues to have questions about VA's project management practices and mandated that VA outsource to other federal entities the design and construction of certain ongoing projects and future projects costing \$100 million or more.

In response to a 2016 defense authorization, this report assesses 1) VA's actions since 2013 to address challenges managing projects costing \$100 million or more and 2) opportunities for improvements in managing these projects, particularly VA's medical facility in Denver, CO, the only project outsourced to USACE that is under construction. GAO reviewed reports on VA management of projects, interviewed VA and USACE officials, and visited five projects to compare their management to VA policies and procedures. Selected projects include the most costly, those in various stages of construction and projects managed by VA and USACE. GAO also analyzed the estimated cost and schedule of the Denver project for adherence to best practices.

## What GAO Recommends

VA should (1) establish a mechanism to monitor change orders, (2) develop a reliable activation cost estimate for the Denver project, and (3) clarify policies on integrating schedules. VA concurred with our recommendations. VA and USACE provided technical comments which we incorporated as appropriate.

View [GAO-17-70](#). For more information, contact Dave Wise at (202) 512-5731 or [wised@gao.gov](mailto:wised@gao.gov)

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## VA CONSTRUCTION

### Improved Processes Needed to Monitor Contract Modifications, Develop Schedules, and Estimate Costs

## What GAO Found

The Department of Veterans Affairs (VA) has taken steps to address challenges in managing projects to build medical facilities. In response to statutory requirements and additional congressional direction, VA is outsourcing management of certain such projects to the U.S. Army Corps of Engineers (USACE). As of October 2016, VA had 23 ongoing projects costing \$100 million or more. VA and USACE have entered into interagency agreements for 12 of these 23 projects. The agreements entail USACE's managing the projects while VA retains responsibility for their overall completion, including activation (making the facility ready for full operation after construction, such as adding medical equipment). VA has also revised policies and procedures for managing projects not outsourced to USACE, such as streamlining the change order process, or approving changes to a facility's design.

VA still has opportunities to improve tracking change orders for major projects and estimating cost and schedules for the \$1.675-billion Denver construction project—the only USACE-managed project under construction thus far:

- Specifically, while VA has issued guidelines to streamline the change order process and plans to collect data on time frames, it lacks a mechanism to systematically collect or monitor data on time frames to process change orders. Although VA's contract management software collects information on dates change orders were initiated and approved, VA does not use the software to determine if changes are approved within the required time. Further, it does not currently track reasons for change orders, such as whether VA medical staff requested them. VA plans to replace this software with a system that records this information. Although procurement of this system has been delayed, VA intends to implement a system to monitor time frames by March 2017. However, it is not yet clear how VA plans to use new information it collects to oversee change orders because VA lacks a mechanism to oversee and monitor changes to a facility's design as a project progresses. Without such a mechanism, VA cannot determine how processing timeframes and design changes affect costs and schedules and thus is at risk for unexpected cost increases and schedule delays.
- In assessing VA's medical facility project in Denver, GAO found opportunities to improve cost estimates and schedules. VA's activation cost increased from \$272 million in 2012 to \$341 million currently. However, the current estimate is not reliable; VA officials could not provide information on how they developed it and GAO could not determine if it meets criteria in the *GAO Cost Estimating and Assessment Guide*. Further, GAO's analysis showed that the construction and activation schedules are not integrated, so that the construction schedule's milestones do not align with the activation schedule. Leading practices and VA policies both call for integrating such schedules to help ensure projects' successful and timely completion. However, VA's policies to integrate such schedules are inconsistent and unclear. The combined problems with the activation cost estimate and schedule integration put Denver's VA medical facility at risk of further cost increases and delays. Without reliable information on activation costs and schedules for the Denver project, VA has no assurance that the schedules are realistic and that current funding will suffice to complete construction and activation.