

Why GAO Did This Study

VA relies on VHA's Minor Construction and NRM programs to maintain and improve its 1,240 medical facilities at a cost of over \$1 billion in fiscal year 2018. However, in recent years, GAO and the VA's Inspector General have identified weaknesses in these programs. GAO was asked to assess VHA's management of its Minor Construction and NRM programs. This report assesses, among other things: (1) the extent to which VHA's guidance for developing cost estimates for Minor Construction and NRM projects meets GAO's 12 steps for cost estimating and (2) the extent to which VHA is able to monitor the Minor Construction and NRM programs.

GAO evaluated VHA's cost-estimating guidance against GAO's 2009 *Cost Estimating and Assessment Guide*. GAO also obtained and reviewed data from VHA's Capital Asset Database for the period of October 2011 through July 2017, including the reliability of these data, assessed VHA's plans to improve its database, and interviewed VHA and VA officials.

What GAO Recommends

GAO is making six recommendations, including that VHA revise its cost estimating guidance to incorporate the 12 steps in GAO's *Cost Estimating and Assessment Guide*—and develop a comprehensive plan for updating the Capital Asset Database. VA concurred with GAO's recommendations and provided updated information, which we incorporated as appropriate.

VA CONSTRUCTION

Management of Minor Construction and Non-Recurring Maintenance Programs Could Be Improved

What GAO Found

The Veterans Health Administration's (VHA) guidance on preparing cost estimates for Minor Construction and Non-recurring Maintenance (NRM) projects does not fully incorporate the 12 steps in the *GAO Cost Estimating and Assessment Guide*. These steps, if followed, should result in reliable and valid cost estimates and help management formulate realistic budgets for these projects. Examples of Minor Construction projects include building parking garages or clinical buildings and examples of NRM projects include replacing utility systems or maintaining facility components, such as roofs and roads.

VHA's guidance for its staff and contractors on how to prepare cost estimates:

- fully or substantially met 3 of the 12 steps,
- partially met 5 of the 12 steps, and
- minimally met or did not meet 4 of the 12 steps.

For example, VHA's guidance fully met the step to obtain the data because it requires cost estimators to conduct a market survey that explores factors that affect the cost of construction bids. On the other hand, the guidance does not meet the step to conduct a risk analysis because it does not require an analysis of risks associated with the estimated project cost, such as how a change in a project's schedule might affect the cost estimate. By revising the cost estimating guidance to incorporate the 12 steps in *GAO's Cost Estimating and Assessment Guide*, VHA could have greater assurance that its cost estimates for Minor Construction and NRM projects are reliable.

VHA's ability to monitor its Minor Construction and NRM programs is limited by a lack of accurate financial data and project information, such as reasons for changes in cost. VHA officials told GAO that their central office uses the Capital Asset Database as its primary method to monitor medical facilities' Minor Construction and NRM projects. For example, the database compares obligations, planned and actual construction completion dates, and expenditures against the annual operating plan. VHA officials also stated that they use the database to conduct a monthly budget review to identify Minor Construction and NRM construction projects with problems and assess the progress of the annual capital construction plan. However, GAO found the information in the database to be unreliable due in part to missing data and other inaccuracies in the database. For example, a project listed in the data base as complete and \$3.9 million under budget was actually cancelled after VHA had paid \$319,000 in design costs, according to VHA officials. In addition, the database does not contain information identifying, for example, why projects cost more than initially planned. VHA officials are aware of the problems and have been working to improve data quality by updating the database. However, VHA does not have a comprehensive plan that clearly lays out milestones to help VHA officials meet their objectives or that lays out the roles and responsibilities of those involved in the update. Without a comprehensive plan to update the database and to lay out milestones and roles and responsibilities, it is unclear if VHA will be able to improve the system the central office uses to monitor projects and the Minor Construction and NRM programs.