UNITED NATIONS

Renovation Schedule Accelerated after Delays, but Risks Remain in Key Areas
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What GAO Found

Renovation approach: The UN accelerated the CMP schedule by changing the renovation approach, which it reported would make up for past delays, reduce costs, and mitigate key risks. It will now renovate buildings in single phases, rather than in multiple phases as previously planned.

Schedule: Under the accelerated approach, the UN plans to begin construction of the temporary building in 2008 and start renovations in early 2009. Barring delays, the UN now intends to complete the project by mid-2013. Under the previous approach, the completion date had slipped to mid-2015. Delays in relocating UN staff could extend the schedule, creating additional costs. UN officials told us the CMP’s Executive Director would make relocation decisions in spring 2008, with most moves following in early 2009.

Cost: The CMP office currently estimates the total cost is $2.07 billion—$190 million over the $1.88 billion budget. The CMP office is looking for cost savings, but this effort may not be sufficient to bring estimated costs back to budget without potentially impacting the buildings’ functionality.

Funding: According to CMP officials, projected payments from member states will be enough to cover expenditures under the accelerated schedule. As of December 31, 2007, member states had paid $380.9 million, and $127.5 million in payments were late, including $64.2 million from the United States.

Risk management: The CMP office identified risks to the schedule and cost and developed strategies to mitigate them. For example, cost increases resulting from decision-making delays are a major risk the CMP office intends to mitigate by having the CMP Executive Director communicate proactively with key UN stakeholders.

Procurement: To mitigate weaknesses in UN procurement, the UN is piloting a streamlined process for approving CMP contract amendments in an effort to balance timely decision making with adherence to the procurement manual. The Procurement Division obtained authority to approve amendments up to $2.5 million—increased from $200,000—which can expedite the approval of such amendments by about 5 weeks, according to officials. While a subcontracting process has been developed, it does not include a procedure for the UN to monitor issues that may arise between the construction manager and its subcontractors that could affect the cost and schedule.

Oversight: While OIOS had funding to hire staff, its inability to quickly fill vacancies resulted in minimal oversight of the CMP during 2007. In 2007, OIOS completed one audit report on CMP and identified no significant issues. OIOS has recently completed the hiring of two auditors dedicated to CMP. The Board of Auditors has continued to conduct oversight, and State has continued to monitor the CMP.

What GAO Recommends

GAO recommends that the Secretary of State and the U.S. Permanent Representative to the UN work with other member states to direct the CMP office to establish a procedure that would require the construction manager to inform the office of issues with its subcontractors that could negatively affect the project’s cost or schedule. State and the UN agreed with GAO’s findings and recommendation.

For more information, contact Terrell Dorn at (202) 512-6923 or dornt@gao.gov or Thomas Melito at (202) 512-9601 or melitot@gao.gov.
April 9, 2008

The Honorable Joseph R. Biden, Jr.
Chairman
The Honorable Richard G. Lugar
Ranking Member
Committee on Foreign Relations
United States Senate

The 50-year-old United Nations (UN) headquarters complex in New York City does not conform to current safety, fire, and building codes or meet UN technology or security requirements, making it a potentially hazardous environment for visitors, employees, and delegates. To address these concerns, the UN has developed the Capital Master Plan (CMP) for a comprehensive renovation of the entire complex. In December 2006, the UN General Assembly adopted a resolution for the project that included a $1.88 billion budget and a schedule with a completion date of 2014.¹ The scope of the project approved at that time included constructing a temporary building on the UN headquarters grounds to house General Assembly meetings and conferences. It also included renovating the Secretariat office building in multiple phases, during which some staff would be moved to off-site leased office space, while most staff would be moved within the building during the renovation. In December 2007,² the UN changed the project’s approach to renovate all buildings, including the Secretariat office building, in a single phase. Under this approach, most UN employees will move to temporary office space off site until the renovation is completed.

We have previously reviewed UN efforts to develop and implement the CMP, prepare cost estimates, and provide oversight. In June 2001 and May 2003, we reported that the UN’s renovation planning efforts had been

reasonable and conformed to leading industry practices. In November 2006, we reported that UN officials continued to use leading industry practices to develop the UN headquarters renovation project, but that the renovation could become vulnerable to UN procurement weaknesses that we had previously identified. In addition, we reported that the UN Office of Internal Oversight Services (OIOS) relies on funds from the CMP budget and must negotiate for those funds with the UN budget office, which may impair its independence. In February 2007, we provided information about the latest cost estimate and reported that member states had the option of making a single payment or equal payments over 5 years to fund the CMP.

You asked us to update our most recent reports and provide information on the current status of the CMP renovation project. Accordingly, we reviewed the following key areas: renovation approach, schedule, cost, funding, risk management, renovation progress, procurement, and oversight. To do this, we reviewed pertinent UN planning documents and reports, including the latest cost and schedule estimates, the draft procedures manual, and risk assessments. We also interviewed UN officials in the CMP office and the procurement office. To assess oversight and monitoring activities, we reviewed UN documents related to CMP oversight and interviewed officials from OIOS and the U.S. Department of State (State). We conducted this performance audit from July 2007 to April 2008 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.


Since our most recent reports on the CMP in November 2006 and February 2007, the UN has accelerated the CMP schedule and made progress in a number of areas, but risks remain in some of the following key areas we reviewed:

**Results in Brief**

- **Renovation approach:** The UN accelerated the CMP schedule by changing the renovation approach. It will now renovate buildings in single phases, rather than in multiple phases as planned under the previous approach. The CMP office reported that changing to this accelerated approach will make up for past delays, reduce costs, and mitigate key risks associated with renovating occupied buildings.

- **Schedule:** Under the accelerated approach, the UN plans to begin construction of the temporary building in 2008 and renovations in early 2009. Barring delays, the UN now intends to complete the project by mid-2013. Under the previous approach, the completion of the renovation had slipped by about a year to mid-2015. Delays in relocating UN staff could extend the renovation schedule, resulting in additional costs. However, UN officials told us the CMP’s Executive Director would decide during spring 2008 where UN departments will be relocated, with most moves following in early 2009.

- **Cost:** According to the CMP office’s current estimate, the project’s total cost under the accelerated approach will be $2.07 billion, which is $190 million over the $1.88 billion budget the General Assembly approved in 2006. The CMP office is working with the construction manager to identify cost savings, and the CMP Executive Director is optimistic about being able to get the project back on budget. However, this effort may not be sufficient to bring estimated costs in line with the budget without potentially impacting the functionality of the UN buildings.

- **Funding:** According to CMP officials, projected payments from member states will cover the $1.88 billion CMP budget. Through 2007, member states have paid $380.9 million for the CMP. As of December 31, 2007, $127.5 million in member state payments were late, including $64.2 million from the United States.

- **Risk management:** The CMP office, working with a consultant, identified risks to the CMP’s schedule and cost and developed strategies to mitigate them. For example, increased costs resulting from delays in decision making are a major risk the CMP office intends to mitigate by having the CMP Executive Director communicate proactively with key UN stakeholders.
• **Project progress:** Delays slowed the CMP in 2007, but the UN made key decisions to prepare for construction. In 2007, the UN hired a new Executive Director for the project, contracted with a construction manager, and completed environmental testing. Although the CMP office has identified sufficient temporary office space to relocate UN employees, the UN has yet to decide which UN departments will occupy which spaces.

• **Procurement:** To mitigate identified weaknesses in the UN procurement system, the UN is piloting a streamlined process for the CMP that is intended to address the need for timely decision making while adhering to the principles outlined in the procurement manual and maintain accountability. The Procurement Division obtained increased authority to approve contract amendments up to $2.5 million—increased from its previous limit of $200,000. This change expedites the process for approving such amendments by approximately 5 weeks, according to officials. While a subcontracting process has been developed, it does not include a procedure for the UN to monitor issues that may arise between the construction manager and its subcontractors that could affect the cost and schedule. We recommend that the Secretary of State and the U.S. Permanent Representative to the United Nations work with other member states to direct the CMP office to establish a procedure that would require the construction manager to inform the office of issues that may arise with its subcontractors that could increase the cost or delay the schedule of the project.

• **Oversight:** Although OIOS had funding to hire staff, its inability to quickly fill vacancies resulted in its conducting minimal oversight of the CMP during 2007. In 2007, OIOS completed one audit report on the CMP on the accuracy and validity of CMP disbursements and identified no significant issues. OIOS recently completed the hiring of two auditors dedicated to CMP, who have been assessing vulnerabilities to guide the development of an audit plan for 2008. The Board of Auditors has continued to conduct oversight and highlighted the financial implications of the delays. State has continued to monitor issues such as cost, schedule, and risks.

Detailed information on each area we reviewed follows in enclosure I.

We provided a draft of this correspondence to State, the UN Department of Management, and OIOS for their review and comment. State and the UN Department of Management provided written comments, which are reproduced in enclosures II and III, and generally concurred with our findings and recommendations. They also provided us with a number of technical suggestions and clarifications that we have addressed in this
correspondence, as appropriate. OIOS stated that our correspondence was accurate and did not provide additional comments.

We are sending copies of this correspondence to interested Members of Congress, the Secretary of State, and the U.S. Permanent Representative to the United Nations. We also will make copies available to others upon request. In addition, the correspondence will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this correspondence, please contact Thomas Melito at (202) 512-9601 or melitot@gao.gov or Terrell Dorn at (202) 512-6923 or dornt@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this correspondence. Key contributors are listed on the Scope and Methodology page of enclosure I.

Thomas Melito
Director, International Affairs and Trade

Terrell Dorn
Director, Physical Infrastructure Issues

Enclosures
The CMP office, with approval from the General Assembly in December 2007, changed the approach to the project to renovate each building in a single phase, rather than in multiple phases as the UN planned under the previous approach. This new approach accelerates the project, which the UN now estimates it will complete in mid-2013. Under the previous approach, the CMP office reported in September 2007 that delays had pushed the completion of the project back to mid-2015—1 year later than the CMP had reported in 2006—and the estimated cost of the project had increased by $220 million over the approved budget of $1.88 billion.

Under the accelerated approach, the UN will temporarily relocate most employees from the Secretariat and renovate it in one phase over the course of 3 years, rather than in multiple phases over 6 years with UN employees still working in the building. Additionally, the CMP office plans to construct a temporary building large enough to enable the UN to complete the conference building renovation in one phase over 2 years rather than in two phases over 3 years. Under the revised schedule, the UN will begin construction in 2008 and complete the renovation in 2013, 1 year ahead of the previous schedule.

Shortening the duration of a construction project can save money, since longer projects may be subject to higher overhead and escalation costs—increases in future costs due to inflation in labor and materials costs and other unforeseen market changes. Based on preliminary estimates, the CMP office expects the accelerated approach to reduce the cost of the renovation by almost $30 million but is optimistic that it can find additional savings with this approach (see cost section).

Additionally, renovating buildings when they are unoccupied can reduce risks of performing construction work while normal business is being carried out in the same building. Such risks include work stoppages to accommodate UN business and accidents involving UN employees working close to construction. Figure 1 shows the existing buildings of the UN headquarters complex, along with the planned temporary building.
The start of the UN headquarters renovation has been delayed for a number of reasons, but the UN expects the accelerated approach will shorten the estimated duration of the project. Between October 2006 and September 2007, the schedule slipped as follows:

- In October 2006, the CMP annual report indicated that the renovation would last 7 years, beginning in mid-2007 and ending in mid-2014. The General Assembly approved this schedule in December 2006.
- In September 2007, the CMP annual report identified several factors that had pushed the estimated start of construction back to late 2008 and the completion of the phased renovation back to mid-2015, with landscaping due to be completed in mid-2016.

According to the UN, factors that delayed the project in 2007 included:

- the need for more time than expected to complete the selection of the construction manager, including UN and independent reviews of the selection process, which delayed the construction manager contract award from November 2006 to July 2007;
- the increased time required to award contracts for the environmental testing that is needed to design the temporary building, which delayed completion of this testing until January 2008; and
- the time needed to integrate additional requirements to address security, improve the building's energy efficiency, and reduce its environmental impact. These requirements resulted from further review of the security and sustainability scope options approved by the General Assembly in December 2006.

Additionally, the 2007 CMP annual report noted that delays also resulted from the complexities of decision making within the UN. Furthermore, both the UN Board of Auditors and the UN Advisory Committee on Administrative and Budgetary Questions reiterated concerns about decision-making delays in their 2007 reports on the CMP. This advisory committee and the General Assembly both stressed the importance of leadership and commitment by the Secretary-General and senior UN management to avoid further delays.

Going forward, one of the CMP’s next major steps requiring the broad commitment of all UN departments will be moving UN staff to temporary office spaces, including spaces off site and in the library, which will be used as temporary office space during construction. Delays in relocating UN staff could extend the renovation schedule, resulting in additional costs. The UN delegated the authority to determine where UN departments will be relocated to the CMP Executive Director. CMP officials said this would be decided by spring 2008 and that Secretariat staff would be moved in early 2009.
The accelerated approach shortens the duration of the project from 7 years to 5 years. Under this approach, the UN plans to begin construction of the temporary building in 2008 and renovation of the Secretariat in 2009. At the completion of the renovation in mid-2013, the temporary building would be disassembled. Figure 2 shows the schedule for starting and completing work on each building of the UN headquarters complex under the current schedule.

**Schedule under Accelerated Approach**

The accelerated approach shortens the duration of the project from 7 years to 5 years. Under this approach, the UN plans to begin construction of the temporary building in 2008 and renovation of the Secretariat in 2009. At the completion of the renovation in mid-2013, the temporary building would be disassembled. Figure 2 shows the schedule for starting and completing work on each building of the UN headquarters complex under the current schedule.

**Figure 2: Current Schedule of UN Headquarters Renovation by Building and Year**

<table>
<thead>
<tr>
<th>Building/project</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Early</td>
<td>Mid</td>
<td>Late</td>
<td>Early</td>
<td>Mid</td>
<td>Late</td>
</tr>
<tr>
<td>North lawn extension (underground)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary conference building</td>
<td>Construction</td>
<td>Used for conferences</td>
<td>Used for General Assembly</td>
<td></td>
<td></td>
<td>Disassembled</td>
</tr>
<tr>
<td>Library</td>
<td></td>
<td></td>
<td></td>
<td>Used for temporary office space</td>
<td>Renovation period</td>
<td></td>
</tr>
<tr>
<td>Secretariat</td>
<td></td>
<td></td>
<td>Renovation period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference Building</td>
<td></td>
<td>Renovation period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Annex</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Renovation period</td>
<td></td>
</tr>
<tr>
<td>General Assembly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Renovation period</td>
<td></td>
</tr>
<tr>
<td>Landscaping</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: GAO and United Nations.
Budget Background

In December 2006, the General Assembly approved the project’s current scope and set its budget at $1.88 billion with a completion date of 2014.

Cost Increases under Previous Approach

As of September 2007, the cost estimate under the previous approach, which called for renovating buildings in multiple phases, had increased to $2.10 billion, about $220 million over the approved budget of $1.88 billion. Subsequently, the CMP office has reduced the cost estimate to $2.07 billion.

Latest CMP Cost Estimate Has Increased to Over $2 Billion

The CMP office estimates the project’s total cost under the accelerated approach to be $2.07 billion, an increase of $190 million over the $1.88 billion budget approved by the General Assembly in December 2006. The CMP office expects to receive a refined estimate from the construction manager during the summer of 2008 after the completion and review of the construction documents for the accelerated approach. While the UN is looking for ways to bring this estimate back in line with the budget, industry experts have noted that early construction estimates can vary as much as 20 to 30 percent from actual costs, even with estimates that include contingency funds in the budget, such as the CMP estimate.

The CMP office estimates that, based on the estimate of $2.07 billion, the change to the accelerated approach will result in a net savings of almost $30 million over the $2.10 billion estimate under the previous approach. The new accelerated approach decreases costs associated with escalation and construction because the project can be completed in less time but increases costs for leasing temporary office space because the UN will relocate more staff. Additionally, according to CMP officials, other construction costs increased as a result of changes made to reflect refinement of the project’s scope. Table 1 shows how the current cost estimate reported in September 2007 compares with the previous estimate used for the budget approved in December 2006.

Table 1: Comparison of 2006 (Previous Approach) and 2007 (Accelerated Approach) CMP Cost Estimates by Cost Category

<table>
<thead>
<tr>
<th>Cost category</th>
<th>2006 estimate</th>
<th>Transfers from scope options and escalation</th>
<th>Changes</th>
<th>Net changes</th>
<th>2007 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>739.1</td>
<td>196.2</td>
<td>29.3</td>
<td>225.5</td>
<td>964.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scope refinement 77.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change in approach -47.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees and management</td>
<td>206.9</td>
<td>24.0</td>
<td>3.6</td>
<td>27.6</td>
<td>234.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scope refinement 9.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change in approach -6.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingency</td>
<td>167.9</td>
<td>32.0</td>
<td>0.0</td>
<td>32.0</td>
<td>199.9</td>
</tr>
<tr>
<td>Escalation</td>
<td>317.9</td>
<td>-21.8</td>
<td>-18.0</td>
<td>-39.9</td>
<td>278.0</td>
</tr>
<tr>
<td>Updated costs and revised schedule</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary space</td>
<td>214.5</td>
<td>0.0</td>
<td>175.4</td>
<td>175.4</td>
<td>389.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope options</td>
<td>230.4</td>
<td>-230.4</td>
<td>0.0</td>
<td>-230.4</td>
<td>Included above</td>
</tr>
<tr>
<td>(security, redundancy, and sustainability)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of approved scope options is now included in other categories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total: $1,876.7 $0.0 $190.2\(^\text{a}\) $2,066.9\(^\text{b}\)

Source: GAO analysis of UN documents.

\(^{a}\)Transfer from escalation was moved into the construction cost category to account for actual inflation experienced in 2006.

\(^{b}\)Some figures differ from those in the CMP’s annual report of September 2007 because of differences in rounding.
To bring the project’s estimated cost in line with the approved budget, the CMP office is working with the construction manager and architectural and engineering firms to explore options to reduce costs under the accelerated approach. The CMP Executive Director is optimistic this process will net enough savings to offset the current estimated cost overrun; however, the CMP office has not yet determined how it will achieve these savings, and the CMP office has previously conducted some reviews to identify cost savings on the project.

In February 2007, we reported that the CMP office, through its previous reviews, had already identified $54.3 million in construction cost savings that could be achieved without compromising the quality, reliability, and performance of the project. In December 2007, the CMP office and the construction manager began a similar effort to brainstorm additional ideas for reducing costs, followed by several weeks of more detailed examination of these ideas by CMP’s architectural and engineering firms. According to CMP officials, changing the approach by renovating buildings in single phases may present opportunities to work more efficiently and thus reduce costs. As changes are made to the project, timely communication and stakeholder acceptance are important to ensure that the UN’s expectations for the renovation are met. In addition, if it is later determined during construction that these changes could not be made without changing the functionality of the space, the UN would have to choose to either reduce functionality or add the cost back to the estimate. While these efforts to identify cost savings may reduce the estimated cost, they may or may not be sufficient to bring the estimated cost in line with the $1.88 billion budget. The CMP’s budget cannot increase without the General Assembly’s approval.

The next cost estimate will be finalized by the construction manager during the summer of 2008 for inclusion in the next CMP annual report. This estimate will be based on revised construction documents that reflect the accelerated approach and, therefore, should present a more refined estimate of costs than the current estimate. This estimate will also serve as the basis for the UN to negotiate multiple construction contracts with the construction manager—reflecting the various buildings and construction time frames for each. According to CMP officials, these negotiations would begin in early 2009.
According to CMP officials, projected payments from member states from 2007 through 2011 will cover renovation expenditures, even under the shorter disbursement schedule of the accelerated approach. According to CMP officials, the years with the largest disbursements are toward the end of the project, 2010 through 2012. For 2002 through 2007, the UN assessed member states $504.8 million for the CMP and, as of December 31, 2007, the UN had received $380.9 million in payments from member states for the CMP. This included $3.5 million from member states that have paid later-year assessments in advance and $12.0 million from member states that chose to pay the assessment in a single lump sum.

As of December 31, 2007, member states had a $127.5 million outstanding balance for the CMP, of which the U.S. share was $64.2 million. Table 2 below shows the status of CMP contributions from all member states and the largest contributors as of December 31, 2007. According to the UN, member states have paid $44.9 million of the $45 million working capital reserve, leaving $125,000 outstanding. The UN credits CMP contributions from member states to the reserve fund first under its financial rules and regulations, before the general renovation fund.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$108.9</td>
<td>$44.7</td>
<td>$64.2</td>
</tr>
<tr>
<td>Japan</td>
<td>86.6</td>
<td>29.6</td>
<td>57.1</td>
</tr>
<tr>
<td>Germany</td>
<td>42.9</td>
<td>42.9</td>
<td>0.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>32.0</td>
<td>32.0</td>
<td>0.0</td>
</tr>
<tr>
<td>France</td>
<td>30.9</td>
<td>30.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Other countries</td>
<td>203.6</td>
<td>200.9</td>
<td>6.2</td>
</tr>
<tr>
<td>Total (all member states)</td>
<td>$504.8</td>
<td>$380.9</td>
<td>$127.5</td>
</tr>
</tbody>
</table>


This table does not include assessments and payments related to the capital reserve fund, which are recorded separately from other CMP funds.

Japan’s government has pledged to pay its entire 5-year CMP assessment—about $285 million—in one payment in spring 2008.

The sum of cumulative payments and balance outstanding exceeds cumulative assessments because some member states chose to pay contributions for future-year assessments in advance.

Funds the UN collects from member state assessments, like all UN funds, are pooled together and invested to earn interest. While the UN can use interest earned on assessments paid for the CMP to cover cash flow shortages, any interest earned is to be returned to member states upon completion of the CMP. The General Assembly must approve any increase in the budget of the project and, therefore, interest earned cannot be used to increase the project’s budget without the General Assembly’s approval. The General Assembly’s budget resolution indicates that the UN will assess member states any cost overruns approved by the General Assembly.
The CMP office, working with a consultant, has identified risks to the project’s schedule and cost, as well as strategies to mitigate these risks. The CMP office conducted an initial assessment in February 2007, which it updated in December 2007. This process involved interviewing key CMP personnel, contract managers, and the project management consultant to identify risks to the overall project and specific contracts; evaluating their potential impact in terms of cost and schedule delays; identifying and implementing mitigating strategies; and reviewing the effectiveness of the mitigation and any residual risk.

In the initial February assessment, CMP identified major areas of risk, which included the lack of delegated procurement authority, delay in appointing the construction manager, and security requirements during construction. A December 2007 update noted less risk in some areas, but new risks as well. For example, the December update indicated that the lack of a construction manager was no longer a risk, since one had been appointed, and noted that the lack of delegated procurement authority had been downgraded from a “high” to a “medium” risk, since the Procurement Division had obtained increased authority to approve contract amendments. The update also noted that the change in project approaches had reduced or eliminated a number of risks identified previously. The December assessment also identified a number of new major risk areas such as the

- cost of any delays that result from slow decision making,
- adequacy and size of the CMP staff, given its upcoming workload, and
- extent to which savings can be identified to make up for cost increases due to delays.

Strategies to mitigate these risks identified in the update include having the CMP Executive Director reach out to UN stakeholders proactively and seek the support of the Secretary-General to improve decision making, review resource requirements such as staffing needs against the current schedule, and review the UN’s expectations for the project’s requirements and functionality that may affect its cost.

The risk assessment work was conducted by an official from the CMP office’s project management contractor, who is independent from the project team assigned to the CMP. The February 2007 assessment recommended that the CMP office conduct further risk reviews when there are significant changes that warrant review or when the project reaches major milestones. According to CMP officials, they plan to update the assessments about every 6 months. The project manager’s contract was amended to include the risk assessment work but does not establish dates for conducting follow-up reviews.
A combination of several factors hindered the UN’s progress on the CMP in 2007, but the UN made some key decisions necessary to advance the project to the construction phase. Preparing temporary office space and starting construction of the temporary building did not begin as planned in 2007 because of delays in contracting for a construction manager and completing the environmental testing needed to properly design the temporary building. However, in July 2007, the UN hired a new Executive Director for the project and contracted with a construction manager. Additionally, as of January 2008, the UN had completed the environmental testing for the temporary building, which the CMP office plans to begin building in June 2008. The CMP office made progress in the following areas:

- **Executive Director:** The UN hired a new Executive Director for the CMP in July 2007, a position that had been vacant since June 2006. The UN Board of Auditors identified the lengthy vacancy in this position as one of the underlying causes of the UN’s lack of commitment to the project and resulting unresponsiveness. Having an effective Executive Director for such a large project is critical for providing project management leadership to guide decision making and coordinate resources.

- **Construction manager:** The UN contracted with Skanska USA Building Inc. (Skanska USA), the U.S. subsidiary of an international construction firm, to serve as the CMP construction manager during the preconstruction phase. The contract awarded to Skanska USA for preconstruction covers reviewing designs to determine how to construct the buildings and achieve cost savings, preparing temporary office space for UN employees, and constructing the temporary building. Skanska USA will also develop cost proposals to complete the remaining construction work. The UN has the option to select Skanska USA as construction manager to oversee the construction phase if Skanska USA and the UN can agree on a price for the construction. The CMP office is working on a strategy and time line for this negotiation.

- **Temporary office space:** According to CMP officials, the UN has leased sufficient temporary office space for relocating most UN employees and activities off site during the renovation. The CMP construction manager is overseeing the preparation of this space to meet UN needs. The UN will need to decide which departments will occupy which temporary spaces. As discussed earlier, these decisions are key to moving the staff and beginning the renovation as scheduled.

- **Design:** CMP design work continued through 2007. To accommodate the accelerated approach, the CMP office and its architectural and engineering firms are redesigning a larger temporary building and other aspects of the project.
Environmental testing: In August 2007, the UN contracted to complete the survey work necessary to properly design the temporary conference building. CMP officials reported that this work was completed in January 2008 and that they are working with the architectural and engineering firms to address the issues found.

Staffing: All CMP-related positions are currently filled in both the CMP office and other UN offices. The CMP office funds positions in other UN offices and requires them to submit annual reports on how they used resources to support the CMP. The CMP then uses these reports, in part, to determine the project's continued need for UN resources outside of the CMP office. According to the CMP's 2007 annual report, the CMP office has 19 positions and funds 8 positions in other departments—the Office of Internal Oversight Services (OIOS), the Information Technology Services Division, the Department of Safety and Security, the Office of Legal Affairs, and the Procurement Division.

Contractor performance: The CMP office and its project manager regularly review the performance of its contractors in both delivering products as required in the contract and providing administrative services. Contractors are paid for these administrative services through a general services fee, which accounts for about 10 percent of a contract's value. Each month, the CMP office reviews the performance of its contractors in providing administrative services, also called general services, by having CMP contract managers review whether a contractor has met agreed-upon performance targets. If so, the CMP office pays the monthly allotment of the contractor's general services fee, but if not, the CMP office does not pay the fee for that month. According to CMP officials, this system has worked well to ensure satisfactory contractor performance. For example, CMP officials said that after they once withheld a contractor's payment because of poor general services performance, the contracting firm assigned different staff to the contract, and performance improved. The CMP office and its project manager also review products delivered as required in contracts, and contractors are paid for these in accordance with the terms of the contract.

As of February 2008, the CMP office was working with Skanska USA to develop a framework for reviewing its performance. This framework is to be codified in the CMP procedures manual. Skanska USA currently has a set fee for its advisory services, submits monthly reports to the CMP office, and meets weekly with CMP officials.

OIOS, however, does not follow this staffing process. Instead, it independently determines the level of resources it needs to provide CMP oversight. The Department of Management provides OIOS funding from the CMP budget for oversight of the CMP.
**Project Progress (cont.)**

**U.S. Practice for Local Code Compliance**

As the federal government’s acquisition agency, the General Services Administration (GSA) acquires and manages federal buildings. According to GSA, buildings built on federal property are exempt from state and local building codes. However, GSA’s policy is to comply with state and local building codes to the maximum extent practicable. For example, GSA officials involved with the renovation of the U.S. Mission to the United Nations office building in New York City told us that they had worked with the city to address a concern the city had with the project.

For a federal construction project, GSA policy provides that

- local government officials have the opportunity to review the project for building code compliance;

- GSA and its contractors are not required to pay for related local government actions, such as inspections; and

- GSA shall review and consider all recommendations made by local government officials; however, GSA has the final authority to accept or reject any recommendation from local government officials.


**Project Progress (cont.)**

- **Code compliance:** In January 2007, the New York City government reported a number of concerns with the current fire and safety systems within the UN headquarters. Although long-term upgrades to these systems will be addressed by the CMP, the UN has taken interim measures to address these concerns. For example, until permanent sprinklers are installed as part of the CMP, the UN is installing additional smoke alarms and plans to install barriers to prevent fire from spreading between buildings.

  The UN, consistent with U.S. government practices, plans to voluntarily comply with local building codes. Under this process, the UN will invite local government inspectors to visit the construction site and review related documents. The CMP office will consider implementing any subsequent recommendations, but it is not required to do so.

- **Communication strategy:** The CMP office developed both internal and external strategies for communicating information about the project’s status and responding to stated concerns. Approximately every month, the CMP Public Information Officer posts a new article to the UN’s internal staff Web site about various aspects of the project. UN employees can contact the CMP office through this Web site or through the external CMP Web site available to the public. Additionally, in response to the December 2007 General Assembly resolution calling for more reporting about the CMP, the CMP office is providing more information to staff and scheduling briefings with member states and the UN’s Fifth Committee, which is the General Assembly’s committee that addresses budget issues. The CMP Executive Director also plans to issue information letters to the press and to the permanent missions at the UN.

- **Advisory board:** Since 2000, the UN has reported that it will establish an advisory board for the CMP. The General Assembly, in a December 2007 resolution, reaffirmed its request that the UN establish an advisory board to provide technical supervision of the CMP. As of March 2008, the UN had not yet formed such a board.
Procurement

Background

An effective procurement process is one of the keys to success for any large-scale construction project. The UN Department of Management, through the UN Procurement Division, is ultimately responsible for developing UN procurement policies.

The Headquarters Committee on Contracts (HCC) reviews the procurement process and advises the Department of Management as to whether the procurement process used is in accordance with the UN procurement manual and UN financial rules and regulations. GAO has previously reported that the HCC Chairman had stated that his committee did not have the resources to keep up with its expanding workload (GAO, United Nations: Procurement Internal Controls Are Weak, GAO-06-577 [Washington, D.C.: Apr. 25, 2006]). According to the UN’s budget office, the HCC received additional posts in 2007.

For more than a decade, experts have called on the UN to correct serious weaknesses in its procurement process. In recent years, reports of corruption and mismanagement in procurement have suggested that millions of dollars contributed to the UN by the United States and other member states are at risk of fraud, waste, and abuse. To date, UN auditors have found no reports of corruption or mismanagement in procurements related to the CMP.

Streamlined Process Could Facilitate Timely Decision Making

In an effort to mitigate weaknesses in the UN procurement system as it relates to the CMP, UN officials have added resources dedicated to the CMP and are working to ensure transparency and accountability while allowing for timely decision making. The UN currently has three officials and one support staff in the Procurement Division dedicated to CMP-related procurements.

New Process Streamlines Approval of Contract Amendments

Because the process outlined in the UN’s procurement manual can be time-consuming, the CMP office and the UN Procurement Division sought ways to expedite the process while maintaining accountability and adhering to the principles outlined in the procurement manual in accordance with UN financial rules and regulations. To streamline the process for approving contract amendments, the UN Controller increased the value of the individual contract amendments that Procurement Division officials may approve without prior review by the HCC from $200,000 to $2.5 million. This new authority has been delegated on a pilot 6-month basis and applies only to contract amendments, not to new procurements. Procurement Division officials will brief the HCC monthly about how they have been using the increased authority. Any amendments greater than $2.5 million or any new contracts greater than $200,000 must still be reviewed and approved by the HCC.¹

According to Procurement Division officials, the new authority enables them to process contract amendments, as needed without delay, while adhering to the principles of transparency and accountability outlined in the procurement manual. These officials stated that, since obtaining the new authority in November 2007, they have used it to approve amendments for additional design work needed for the new renovation approach. The officials told us the new process has cut 5 weeks from the normal process for approving these contract amendments.

No Major Concerns Found in Reviews of Process to Select Skanska

UN and independent reviews of the process for procuring Skanska USA as construction manager did not identify issues that would affect the recommendation to award the contract. A consulting firm conducted an independent review by comparing the procurement process used with the processes and procedures outlined in the UN procurement manual. This review did not uncover or identify any major procedural gaps or discrepancies that would have any impact on the recommendation presented to the HCC. The review noted that the project and contract type are unique to the usual processes the procurement manual governs. For this reason, the review stated that a number of procedures were not applicable to the process. In addition, a UN ethics committee conducted due diligence by reviewing information on litigation brought by non-UN parties against the successful bidder, Skanska USA, and its parent company, and concluded that there had been no known fraud or criminal conduct on the part of Skanska USA that would negatively affect its ability to perform its contract with the UN.

¹In March 2008, the UN Controller increased the delegation of authority for approving contract amendments to $5 million, effective May 15, 2008 until the project’s completion.
Subcontracting Process Developed, but Procedure Not Yet Established to Monitor Issues between Construction Manager and Its Subcontractors

CMP and UN procurement officials, working with the construction manager (Skanska USA), developed a draft subcontracting process for construction, which officials told us will cover most remaining contract work. The process would enable UN officials to review subcontractor awards at various points in the procurement process to ensure adherence to the principles of the UN’s procurement manual. For example, UN officials can review prequalification criteria, approve the solicitation method Skanska USA will use, consent to the list of bidders, and have an opportunity to object to award recommendations. Once these subcontracts are awarded, the construction manager will be contractually responsible for addressing issues that may arise from its subcontractors. Although CMP officials stated that they would like to be kept aware of such issues, they acknowledged they have not yet established a procedure to ensure they receive this information. Given that a renovation project of this magnitude involves coordination among many subcontractors that provide a wide variety of services, even a small issue could affect work in multiple areas and ultimately contribute to cost increases or schedule slippages.

What GAO Has Said

April 2006: GAO reported that the UN was vulnerable to procurement weaknesses, including the lack of an independent process to consider vendor protests that could alert senior officials to failures by procurement staff to comply with stated procedures (GAO-06-577).

November 2006: GAO reiterated its concerns and recommended that the Secretary of State and the U.S. Permanent Representative to the UN work with other member states to identify a CMP procurement strategy to mitigate weaknesses in UN procurement processes (GAO-07-31).

Procurement Progress

November 2007: In a review of UN management reforms, we reported that the UN had made some progress in the area of procurement but had made little or no progress in establishing an independent bid protest system (GAO, United Nations: Progress on Management Reform Efforts Has Varied, GAO-08-84 [Washington, D.C.: Nov. 14, 2007]).

According to a November 2007 UN report, the UN finalized a concept paper for a system to review vendor inquiries and complaints, consider allegations of vendor misconduct and unethical behavior, and further promote transparency and fairness. When piloted in 2008, the system will include a debriefing procedure for unsuccessful vendors.
Oversight

Background

In a 2003 resolution, the General Assembly stressed the importance of oversight in implementing the CMP and requested that all relevant oversight bodies, including OIOS, initiate immediate oversight activities. In a December 2007 resolution, the General Assembly reaffirmed the importance of oversight and requested that all relevant oversight bodies continue to report to the General Assembly annually on the CMP. The resolution also requested OIOS to ensure effective audit coverage of the CMP.

What GAO Recommended

2006: Because OIOS relied on funds from the CMP budget and had to negotiate with the UN budget office, its ability to secure sufficient funds may have been impaired. GAO recommended that the Secretary of State and the U.S. Permanent Representative to the UN work with other member states to ensure that OIOS receives sufficient funding for oversight of the CMP (GAO-07-31). In January 2007, the Department of Management provided OIOS funds from the CMP budget for oversight of the CMP.

OIOS Oversight Was Limited by Lack of Staff

Although OIOS had funding from the CMP office to hire staff, it was unable to quickly fill vacancies and, therefore, provided minimal oversight of the CMP during 2007. Officials stated that, without CMP-dedicated staff, they were unable to conduct most of the audits outlined in the audit plan they had developed for the year. Since the renovation project was delayed, officials saw little risk in not completing the audits as planned, particularly since the Board of Auditors—another UN oversight body—was doing extensive work on CMP activities. According to its annual report covering July 2006 through June 2007, OIOS issued comments, observations, and recommendations in memorandums and via e-mail rather than in audit reports. OIOS also reported that it participated in regular meetings with the Board of Auditors to share information on the status and results of ongoing audits on the CMP. In February 2007, OIOS updated the status of its recommendations related to its audits on code consulting services bid and construction law counsel, as well as draft agreements for preconstruction services and construction management. The CMP office accepted all 18 recommendations. In addition, in October 2007, OIOS issued a report on the accuracy and validity of CMP disbursements and identified no significant issues.

Although OIOS received funding for staff in January 2007, the office lacked staff dedicated to reviewing the CMP throughout much of the year, because it did not complete the hiring of two new oversight officials until January 2008. In 2006, OIOS had two officials dedicated to providing oversight of CMP activities, but one retired early in 2007, and the other left mid-year. In June 2006, the General Assembly noted that the CMP office would provide resources to OIOS to conduct an appropriate construction audit. In August of that year, OIOS requested that the Department of Management fund an additional auditor post and a consultant that specialized in construction auditing in New York State. The department made the funds available to OIOS in January 2007. However, because of delays in the hiring process, one auditor did not begin until October 2007, and the other did not arrive at the UN until January 2008. Currently, according to OIOS officials, one auditor is on a 2-year contract, while the other has a permanent appointment with the UN. OIOS officials stated that they expect funding to continue and anticipate requiring additional resources as CMP activities increase.

OIOS Is Developing an Oversight Plan

The December 2007 General Assembly resolution requested the Secretary-General to entrust OIOS with a comprehensive review focusing on the structure of the CMP office, compliance with UN procurement and contracting regulations and rules, adherence to the terms of contracts, internal controls, processes in place to properly manage the project, and other high-risk areas. According to OIOS officials, auditors assessed vulnerabilities and areas of potential concern, which guided their development of an audit plan for 2008-2009. OIOS officials expected the head of OIOS to approve this plan in spring 2008.

1 OIOS conducts oversight of UN activities that are under the authority of the Secretary-General through monitoring, inspection, and evaluation. The December 2007 General Assembly resolution requires that OIOS reports on the CMP be submitted to the General Assembly.
Oversight (cont.)

UN Board of Auditors

The UN Board of Auditors is appointed by the General Assembly to audit accounts of UN organizations and programs and to report findings and recommendations to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions.

UN Board of Auditors Has Continued to Conduct Oversight of the Project’s Finances and Program Management

The UN Board of Auditors, an external oversight entity that reports to the General Assembly, highlighted financial implications of the delays to the project in its June 2007 report. The board’s broad objectives for auditing the CMP, as established in its first report on the project in 2003, are to examine CMP financial statements, including an evaluation of project accounting, payment, and reporting systems; ascertain compliance with UN regulations and rules on procurement and contracting; determine adherence to the terms of contracts, such as deliverables, time, and significant provisions; and review the controls, including internal audit controls, and processes established to properly manage the project.

In its June 2007 report, the board reviewed project management, planning, risk management, and human resources. For example, the board highlighted the lengthy vacancy in the office’s Executive Director post and outlined the delays to the project, as well as the financial implications of the delays. The board recommended that the CMP office examine the impact of delays on the budget and propose measures to reduce that impact. The board also reported that a lack of geotechnical surveys and studies on blast protections could cause delays in finalizing construction documents and recommended that these surveys and studies be conducted. The CMP office agreed with the board’s recommendations.

The board did not identify any significant departures from the regulations and rules set out in the procurement manual. In addition, the board did not note any cases of fraud or presumptive fraud within the CMP office during the reporting period.

The U.S. Department of State Continued to Monitor CMP

As the UN’s host country and largest contributor, the United States has a substantial interest in the success of the CMP. State’s Bureau of International Organization Affairs develops and implements U.S. policy in the UN, the UN’s specialized agencies, and other international organizations.

Since 2003, the U.S. Department of State’s Bureau of International Organization Affairs (IO) has continued to monitor areas including the CMP’s schedule, cost estimates, and risk assessments. It has a task force to monitor the CMP composed of officials from IO and State’s Office of Overseas Building Operations, an examiner from the Office of Management and Budget, and a consultant to provide input on security issues. According to State officials, various members of the task force make monitoring visits to the CMP office in New York City approximately every quarter. Issues that the task force has identified as concerns include the possibility of cost overruns and questions about whether the CMP office has a formal, regular process to assess risks to the project. State officials told us they discuss these concerns with CMP officials and also have the opportunity to raise issues during meetings of the UN’s Fifth Committee, which is the main committee of the General Assembly entrusted with responsibilities for administration and budgetary matters.
Conclusions and Recommendation

Conclusions
Continued support for and commitment to the CMP from senior UN management and all UN departments will be critical as the project moves into the construction phase. The project’s history has demonstrated the cost impact of delaying decisions. Despite delays in the project, during the last year, the UN has been able to position the CMP to move forward with a new Executive Director, a construction manager, and an approach that the CMP office expects will address the delays and related concerns over increased costs. Additionally, the Procurement Division’s agreement to complete a pilot test of a streamlined process for approving contract amendments for the CMP shows the division’s commitment to and understanding of the need for timely decision making while maintaining controls for transparency and accountability. Furthermore, OIOS’s hiring of two auditors with construction auditing experience should allow OIOS to increase its oversight of CMP activities.

With the accelerated approach approved, the CMP office is going forward with designing the renovation, constructing the temporary building, and completing efforts to obtain temporary space for UN employees. The timely movement of UN employees into temporary office spaces will require the firm leadership and cooperation of senior UN management. Any delays in vacating headquarters buildings could create additional costs if they affect the construction schedule.

The success of the UN renovation will ultimately be judged not only by whether the project is completed within budget and on time but also by the extent to which it meets the UN’s needs. As the CMP office works to identify ways of cutting about $200 million from the cost estimate, it will be important to maintain the functionality of the space as expected by UN staff and member states and communicate changes that may deviate from expectations. Additionally, while much of the contracting during the construction phase will be between the construction manager and subcontractors, the UN will have a significant oversight role. In order to provide effective oversight of the project, the UN must be kept aware of any issues that could affect the pace or cost of the work. Timely and effective oversight not only will help to ensure the success of the project but also will enhance the organization’s reputation as a responsible steward of member state contributions.

Recommendation
We recommend that the Secretary of State and the U.S. Permanent Representative to the United Nations work with other member states to direct the CMP office to establish a procedure that would require the construction manager to inform the office of issues that may arise with its subcontractors that could increase the cost or delay the schedule of the project.
To describe the change in CMP approach and evaluate its impact on the project’s schedule and cost, we reviewed the 2007 CMP annual report that described the new approach and interviewed CMP officials about the change. We reviewed the schedule for the accelerated approach presented in the annual report and compared it with the schedule presented in the 2006 report, which reflected the previous approach. To evaluate how the new approach affects the project’s cost, we reviewed the latest CMP cost estimate and compared it with the CMP budget the General Assembly approved in December 2006. To describe reasons for changes in the schedule and cost estimates, we reviewed and analyzed the 2007 CMP annual report and monthly reports and other data developed by the project management consultant and interviewed CMP officials. Additionally, to report on the status of the project’s funding, including the collection and use of member states’ CMP assessment payments, we reviewed projected assessments and UN data on payments received and outstanding from member states and interviewed UN budget officials about the collection and use of these payments.

To describe the CMP’s risk management efforts, we reviewed risk assessment reports from the project management contractor and interviewed CMP officials about the risk assessments conducted.

To describe progress on the CMP since our last report, we reviewed UN documents, including the CMP’s annual reports to the General Assembly and documentation of CMP office procedures. We discussed various aspects of the project with UN renovation project staff and consultants.

To describe the procurement process for the CMP, we reviewed relevant documents, including the UN’s procurement manual, and interviewed officials from the UN Procurement Division and the CMP office.

To describe UN oversight efforts, we reviewed the annual OIOS report and the UN Board of Auditors’ latest report on the CMP and interviewed officials. We also interviewed officials from State’s Bureau of International Organizations to describe its monitoring of the project.

We conducted this performance audit from July 2007 to April 2008 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.
Enclosure II: Comments from the Department of State

United States Department of State
Assistant Secretary for Resource Management and Chief Financial Officer
Washington, D.C. 20520

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

MAR 27 2008

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, “UNITED NATIONS: Renovation Schedule Accelerated After Delays, but Risks Remain in Key Areas,” GAO Job Code 545062.

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 Lisa Spratt, Program Analyst, Bureau of International Organization Affairs, at (202) 647-6395.

Sincerely,

Bradford R. Higgins

cc: GAO – Tom Melito
    IO – Kristen Silverberg
    State/OIG – Mark Duda
Department of State Comments on GAO Draft Report

United Nations: Renovation Schedule Accelerated After Delays, but Risks Remain in Key Areas
(GAO-08-513R, GAO Code—545062)

Thank you for the opportunity to comment on your draft report entitled United Nations: Renovation Schedule Accelerated after Delays, but Risks Remain in Key Areas. The Department of State welcomes the GAO report and concurs with its recommendation that the CMP Office should establish a procedure that would require the construction manager to inform the office of issues that may arise with its subcontractors that could increase cost or delay the schedule.

The Department agrees that the CMP Office should establish procedures that support effective management of the project and that help them stay fully informed on issues that may affect the project cost or schedule. These procedures should allow the CMP Office to perform the necessary oversight role while respecting the contractual relationship between the construction manager and subcontractors. We believe that timely and effective oversight is an important element in the UN’s ability to successfully execute the project and control costs.

The Department remains concerned with the current projected cost overruns and will closely review the refined cost estimate when it becomes available. Although we acknowledge the point made in the GAO report that it is not uncommon for actual project costs to vary 20%-30% from early estimates derived during design, we expect the UN to meet its commitment to do everything possible to absorb cost increases and stay within the budget approved by member states.
Enclosure III: Comments from the United Nations

United Nations

New York, 25 March 2008

Dear Mr. Dorn and Mr. Melito:

Thank you very much for your letter dated 12 March 2008 in which you requested comments regarding the draft GAO report on the Capital Master Plan (GAO-08-513R).

In summary, I find the draft GAO report to be a valuable and accurate assessment of the current state of planning for the United Nations renovation project, and in general concur with your findings and recommendations.

Upon receipt of your draft report, staff members from the concerned offices within the Department of Management were in contact with members of your team and provided several suggestions regarding the report. I understand your team will be taking these suggestions into account as you finalize your report.

Among those suggestions were clarifications on the role of the Headquarters Committee on Contracts (HCC), a correction on the number of procurement staff assigned to the CMP, an update on a new decision to increase the threshold of the delegation of authority provided to the Director of the Procurement Division concerning CMP contract amendments, and several other comments and suggestions on matters of fact.

Since his appointment in July 2007, Assistant Secretary-General Michael Adorstein has provided outstanding executive direction to this project, and I am certain that he will offer continued cooperation to the Government Accountability Office as you continue your oversight efforts on behalf of the Host Country on this historic and much-needed project.

Mr. Terrell G. Dorn, Director, Physical Infrastructure Issues
Mr. Thomas Melito, Director, International Affairs and Trade
United States Government Accountability Office
Washington DC 20548
I wish to extend my appreciation to your team for their continued courtesy and professionalism. We look forward to the issuance of your final report.

Alicia Bárcena
Under-Secretary-General
for Management
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United Nations (UN) Capital Master Plan


UN Management, Procurement, and Oversight Issues


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