

# GAO Highlights

Highlights of [GAO-14-300](#), a report to congressional requesters

## 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. As of November 2013, VHA's leasing program has long-term costs of \$5.5 billion and growing. Given previous problems that GAO has identified with VA's hospital construction program, GAO was asked to review VA's leasing program.

This report examined (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, if any, VA has taken to improve its leasing practices for outpatient clinics and any opportunities for VA to improve its project management. GAO analyzed agency documents as well as VA data for 41 ongoing major outpatient-clinic lease projects, for which a prospectus was submitted to Congress with an average annual rent of more than \$1 million as of January 2014. We also interviewed VA officials and representatives from private companies, involved in VA leasing projects.

## What GAO Recommends

GAO recommends that VA update VHA's guidance for the leasing of outpatient clinics. VA concurred with GAO's recommendation and discussed actions under way to implement the recommendation. VA also provided technical comments, which GAO incorporated as appropriate.

View [GAO-14-300](#). For more information, contact Lorelei St. James, at (202) 512-2834 or [stjamesl@gao.gov](mailto:stjamesl@gao.gov)

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## VA REAL PROPERTY

### Action Needed to Improve the Leasing of Outpatient Clinics

#### What GAO Found

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due to VA's Veterans Health Administration (VHA): 1) providing project requirements late or changing them or 2) using outdated guidance.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. First-year rents increased a total of \$34.5 million—an annual cost which will extend for 20 years (the life of these leases).

VA has begun taking some actions to address problems managing clinic-leased projects. First, it established the Construction Review Council in April 2012 to oversee the department's real property programs, including the leasing program. Second, consistent with the council's findings and previous GAO work (December 2009, January 2011, and April 2013), VA is 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 more complete information on 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 are in the early stages, and their success will depend on how quickly and effectively VA implements them.

- Finally, VA is 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. Specifically, VHA's *Handbook on Planning and Activating Community Based Outpatient Clinics*, which established planning criteria and standardized expectations for outpatient clinics, was based on past planning methodologies that no longer exist. *Standards for Internal Control in the Federal Government* calls for federal agencies to develop and maintain internal control activities, which include policies and procedures, to enforce management's directives and help ensure that actions are taken to address risks.