

# GAO Highlights

Highlights of [GAO-14-548T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Veteran's Affairs House of Representatives

## Why GAO Did This Study

The VA operates one of the nation's largest health care delivery systems. In April 2013, GAO reported that VA was managing the construction of 50 major medical-facility projects costing between \$10 million and hundreds of millions of dollars, including the ongoing project in Denver. This statement is based on GAO's April 2013 report and includes selected updates. It discusses VA construction management issues, specifically, (1) changes to costs, schedule, and scope of the Denver project and the reasons for these changes, (2) actions VA has taken since 2012 to improve its construction management practices, and (3) VA's response to opportunities identified in GAO's 2013 report for it to further improve its management of the costs, schedule, and scope of these construction projects. For this testimony, GAO 1) summarized information from the 2013 report, including cost and schedule issues related to the Denver facility, and 2) provided updates on how VA responded to the report's recommendations and on the status of the Denver project by obtaining documentation from VA in April 2014. The methodology for our 2013 review is detailed in that report.

## What GAO Recommends

In its April 2013 report, GAO recommended that VA (1) develop and implement agency guidance for assignment of medical equipment planners; (2) develop and disseminate procedures for communicating to contractors clearly defined roles and responsibilities of VA officials; (3) issue and take steps to implement guidance on streamlining the change-order process. VA implemented GAO's recommendations.

View [GAO-14-548T](#). For more information, contact Lorelei St. James at (202) 512-2834 or <mailto:stjamesl@gao.gov>.

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## VA CONSTRUCTION

### VA's Actions to Address Cost Increases at Denver and Other Major Medical-Facility Projects

## What GAO Found

The costs associated with the Veterans Affairs' (VA) medical-center construction project in Denver have substantially increased, its schedule significantly delayed, and its scope modified. In fact, GAO reported in April 2013 that of VA's four largest medical-facility construction projects, Denver had the highest cost increase—from \$328 million in 2004 to \$800 million in November, 2012. Further, VA's initial estimated completion date for the project was February 2014, however, it has now changed that estimate to May 2015—the longest construction timeline of the four largest projects. As of April 2014, VA officials currently project the cost estimates are still accurate; however, VA's primary contractor on the project has expressed concerns that the project will ultimately cost more and take more time to complete. Two primary factors contributed to cost increases and schedule delays at the Denver project: a decision to change plans from a shared medical center with a local medical university to a stand-alone VA medical center and unanticipated difficulties, including removing asbestos and replacing faulty electrical systems in pre-existing buildings.

In its April 2013 report, GAO found that VA had taken some actions to address problems managing major construction projects since 2012. Specifically, VA established a Construction Review Council in April 2012 to oversee the department's development and execution of its real property programs. VA took steps to implement a new project delivery method, called Integrated Design and Construction, which involves the construction contractor early in the design process to identify any potential issues early and speed the construction process. However, in Denver, VA did not implement this method early enough to garner the full benefits of having a contractor early in the design phase.

VA has taken actions to implement the recommendations in GAO's April 2013 report. In that report, GAO identified systemic reasons that contributed to overall schedule delays and cost increases at one or more of four reviewed projects and recommended ways VA could improve its construction management of major medical facilities. In response, VA has

- issued guidance on assigning medical equipment planners to major medical facility projects who will be responsible for matching the equipment needed for the facility to the construction of the facility in order to avoid late design changes leading to cost increases and delays;
- developed and disseminated procedures for communicating to contractors clearly defined roles and responsibilities of the VA officials who manage major medical-facility projects to avoid confusion that can affect the relationship between VA and the contractor; and
- issued a handbook for construction contract modification (change-order) processing which includes milestones for completing processing of modifications based on their dollar value and took other actions to streamline the change order process to avoid project delays.

However, GAO did not review the extent to which these actions have been employed for or affected the cost and schedule of the Denver project, since our work for the April 2013 report was completed.