



September 2014

# FEDERAL REAL PROPERTY

## DHS and GSA Need to Strengthen the Management of DHS Headquarters Consolidation

## Why GAO Did This Study

DHS and GSA are managing an estimated \$4.5 billion construction project at the St. Elizabeths Campus in Washington, D.C. The project, designed to consolidate DHS's executive leadership, operational management, and other personnel at one secure location rather than at multiple locations throughout the Washington, D.C., metropolitan area, has a projected completion date of 2026.

GAO was asked to examine DHS and GSA management of the headquarters consolidation, including the development of the St. Elizabeths campus. This report addresses the extent to which DHS and GSA have (1) developed consolidation plans in accordance with leading capital decision-making practices and (2) estimated the costs and schedules of the St. Elizabeths project in a manner that is consistent with leading practices. GAO assessed various DHS and GSA plans, policies, and cost/schedule estimates, and interviewed DHS and GSA officials.

## What GAO Recommends

GAO recommends, among other things, that DHS and GSA develop revised DHS headquarters plans that reflect leading practices for capital decision making and reliable cost and schedule estimates. Congress should consider making future funding for the project contingent upon DHS and GSA developing plans and estimates commensurate with leading practices. DHS and GSA concurred with our recommendations.

## FEDERAL REAL PROPERTY

### DHS and GSA Need to Strengthen the Management of DHS Headquarters Consolidation

## What GAO Found

The Department of Homeland Security (DHS) and General Services Administration (GSA) planning for the DHS headquarters consolidation does not fully conform with leading capital decision-making practices intended to help agencies effectively plan and procure assets. DHS and GSA officials reported that they have taken some initial actions that may facilitate consolidation planning in a manner consistent with leading practices, such as adopting recent workplace standards at the department level and assessing DHS's leasing portfolio. For example, DHS has an overall goal of reducing the square footage allotted per employee across DHS in accordance with current workplace standards. Officials acknowledged that this could allow more staff to occupy less space than when the campus was initially planned in 2009. DHS and GSA officials also reported analyzing different leasing options that could affect consolidation efforts. However, consolidation plans, which were finalized between 2006 and 2009, have not been updated to reflect these changes. According to DHS and GSA officials, the funding gap between what was requested and what was received from fiscal years 2009 through 2014, was over \$1.6 billion. According to these officials, this gap has escalated estimated costs by over \$1 billion—from \$3.3 billion to the current \$4.5 billion—and delayed scheduled completion by over 10 years, from an original completion date of 2015 to the current estimate of 2026. However, DHS and GSA have not conducted a comprehensive assessment of current needs, identified capability gaps, or evaluated and prioritized alternatives to help them adapt consolidation plans to changing conditions and address funding issues as reflected in leading practices. DHS and GSA reported that they have begun to work together to consider changes to their plans, but as of August 2014, they had not announced when new plans will be issued and whether they would fully conform to leading capital decision-making practices to help plan project implementation.

DHS and GSA did not follow relevant GSA guidance and GAO's leading practices when developing the cost and schedule estimates for the St. Elizabeths project, and the estimates are unreliable. For example, GAO found that the 2013 cost estimate—the most recent available—does not include a life-cycle cost analysis of the project, including the cost of operations and maintenance; was not regularly updated to reflect significant program changes, including actual costs; and does not include an independent estimate to help track the budget, as required by GSA guidance. Also, the 2008 and 2013 schedule estimates do not include all activities for the government and its contractors needed to accomplish project objectives. GAO's comparison of the cost and schedule estimates with leading practices identified the same concerns, as well as others. For example, a sensitivity analysis has not been performed to assess the reasonableness of the cost estimate. For the 2008 and 2013 schedule estimates, resources (such as labor and materials) are not accounted for and a risk assessment has not been conducted to predict a level of confidence in the project's completion date. Because DHS and GSA project cost and schedule estimates inform Congress's funding decisions and affect the agencies' abilities to effectively allocate resources, there is a risk that funding decisions and resource allocations could be made based on information that is not reliable or is out of date.

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## Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CBP	U.S. Customs and Border Protection
CPM	critical path method
DHS	Department of Homeland Security
EAC	estimate at completion
FEMA	Federal Emergency Management Agency
gPM	Global Project Management Guidance
GSA	General Services Administration
ICE	U.S. Immigration and Customs Enforcement
IGE	independent government estimate
IMS	Integrated Master Schedule
IRB	Investment Review Board
IT	information technology
LCCE	life-cycle cost estimate
NCR	National Capital Region
NPPD	National Protection and Programs Directorate
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PARM	Office of Program Accountability and Risk Management
PBS	Public Building Service
TIP	Technology Integration Program
TSA	Transportation Security Administration
USCG	United States Coast Guard
WBS	Work Breakdown Structure

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September 19, 2014

Congressional Requesters

The Department of Homeland Security (DHS) and General Services Administration (GSA) are managing a \$4.5 billion construction project at the federally owned St. Elizabeths Campus in Washington, D.C.<sup>1</sup> The project, known as the DHS headquarters consolidation project at St. Elizabeths, is the centerpiece of DHS's larger effort to manage and consolidate its workforce of over 20,000 in the National Capital Region (NCR).<sup>2</sup> As conceived in 2006, the St. Elizabeths site was designed to consolidate DHS's executive leadership, operational management, and other personnel at one secure location rather than at multiple locations throughout the Washington, D.C., metropolitan area. Specifically, DHS envisioned moving about 14,000 staff to the new headquarters facility and housing its remaining personnel in other consolidated spaces across the region. With a current projected completion date of 2026, the St. Elizabeths project is intended to provide DHS a secure facility to allow for more efficient incident management response and command-and-control operations, and also provide long-term cost savings by reducing reliance on leased space.

The DHS headquarters consolidation effort involves multiple management issues that we consider high-risk. For example, we have found over the years that many federal agencies face long-standing challenges involving excess and underutilized property, deteriorating facilities, unreliable property data, and facility protection in the post-September 11 environment. These findings led to our designation, in January 2003, of real property management as a high-risk area.<sup>3</sup> In addition, DHS management issues, including acquisition management, have been documented in our high-risk list since 2005.<sup>4</sup> For example, in September

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<sup>1</sup>The St. Elizabeths campus is a National Historic Landmark and a former federally run hospital for the mentally ill.

<sup>2</sup>The National Capital Region is composed of the District of Columbia and nearby jurisdictions in Maryland and Virginia.

<sup>3</sup>GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 14, 2013).

<sup>4</sup>[GAO-13-283](#).

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2012, we reported that DHS's acquisition policy reflects many key management practices that could help mitigate risks and increase chances for successful outcomes. However, most of DHS's major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised.<sup>5</sup>

Given the magnitude of the St. Elizabeths project and the impact of headquarters consolidation on DHS operations, you asked us to examine DHS and GSA management of the consolidation efforts. Specifically, this report addresses the extent to which DHS and GSA have

- developed DHS headquarters consolidation plans in accordance with leading capital decision-making practices and
- estimated the costs and schedules of the DHS headquarters consolidation project at St. Elizabeths in a manner that is consistent with leading practices.

The scope of this work included DHS and GSA management of DHS headquarters consolidation—principally the St. Elizabeths development project—from 2005 through 2014, and DHS and GSA actions to create and maintain cost and schedule estimates for the St. Elizabeths project. To determine the extent to which DHS and GSA developed DHS headquarters consolidation plans in accordance with leading capital decision-making practices, we reviewed DHS and GSA documents pertaining to how project requirements were determined and evaluated DHS and GSA capital planning efforts against applicable leading practices in capital decision-making.<sup>6</sup> We interviewed DHS and GSA

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<sup>5</sup>GAO, *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs*, [GAO-12-833](#) (Washington, D.C.: Sept. 18, 2012).

<sup>6</sup>GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998). To produce this guide, we conducted extensive research to identify leading practices in capital decision-making used by state and local governments and private sector organizations. Specifically, on the basis of interviews and documentation obtained from site visits to leading organizations, we identified innovative practices used by individual organizations as well as approaches and elements that were common across organizations. The leading organizations in our study reviewed a draft of this guide and verified that the case study examples are an accurate representation of their practices. These practices are, in part, intended to provide a disciplined approach or process to help federal agencies effectively plan and procure assets to achieve the maximum return on investments. In the overall capital decision-making framework, planning is the first phase—and arguably the most important—since it drives the remaining phases of budget, procurement, and management.

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officials responsible for the planning and management of the DHS headquarters consolidation. Additionally, we reviewed DHS documents to determine the extent to which the St. Elizabeths project is subject to DHS oversight and agency document requirements for major acquisitions, and evaluated the program's compliance with acquisition directives. We also interviewed DHS officials responsible for overseeing DHS major acquisitions. To determine the extent to which DHS and GSA estimated the costs and schedules of the DHS headquarters consolidation project at St. Elizabeths in a manner that is consistent with leading practices, we evaluated DHS and GSA documents on the estimated cost and schedule for the St. Elizabeths project using GAO cost- and schedule-estimating leading practices and relevant GSA guidance. We also interviewed DHS and GSA officials responsible for managing the estimates. Appendix I contains more detailed information on our objectives, scope, and methodology.

We conducted this performance audit from August 2013 to September 2014 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.

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## Background

The Homeland Security Act of 2002 combined 22 federal agencies specializing in various missions under DHS.<sup>7</sup> Numerous departmental offices and seven key operating components are headquartered in the NCR.<sup>8</sup> When the department was formed, the headquarters functions of its various components were not physically consolidated, but instead were dispersed across the NCR in accordance with their history. For example, in 2007, DHS employees in the NCR were located in 85 buildings and 53 locations, accounting for approximately 7 million gross square feet of government-owned and -leased office space. As of July

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<sup>7</sup>Pub. L. No. 107-296, 116 Stat. 2135.

<sup>8</sup>Departmental offices encompass core management and policy functions, among other things. The seven core DHS operating components headquartered in the NCR are U.S. Citizenship and Immigration Services, U.S. Coast Guard, U.S. Customs and Border Protection, Federal Emergency Management Agency, U.S. Immigration and Customs Enforcement, U.S. Secret Service, and Transportation Security Administration.

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2014, DHS employees were located in 94 buildings and 50 locations, accounting for approximately 9 million gross square feet of government-owned and -leased office space.

GSA, the landlord for the civilian federal government, acquires space on behalf of the federal government through new construction and leasing, and acts as a caretaker for federal properties across the country.<sup>9</sup> Federal agencies give GSA information on their program and mission requirements and GSA then works with those agencies to develop and refine their real estate space needs. As such, GSA had the responsibility to select the specific site for a new, consolidated DHS headquarters facility, based on DHS needs and requirements. In addition, GSA is responsible for awarding and managing contracts for design and construction. DHS began planning the consolidation of its headquarters in 2005. According to DHS, increased colocation and consolidation were critical to achieve the following objectives: (1) improve mission effectiveness, (2) create a unified DHS organization, (3) increase organizational efficiency, (4) size the real estate portfolio accurately to fit the mission of DHS, and (5) reduce real estate occupancy costs. DHS and GSA developed a number of capital planning documents to guide the DHS headquarters consolidation process. To start, DHS identified its original housing requirements in 2006 during the development of the DHS National Capital Region Housing Master Plan. In the housing master plan, DHS identified a requirement for approximately 7.1 million square feet of total office space in the NCR to accommodate DHS headquarters operations, with 4.5 million square feet on a secure campus. DHS also developed a program of requirements for DHS headquarters components that included a listing of current and projected space needs. In June 2007, DHS released its Consolidated Headquarters Collocation Plan. The collocation plan summarized component functional requirements and the projected number of seats needed on- and off-campus for NCR headquarters personnel. According to DHS, the collocation plan is based on the idea that the consolidated headquarters campus serves as a central hub for leadership, operations coordination, policy, and program management in support of the department's strategic goals. Table 1 summarizes DHS and GSA key planning documents.

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<sup>9</sup>GSA provides related real estate services including the operation and maintenance of buildings and outleasing programs.

**Table 1: Summary of Department of Homeland Security (DHS) and General Services Administration (GSA) Key Capital Planning Documents**

Planning document	Date issued	Purpose
DHS National Capital Region (NCR) Housing Master Plan	October 2006	<p>Identified scenarios covering:</p> <ul style="list-style-type: none"> <li>DHS program of requirements for DHS headquarters and all component headquarters functions in the NCR, and</li> <li>each component’s level of presence on an unspecified campus and during which phase each component would relocate.</li> </ul>
DHS Consolidated Headquarters Collocation Plan	June 2007	<p>Summarized component functional requirements and projected number of seats needed on and off an unspecified campus for NCR headquarters personnel. According to the plan:</p> <ul style="list-style-type: none"> <li>DHS would need 4.5 million gross square feet of office space to accommodate about 14,000 staff on campus and the site would accommodate: <ul style="list-style-type: none"> <li>all headquarters U.S. Coast Guard (USCG) and Federal Emergency Management Agency (FEMA) components;</li> <li>portions of other components—Transportation Security Administration (TSA), U.S. Immigration and Customs Enforcement (ICE), U.S. Customs and Border Protection (CBP), National Protection and Programs Directorate (NPPD), Intelligence; and</li> <li>the Office of the Secretary of Homeland Security, the Office of the Assistant Secretary for Policy, and the DHS Office of the General Counsel, among others.</li> </ul> </li> <li>DHS would continue to house staff off-campus (via leased or federally owned space) in the NCR, covering about 12,500 staff.</li> </ul>
GSA’s DHS Headquarters Consolidation Location Analysis	September 2008	<p>Analyzed options to fulfill space needs based on DHS headquarters requirements. GSA identified a list of 15 federally owned sites in the NCR and then evaluated the sites against a series of evaluation criteria. The evaluation criteria included</p> <ul style="list-style-type: none"> <li>compatibility with DHS’s security needs and proximity to the White House and Congress, as well as major roadways and Metrorail;</li> <li>availability for use by DHS to accommodate DHS’s fiscal year 2013 occupancy timetable and availability of land adjacent to the site to accommodate additional square footage plus parking; and</li> <li>accessibility to neighborhood amenities (within walking distance).</li> </ul> <p>GSA’s analysis showed that St. Elizabeths would best meet DHS’s various requirements.</p>
GSA’s Environmental Impact Statement	November 2008	<p>Assessed and reported potential impacts from the consolidation of DHS headquarters at St. Elizabeths, including</p> <ul style="list-style-type: none"> <li>natural resources such as air and water quality, social resources such as community services and facilities, and cultural resources such as historic sites, and</li> <li>transportation improvement required to support increased traffic volume.</li> </ul>

<b>Planning document</b>	<b>Date issued</b>	<b>Purpose</b>
GSA's Master Plan	January 2009	<p>Guided the redevelopment of the West Campus of St. Elizabeths (see fig. 1) for DHS. Among other things, the goals of the Master Plan included:</p> <ul style="list-style-type: none"> <li>• the provision of facilities that meet the programmatic needs of DHS while maintaining the historic character of the West Campus,</li> <li>• satisfaction of federal security requirements,</li> <li>• preservation of the natural context of the site,</li> <li>• the improvement of transportation access to the campus, and</li> <li>• optimization of the federal investment.</li> </ul>

Source: GAO summary of DHS and GSA documents. | GAO-14-648

According to GSA's planning documents, the West Campus of St. Elizabeths, held by GSA, was the preferred site for DHS headquarters consolidation because (1) it could accommodate the 4.5 million square feet of office space, plus parking, and (2) was available immediately—two key requirements for DHS. GSA developed a Master Plan in 2009 that was to guide the overall development at the St. Elizabeths site. The plan was vetted through numerous stakeholders and received final approval in 2009.<sup>10</sup> Construction started at the campus in 2009. Figure 1 depicts the campus as envisioned in the 2009 Master Plan.

<sup>10</sup>In part because of St. Elizabeths' status as a National Historic Landmark, federal laws require GSA to consult with relevant stakeholders. See 36 C.F.R. pt. 800. According to GSA, it is in ongoing consultation with the District of Columbia Historic Preservation Office and the Advisory Council on Historic Preservation. Also, the St. Elizabeths Master Plan was approved by the National Capital Planning Commission, and the Commission of Fine Arts.



**Figure 1: St. Elizabeths West Campus**



Source: General Services Administration. | GAO-14-648

The full development of the St. Elizabeths Campus was intended to occur in three phases, with subphases, over 8 years. Table 2 shows the original planned construction for each of the project's three phases, including the subphases, and their original and current estimated completion dates.

**Table 2: Planned Construction and Estimated Completion Date for Department of Homeland Security (DHS) Headquarters Consolidation at St. Elizabeths**

Phase	Planned construction	Initial estimated completion	Current status
Phase 1a	United States Coast Guard (USCG) headquarters, site utilities, the Phase 1 central utilities plant, and improvements to security perimeter fencing	2013	USCG headquarters completed in 2013. Other planned construction scoped down because of a lack of funding.
Phase 1b	Adaptive reuse of six historic buildings for shared use space St. Elizabeths West Campus is a National Historic Landmark District, and some buildings will be renovated for reuse. These buildings include the auditorium, cafeteria, and credit union.	2013	Cafeteria and credit union completed in 2013. The auditorium and other historical buildings were scoped down because of a lack of funding.
Phase 2a	Office of the Secretary of Homeland Security Departmental headquarters offices DHS operation centers for critical incident management and response activities.	2014	Delayed to 2017 because of a lack of funding.
Phase 2b	Federal Emergency Management Agency headquarters	2014	Delayed to 2021 because of a lack of funding.
Phase 3	Transportation Security Administration (TSA), U.S. Customs and Border Protection (CBP), and U.S. Immigration and Customs Enforcement (ICE) headquarters	2016	Delayed because of a lack of funding. Current estimated completion dates include TSA–2022 CBP–2024 ICE–2025

Source: GAO analysis of DHS and General Services Administration data. | GAO-14-648

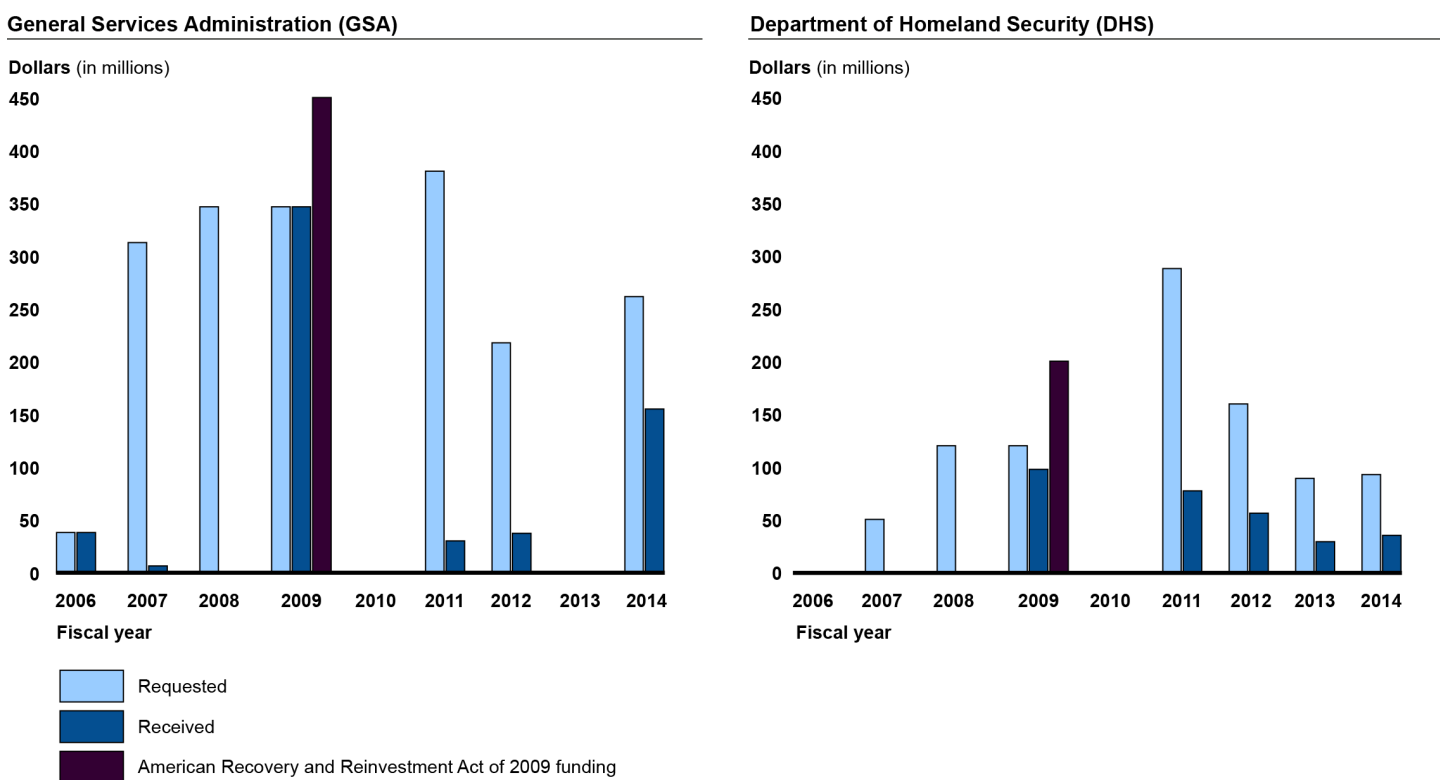
Note: Initial estimated completion date based on GSA's Master Plan, issued in January 2009.

From fiscal years 2006 through 2014, the St. Elizabeths consolidation project had received \$494.8 million through DHS appropriations and \$1.1 billion through GSA appropriations, for a total of over \$1.5 billion. As part of this total, the DHS headquarters consolidation project received \$650 million from the American Recovery and Reinvestment Act of 2009 (ARRA).<sup>11</sup> In general, GSA funding was used for building construction and

<sup>11</sup>Pub. L. No. 111-5, 123 Stat. 115. ARRA was an economic stimulus package that provided almost \$800 billion in government-wide appropriations and revenue provisions. The act provided \$200 million to DHS for headquarters consolidation, and the accompanying conference report provided that \$450 million of the funding for the GSA Federal Buildings Fund was to go to the DHS headquarters consolidation project. Pub. L. No. 111-5, 123 Stat. at 162; H.R. Rep. No. 111-16, at 432 (2009) (Conf. Rep.).

renovation, and other major infrastructure; DHS funding was used for tenant-specific capabilities, such as information technology (IT) infrastructure, furniture, and secure spaces, among other things. From fiscal year 2009—when construction began—through the time of the fiscal year 2014 appropriation, however, the gap between requested and received funding was over \$1.6 billion. Figure 2 compares funds requested and received for the project for fiscal years 2006 through 2014.

**Figure 2: Requested and Received Funding for Fiscal Years 2006 through 2014**



Source: GAO analysis of DHS and GSA data. | GAO-14-648

In 2007, DHS and GSA estimated that the total cost of construction at St. Elizabeths was \$3.26 billion, with construction to be completed in 2015, with potential savings of \$1 billion attributable to moving from leased to owned space. However, according to DHS and GSA officials, the lack of consistent funding has affected cost estimates, estimated completion dates, and savings. Table 3 shows changes over time to GSA cost estimates and scheduled completion dates, as well as projected savings

associated with moving DHS staff from leased space into federally owned space.

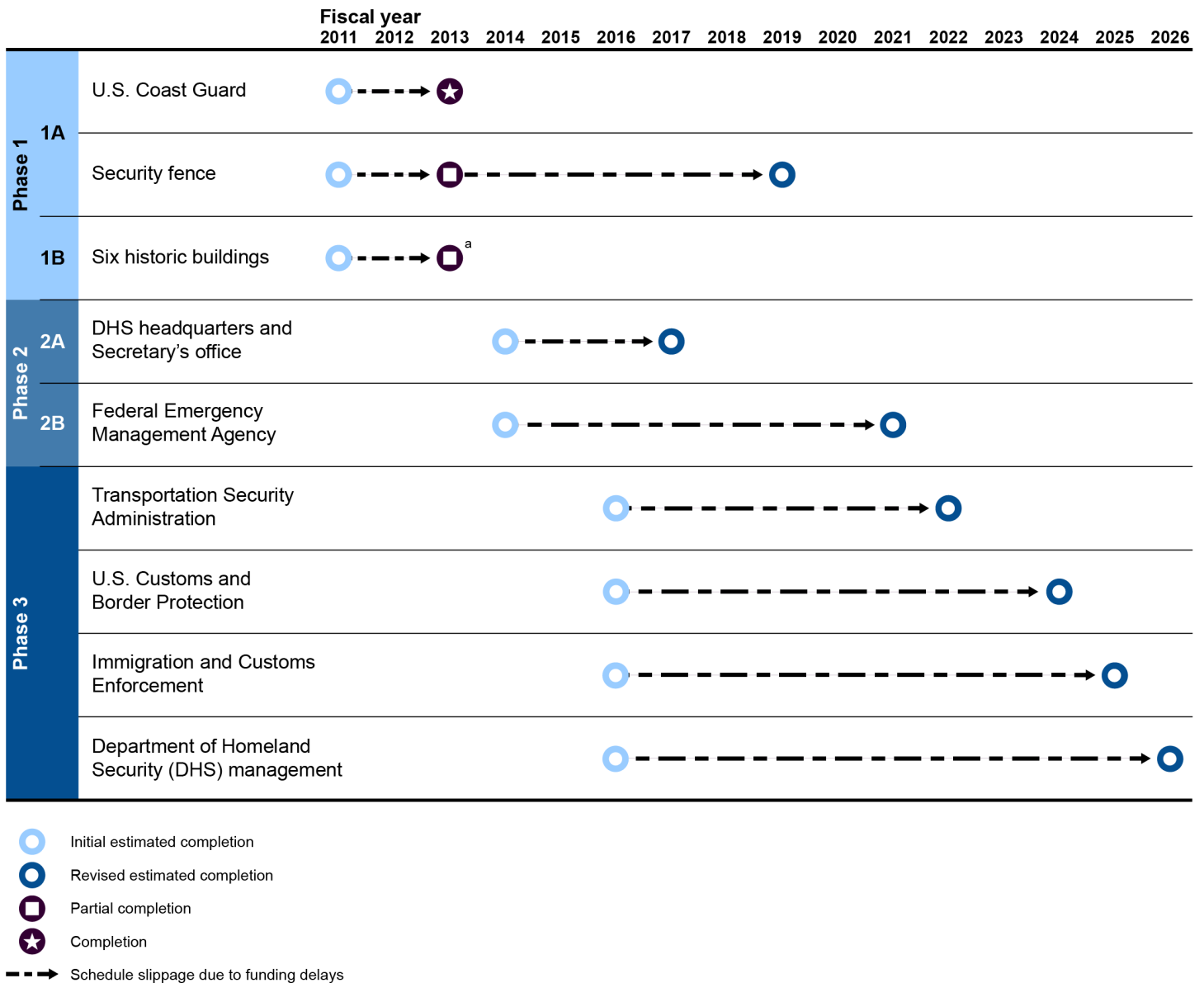
**Table 3: General Services Administration (GSA) Estimates of Department of Homeland Security Headquarters Consolidation Cost, Completion Date, and Projected Savings, by Calendar Year**

Year	Estimated completion	Estimated cost	Projected savings resulting from moving employees from leased to owned space
2007	2015	\$3.26 billion	\$1 billion, then reduced to \$743 million
2009	2016	\$3.40 billion	\$632 million
2011	2021	\$3.99 billion	\$516 million
2013	2026	\$4.50 billion	\$532 million

Source: GSA Estimates. | GAO-14-648

The majority of funding for the St. Elizabeths consolidation project through fiscal year 2013 has been allocated to the construction of a new consolidated headquarters for the U.S. Coast Guard (USCG) on the campus. In 2006, DHS and GSA projected that USCG would move to St. Elizabeths in 2011, but the move was delayed because sufficient funding for Phase 1 of the project was not available until fiscal year 2009. In 2009, DHS and GSA updated the projected completion date to the summer of 2013. Subsequently, USCG moved to the new building in August 2013. Figure 3 shows schedule slippage for the overall project.

**Figure 3: Schedule Slippage for St. Elizabeths Development**



Source: GAO analysis of DHS and General Services Administration data. | GAO-14-648

<sup>a</sup>The cafeteria and credit union were completed in 2013. Renovation of the auditorium and other historic buildings was delayed because of a lack of funding.

According to DHS and GSA officials, beginning in calendar year 2009, when construction commenced, Phase 1 of the overall project was successfully executed on schedule despite funding delays and shortfalls



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during fiscal years 2011 and 2012. GSA officials told us that, from fiscal years 2009 through 2013, DHS and GSA had requested about \$1.6 billion to complete Phase 1 of the project but received only about \$933 million for this purpose over the period. They said that they completed this phase of the project by deferring work planned to be completed in Phase 1 so that the USCG building could be occupied in 2013. GSA officials said that their efforts to save money by deferring work included reducing the scope of work needed to complete access road stonework and deferring landscaping and construction work on one building and the visitors' center to future years. Figure 4 shows the entrance to the new U.S Coast Guard Headquarters Building on the St. Elizabeths Campus.

**Figure 4: United States Coast Guard Headquarters**



Source: GAO. | GAO-14-648

Congress, the Office of Management and Budget (OMB), and GAO have all identified the need for effective capital decision-making among federal agencies. In addition, budgetary pressures and demands to improve performance in all areas put pressure on agencies to make sound capital acquisition choices. OMB's *Capital Programming Guide*, a supplement to

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OMB Circular A-11, provides guidance to federal agencies in conducting capital decision-making.<sup>12</sup> GAO also developed its *Executive Guide: Leading Practices in Capital Decision-Making*, which provides detailed guidance to federal agencies on leading practices for the four phases of capital programming—planning, budgeting, acquiring, and managing capital assets.<sup>13</sup> These practices are, in part, intended to provide a disciplined approach or process to help federal agencies effectively plan and procure assets to achieve the maximum return on investment.

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## DHS and GSA Consolidation Plans Do Not Fully Conform with Leading Capital Decision-Making Practices

DHS and GSA's overall plans for headquarters consolidation do not fully conform with leading capital decision-making practices related to planning.<sup>14</sup> DHS and GSA officials reported that they have taken some initial actions that could affect consolidation plans, such as adopting recent workplace standards at the department level and assessing DHS's leasing portfolio. These types of actions may facilitate consolidation planning in a manner consistent with leading practices. However, the current collection of plans, which DHS and GSA finalized between 2006 and 2009, have not been updated to address these changes and funding instability that could affect future headquarters needs and capabilities. DHS and GSA have not conducted a comprehensive assessment of current needs, identified capability gaps, or evaluated and prioritized alternatives that would help officials adapt consolidation plans to changing conditions and address funding issues as reflected in leading practices. In addition, DHS has not consistently applied its acquisition guidelines to review and approve the project's development. According to DHS and GSA officials, they have begun to work together to consider changes to the DHS headquarters consolidation plans. However, DHS and GSA have not announced when new plans will be issued, and it is unclear if they will fully conform with leading capital decision-making practices to help plan project implementation.

In the overall capital decision-making framework, planning is the first phase—and arguably the most important—since it drives the remaining

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<sup>12</sup>OMB, *Capital Programming Guide, Supplement to OMB Circular A-11* (Washington, D.C.: July 2014).

<sup>13</sup>GAO, *Executive Guide: Leading Practices in Capital Decision-Making*; [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

<sup>14</sup>[GAO/AIMD-99-32](#).

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phases of budget, procurement, and management.<sup>15</sup> The results from this phase are used throughout the remaining phases of the process; therefore, if key practices during this phase are not followed, there may be repercussions on agency operations if poor capital investment decisions are made. Given that some aspects of the project are complete, we compared DHS and GSA headquarters consolidation efforts to date with the 5 of 12 capital decision-making practices that are most applicable to planning for the remaining segments of the consolidation.<sup>16</sup> These 5 practices are

- conducting comprehensive assessments of needs to achieve results,
- identifying gaps between current and needed capabilities,
- evaluating alternatives to best decide how to meet any gaps,
- prioritizing and selecting projects based on established criteria, and
- establishing a review and approval framework supported by analysis.

Appendix II lists these 5 planning practices along with the remaining practices that focus on other aspects of the overall capital decision-making framework not included in the scope of this review, such as budgeting, procurement, and management. In addition to the above, one important aspect of capital decision-making is recognition of the dynamic nature of capital plans and the planning process.<sup>17</sup>

The following compares DHS and GSA planning and oversight for the remainder of the DHS headquarters consolidation project with the leading capital decision-making practices identified above.

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<sup>15</sup>See GAO, *Federal Capital: Three Entities' Implementation of Capital Planning is Mixed*, [GAO-07-274](#) (Washington, D.C.: Feb. 23, 2007), and *Budget Issues: Agency Implementation of Capital Planning Principles Is Mixed*, [GAO-04-138](#) (Washington, D.C.: Jan. 16, 2004).

<sup>16</sup>One other practice related to the planning phase is to develop a long-term capital plan that defines capital asset decisions. We did not include this practice, as it is more applicable to DHS's overall capital asset planning process and broader portfolio management.

<sup>17</sup>OMB, *Capital Programming Guide, Supplement to OMB Circular A-11*.



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DHS and GSA  
Assessment of Needs and  
Capability Gaps for  
Headquarters  
Consolidation Have Not  
Been Updated to Reflect  
Changing Conditions

DHS and GSA capital planning efforts for DHS headquarters consolidation have not been updated to reflect changing workplace standards and inconsistent project funding. Leading practices in capital decision-making call for agencies to assess requirements and determine gaps between current and needed capabilities based on the results-oriented goals and objectives that flow from the organization's mission. A comprehensive assessment of needs considers the capability of existing resources and makes use of an accurate and up-to-date inventory of capital assets and facilities, as well as current information on asset condition. Using this information, an organization can make decisions about where and how to invest in facilities. During the early stages of planning for the project, DHS and GSA developed various reports and planning documents (see table 1) to comprehensively assess DHS needs for a consolidated headquarters. DHS planning documents identified office space and DHS program requirements, and discussed which DHS functions needed to be colocated to achieve DHS's mission. However, the plans, which were developed prior to the release of GSA's Master Plan in 2009, have not kept pace with changes since then in workplace standards and do not account for delays attributable to inconsistent funding.

**Workplace standards.** Leading organizations we studied developed comprehensive needs assessments that usually cover 5 or 6 years into the future and are updated frequently—for example, as a part of the organizations' budget cycles. A needs assessment is to examine, among other things, external factors that affect or influence the organizations' operations, such as workplace standards. However, the current plans for St. Elizabeths do not reflect changes in the workplace, such as telework and smaller standard work areas that could reduce the volume of space needed to house DHS employees.<sup>18</sup> Furthermore, leading practices state that utilizing current and accurate information is essential when taking an inventory of current capabilities and assessing future needs.<sup>19</sup> While DHS

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<sup>18</sup>Telework is a work arrangement in which employees perform all or a portion of their work at an alternative worksite, such as from home or a telework center. According to GSA, facility managers have focused on ways to use work space more efficiently as a means to reduce overall space use costs by reducing the amount of space occupied. For example, since the early 2000s, typical work space needs have declined as a result of the widespread application of more efficient facility standards. See GSA, *Workspace Utilization and Allocation Benchmark* (Washington, D.C.: updated July 2012).

<sup>19</sup>[GAO/AIMD-99-32](#).

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and GSA's original plans called for a certain size and configuration to house employees at St. Elizabeths, changes in workplace standards could affect the overall footprint of the St. Elizabeths project or increase the number of staff designated to occupy space at the site, or both. This could ultimately reduce the number of DHS headquarters employees housed in leased space. Recent federal initiatives have been introduced to reduce federal agency space. For example, a June 2010 presidential memorandum directed agencies to explore how innovative approaches to space management and alternative work arrangements, such as telework, could help reduce the need for real estate and office space.<sup>20</sup> Another alternative work arrangement, hoteling, would allow employees to work at multiple sites and use non-dedicated, nonpermanent workspaces assigned for use by reservation on an as-needed basis. Implementing hoteling could also reduce an agency's need for office space. Subsequently, in May 2012, OMB issued a memorandum that, among other things, establishes the Freeze the Footprint policy.<sup>21</sup> This policy directs agencies to restrict growth in their civilian real estate inventory. OMB supplemented that policy in March 2013 with implementing guidance for Freeze the Footprint that required agencies not to increase the total square footage of their office and warehouse inventory, using fiscal year 2012 as a baseline. OMB's implementing guidance also directs agencies to use various strategies to maintain the baseline, including consulting with GSA about using technology and space management to consolidate, increasing occupancy rates in facilities, and eliminating lease arrangements that are not cost- or space effective.

**Inconsistent project funding.** In addition to workplace standards, current funding for the St. Elizabeths project has not aligned with what DHS and GSA initially planned. As discussed earlier, from fiscal year 2009—when construction began—through the time of the fiscal year 2014 appropriation, the gap between what DHS and GSA requested and what was received was over \$1.6 billion. According to DHS and GSA officials, this funding gap has created cost escalations of over \$1 billion and schedule delays of 10 years, relative to their original estimates. DHS and

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<sup>20</sup>Presidential Memorandum: *Disposing of Unneeded Federal Real Estate* (Washington, D.C.: June 10, 2010).

<sup>21</sup>OMB, OMB Memorandum 12-12: *Promoting Efficient Spending to Support Agency Operations* (Washington, D.C.: May 11, 2012).

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GSA officials cited funding shortfalls as being disruptive in sequencing work, such as excavating soil for the DHS Operations Center and enabling repairs on the foundation of the St. Elizabeths Center Building.<sup>22</sup> According to these officials, if funding had been available, excavation work associated with the new USCG building could have been extended to these other parts of the project without interruption. Officials said that if they had funds to do the excavation, they could have completed it while the site was under construction, instead of having to work around the full occupation and operation of the USCG building. DHS and GSA deemed this as a lost opportunity to purposely sequence the work to maximize construction efficiency and reduce the overall cost of development.

Funding instability can be a significant factor in advancing a project of the magnitude of St. Elizabeths, and maintaining updated consolidation plans that are informed by more current assessments of DHS and GSA's needs and gaps could help the agencies navigate such changing factors as workplace requirements and funding levels. By comparing updated DHS and GSA resource needs information with data on current asset capabilities—such as the location, condition, and performance of DHS facilities in the NCR—DHS and GSA could be better positioned to identify any gaps between what is needed to fulfill their headquarters consolidation objectives and what resources are currently available. As stated earlier, leading practices for capital decision-making call for agencies to (1) conduct a comprehensive assessment of needs to carry out their missions and (2) identify gaps between current and needed capabilities. Furthermore, capital plans should be dynamic and updated to reflect decisions about the addition of new assets and deletion of old or even in-process acquisitions that are not meeting goals.<sup>23</sup> According to DHS, the colocation plan is a living document and will be updated as necessary to accommodate changes in mission, mission focus, emerging threats, identified vulnerabilities, new program additions, existing program completions, and potential future reorganization initiatives. However, as of August 2014, DHS and GSA had not updated their DHS headquarters consolidation planning documents, including the 2009 Master Plan and colocation plan, to reflect these changes. DHS and GSA had also not completed a current assessment of needs and capability gaps related to

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<sup>22</sup>The Center Building will house the Office of the Secretary of Homeland Security, among other things.

<sup>23</sup>OMB, *Capital Programming Guide, Supplement to OMB Circular A-11*.

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changes in workplace standards and delays attributable to funding shortfalls.

A senior DHS project official stated that the basis of the consolidation plan remains the same and that it would be illogical to discard the plan mid-stream in favor of some unspecified alternative, given the years of comprehensive analysis that underpin the development and approval of the original 2009 Master Plan. However, DHS and GSA officials reported that they have begun to work together to consider changes to DHS headquarters consolidation plans. Specifically, in January 2014, DHS and GSA officials stated that they are currently reassessing requirements and alternatives for consolidation and colocation in recognition that workplace conditions have changed since the plan was formulated, beginning in 2006. The agencies have not announced when new plans will be issued. Furthermore, because final documentation of agency deliberations or analyses have not yet been developed, it is unclear if any new plans will be informed by an updated comprehensive needs assessment and capability gap analysis as called for by leading capital decision-making practices. Until DHS and GSA update their capital planning documents related to DHS headquarters consolidation—showing how DHS and GSA asset portfolios for the consolidation efforts meet the goals and objectives of the agencies’ strategic and annual performance plans and how these assets will be used to help agencies achieve their goals and objectives—agency managers and Members of Congress will be limited in their ability to fully understand how DHS and GSA intend to accomplish the consolidation and, consequently make informed decisions about future multi-billion dollar investments. Utilizing an updated comprehensive needs assessment and gap analysis of current and needed capabilities to inform revised headquarters consolidation plans can better position DHS and GSA to assure decision makers within both agencies and in Congress that consolidation is justified.

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### Changing Conditions Call for DHS and GSA to Reevaluate Alternative Approaches and Prioritize Projects for Headquarters Consolidation

Changes to workplace standards and funding instability provide GSA a commensurate opportunity to evaluate and prioritize alternative construction and leasing options to meet DHS space needs in the NCR. As stated earlier, leading capital decision-making practices call for agencies to determine how best to bridge performance gaps by identifying and evaluating alternative approaches. Before choosing to purchase or construct a capital asset or facility, leading organizations are to carefully consider a wide range of alternatives, such as using existing assets, leasing, or undertaking new construction. After evaluating alternatives, leading practices call for organizations to select projects

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based on a relative ranking of investment proposals. This prioritization of projects is important because limited resources require organizations to choose alternatives with the highest benefit or return. In the years leading up to 2009, when GSA issued the project Master Plan, DHS and GSA conducted alternatives analyses and used the results of these efforts to support the existing DHS headquarters consolidation plan and prioritize the individual projects that encompass the larger consolidation effort. For example, in 2007, we found that DHS examined various scenarios for housing DHS employees, such as a “campus” scenario, which would entail consolidation resulting in several campuses, including one large campus.<sup>24</sup> Likewise, in 2008, GSA analyzed the feasibility of consolidating DHS headquarters at a variety of sites throughout the NCR, and determined that the only site with space available to accommodate DHS needs was the St. Elizabeths campus. After the site was selected, DHS and GSA worked together to prioritize the multiple construction phases that constitute the overall St. Elizabeths campus development.

Given changes in workplace standards, among other things, as well as cost escalation and schedule slippage associated with funding instability, DHS and GSA would benefit from updating their alternatives evaluation and prioritizing the range of leasing and construction alternatives. One potential alternative, for example, would be for DHS to consider moving entire components from currently leased space to St. Elizabeths, rather than only the leadership of particular components as originally envisioned. Moving more staff than currently planned to the campus from leased space could potentially increase long-term cost savings and facilitate more effective collaboration. If DHS and GSA were to take such an action, this would require an overall change in their approach to housing staff in government-owned and -leased space—a change beyond that already considered within the context of DHS’s 2007 colocation plan. Even if DHS were to consider moving smaller portions of its workforce rather than entire components—for example, certain offices within components—to St. Elizabeths, DHS would need to consider the cascading effect of those changes and develop updated plans to reflect

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<sup>24</sup>GAO, *Federal Real Property: DHS Has Made Progress, but Additional Actions Are Needed to Address Real Property Management and Security Challenges*, [GAO-07-658](#) (Washington, D.C.: June 22, 2007). In 2007, DHS stated that the colocation and consolidation benefits of the campus scenario were more favorable than those of the other scenarios and the estimated annual costs of the campus scenario were 10 to 15 percent lower than for the baseline scenario.

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that. This would entail a reconsideration of space needs in both owned and leased space, and a commensurate reevaluation of funding needs, depending on, among other things, the volume and type of available or projected owned and leased space, and associated costs and benefits, as well as alternative estimates showing when owned or leased space might be available.

DHS and GSA officials acknowledged that new workplace standards could create a number of new development options to consider, as the new standards would allow for more staff to occupy the current space at St. Elizabeths than previously anticipated.<sup>25</sup> DHS officials told us that when the St. Elizabeths project was conceived, the standard office workspace was 200 square feet per person. In response to the 2012 Freeze the Footprint initiative described earlier, where applicable, DHS intends to reduce the average space per person for its employees across the department to 150 square feet of space per person. However, this potential change is not reflected in current headquarters consolidation plans. As a result, if DHS and GSA choose to keep the original 4.5 million square foot footprint they initially planned, they could increase the number of staff occupying the 14,000 seats at St. Elizabeths from 14,000 to about 20,000. Conversely, if DHS and GSA decide to keep 14,000 staff they initially planned to work at St. Elizabeths, they could shrink the overall footprint to about 3.7 million square feet. According to DHS and GSA, the agencies have taken steps to adapt to the changes in workplace standards. For example, flexible workspaces were incorporated into the build-out of the Coast Guard headquarters building during construction. Specifically, the internal build-out of the space has flexible configurations that can be easily and inexpensively changed to support changes in the workplace environment, in the event that DHS decided to expand or reduce the workforce or space. Table 4 shows the original estimates, and the effect of increasing the number of staff occupying 14,000 seats from 14,000 to 20,000 (scenario A), or reducing the footprint to about 3.7 million square feet by keeping the estimated number of staff at 14,000 (scenario B).

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<sup>25</sup>According to DHS and GSA, the Master Plan set the seat-to-staff ratio at 1 seat for every 1 person. That ratio was changed to 1 seat for approximately every 1.3 persons to help meet the Freeze the Footprint initiative in 2012.

**Table 4: Example of Potential Changes to St. Elizabeths Footprint Scenarios if Alternative Workplace Standards Were Applied**

	Original estimate	Scenario A	Scenario B
Square feet	4.5 million	4.5 million	3.7 million
Seats	14,000	14,000	12,000
Staff	14,000	20,000	14,000
Seat-to-staff ratio <sup>a</sup>	1:1	1 : ~1.3	1 : ~1.3

Source: GAO analysis of Department of Homeland Security and General Services Administration data. | (GAO-14-648)

<sup>a</sup>DHS's seat-to-staff ratio of 1:1.3 is an approximate goal for DHS's real property portfolio, but not the actual seat-to-staff ratio for scenarios A and B.

Adopting either scenario or some variation between the two could have a significant impact on the scope and cost of the project and could change how DHS and components perform their missions. The following is a description of potential alternatives that DHS and GSA could consider in light of new workplace standards. DHS and GSA officials said they are considering these types of options, although they have not yet developed final documents or analysis. For example:

- Keep the current estimated number of staff (14,000) with a reduced square footage (3.7 million). GSA and DHS could, over the short term, reduce the overall cost of the project with a decrease in construction costs. Furthermore, DHS and the components slated to move to St. Elizabeths would likely carry out their mission at the new location as originally intended.
- Maintain the current square footage projection (4.5 million square feet) while increasing the number of staff occupying the 14,000 seats (from 14,000 to 20,000). This change could result in an increase of the overall short-term cost of the project because GSA might have to build out additional office space and meet requirements for additional services, such as computer and telecommunication lines and technological services. However, the increased staff at St. Elizabeths could also increase long-term savings because DHS would not need to lease space for an increased number of employees should DHS decide to move more to St. Elizabeths.

In addition, as discussed earlier, from fiscal years 2009 to 2014, the gap between requested funding and funding received was over \$1.6 billion. According to DHS and GSA officials, this funding gap has created cost escalations of over \$1 billion. To help address the variation in funding requested and received, DHS and GSA have revised their funding strategy to focus on developing smaller construction segments that are

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intended to be more financially viable and less subject to uncertainty. For example, DHS and GSA may request full funding for a construction segment that will result in a functional, usable building and not be dependent on additional future funding to complete. This funding strategy is consistent with a leading practice related to the budgeting phase of capital decision-making, which calls for agencies to budget for projects in useful segments.<sup>26</sup> Specifically, DHS and GSA would allocate funding for the remaining work at St. Elizabeths into usable segments that are independent of the overall consolidation, rather than incrementally over the length of the project, as has been done in the past. Developing a funding strategy into segments may be a viable approach in managing and overseeing a project with a scope and potential cost as large as St. Elizabeths, particularly in a constrained budgetary environment.

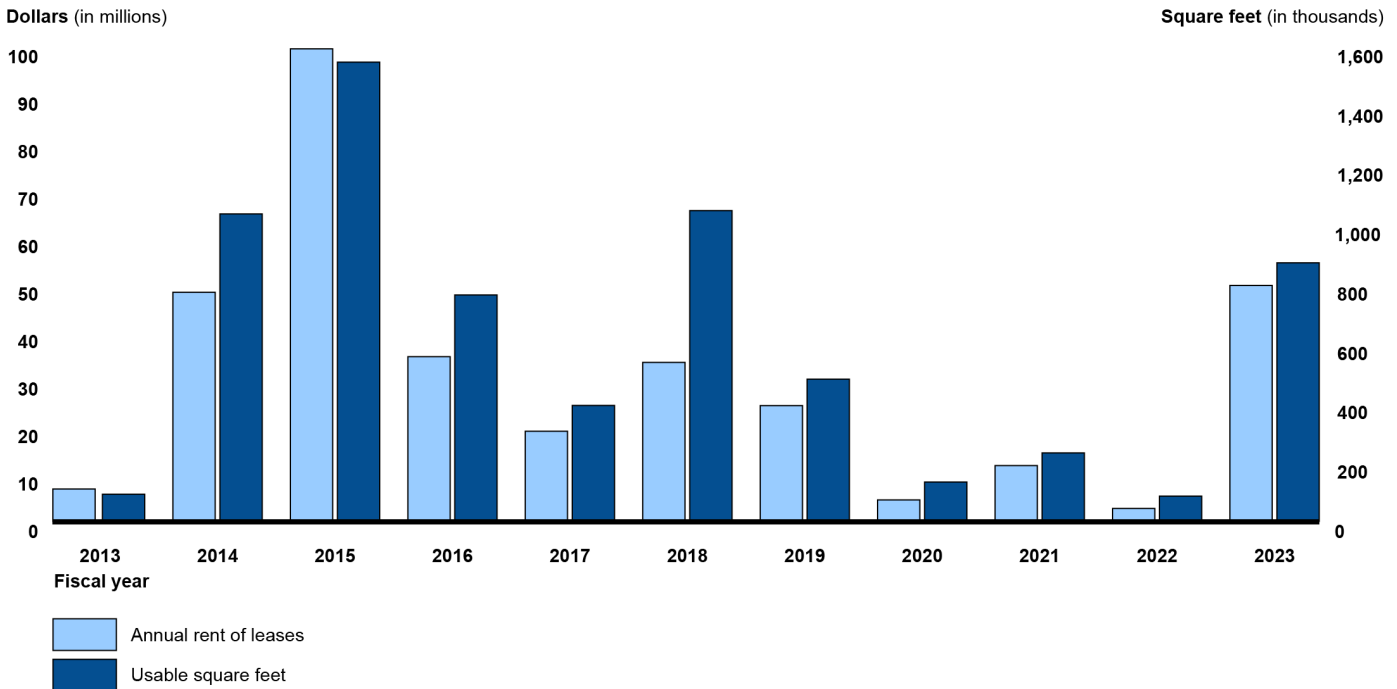
Schedule delays—up to 10 years relative to original estimates, according to DHS officials—have also resulted from the gap between funding requested and funding received. These delays have posed challenges for DHS in terms of its current leasing portfolio. Specifically, DHS’s long-term leasing portfolio was developed based on the original expected completion date for St. Elizabeths development in 2016. However, according to DHS leasing data, 52 percent of DHS’s current NCR leases will expire in 2014 and 2015, accounting for almost 39 percent of its usable square feet. See figure 5 for DHS’s annual leasing costs and usable square feet by year of lease expiration for 2013 through 2023.

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<sup>26</sup>For example, OMB’s *Capital Programming Guide* states that agencies should request budget authority sufficient to complete a useful segment of a project (or the entire project, if it is not divisible into useful segments). Budgeting for projects in useful segments is also a GAO leading practice in capital decision-making during the budget phase of capital programming.



**Figure 5: Department of Homeland Security’s (DHS) Annual Costs and Useable Square Feet by Year of Lease Expiration 2013 through 2023, as of February 2014**



Source: GAO analysis of DHS data. | GAO-14-648

DHS officials told us that, given delays moving the project forward and the expiration of existing leases, DHS is currently working with GSA to renegotiate leases where staff of individual components are currently housed. However, DHS acknowledged that a comprehensive analysis of its real property and leasing options in the NCR—which has a direct bearing on development options at St. Elizabeths—is ongoing, but not complete, and documents related to the analysis have not been finalized.

Given uncertainties about the size, scope, and timing of the project moving forward as well as the overall cost of the project to the government—DHS and GSA would be better positioned to make choices about capital investments if they were to identify and analyze a broader range of alternatives and use this alternatives analysis to inform their prioritization and selection of efforts related to headquarters consolidation. For example, a comprehensive alternatives analysis could take into account (1) DHS’s actual and projected leasing costs for locations where employees are currently housed; (2) DHS and GSA costs

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to develop additional segments of the St. Elizabeths Campus, as well as any transportation and infrastructure improvements; and (3) a range of leasing and construction alternatives and their associated costs for the St. Elizabeths site, depending on a determination of usable square footage needed. After identifying and analyzing a range of alternatives that better reflects current conditions, DHS and GSA would be better positioned to prioritize the individual steps or projects that will compose the larger headquarters consolidation effort. Given that \$1.5 billion has already been invested in the headquarters consolidation, a comprehensive analysis and prioritization of alternatives, including cost and benefit analyses for each of the alternatives being considered, that accounts for the complete costs and benefits to the federal government as a whole, would improve transparency and allow for more informed decision making by DHS and GSA leadership and Members of Congress.

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### Project Review and Approval Process Does Not Consistently Follow DHS Acquisition Standards

DHS has not consistently applied its major acquisition guidance for reviewing and approving the headquarters consolidation project. Leading practices call for agencies to establish a formal process for senior management to review and approve proposed capital assets. The cost of a proposed asset, the level of risk involved in acquiring the asset, and its importance to achieving the agency mission should be considered when defining criteria for executive review. Leading organizations have processes that determine the level of review and analysis based on the size, complexity, and cost of a proposed investment or its organization-wide impact. DHS has guidelines in place to provide senior management the opportunity to review and approve its major projects, but DHS has not consistently applied these guidelines to its efforts to work with GSA to plan and implement headquarters consolidation. As discussed below, DHS has sometimes, but not always, classified the consolidation project as a major acquisition, which has affected the extent to which the department has oversight of the project. By not consistently applying this review process to headquarters consolidation, DHS management risks losing insight into the progress of the St. Elizabeths project, as well as how the project fits in with its overall acquisitions portfolio.

DHS programs designated as major acquisitions are governed by the policies and processes contained in DHS Acquisition Management Directive 102-01 (MD 102) and the accompanying DHS Instruction

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Manual 102-01-001.<sup>27</sup> MD 102 establishes an acquisition life-cycle consisting of four phases.<sup>28</sup> According to MD 102, an acquisition program is considered a Level 1 Major Acquisition if its life-cycle cost is at or above \$1 billion, and a Level 2 Major Acquisition if its life-cycle cost is \$300 million or more, but less than \$1 billion. At predetermined points throughout the life-cycle—known as Acquisition Decision Events—a program deemed to be a major acquisition undergoes review by a designated senior official, referred to as the Acquisition Decision Authority, to assess whether the program is ready to proceed through each of the four phases. An important aspect of this process is the review and approval of key acquisition documents that, among other things, establish the need for a major program, its operational requirements, and an acquisition baseline and plan.<sup>29</sup> MD 102 also requires that a DHS Investment Review Board (IRB) review major acquisitions programs at Acquisition Decision Events and other meetings, as needed. The IRB is chaired by the Acquisition Decision Authority and made up of other senior officials from across the department responsible for managing DHS mission objectives, resources, and contracts. DHS's Office of Program Accountability and Risk Management (PARM) is responsible for DHS's overall acquisition governance process, supports the IRB, and reports directly to the DHS Chief Acquisition Officer. PARM is to develop and update program management policies and practices, oversee the acquisition workforce, provide support to program managers, and collect program performance data. Our prior work has assessed MD 102 and found that it establishes a knowledge-based acquisition policy for program management that is largely consistent with key practices.<sup>30</sup>

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<sup>27</sup>See related work at [GAO-12-833](#). MD 102 was issued in 2008 and updated in 2010. It replaced Management Directive 1400, which had governed major acquisition programs since 2006. DHS originally established an investment review process in 2003 to provide departmental oversight of major investments throughout their life-cycles, and to help ensure that funds allocated for investments through the budget process are well spent.

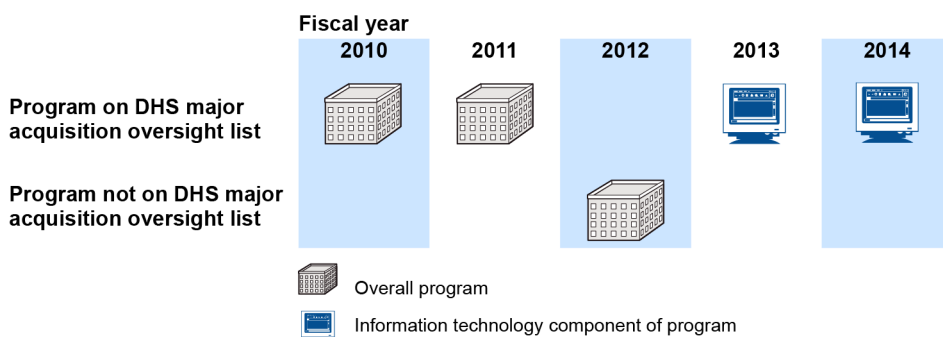
<sup>28</sup>The four phases of the acquisition life-cycle are (1) needs phase, (2) analyze/select phase, (3) obtain phase, and (4) produce/deploy/support phase.

<sup>29</sup>Key DHS acquisition documents requiring department level approval are the (1) mission need statement, (2) capability development plan, (3) operational requirements document, (4) acquisition plan, (5) integrated logistics support plan, (6) life-cycle cost estimate, (7) acquisition program baseline, and (8) test and evaluation master plan.

<sup>30</sup>[GAO-12-833](#).

DHS has designated the headquarters consolidation project as a major acquisition in some years but not in others. In 2010 and 2011, DHS identified the headquarters consolidation project as a major acquisition and included the project on DHS's Major Acquisition Oversight List.<sup>31</sup> Thus, the project was subject to the oversight and management policies and procedures established under MD 102. In 2012, the project as a whole was dropped from the list, and in 2013 DHS included the IT acquisition portion of the project on the list. DHS issued the 2014 list in June 2014, which again included the IT portion of the project, but not the entire project.<sup>32</sup> Figure 6 shows the extent to which the headquarters consolidation project has or has not been considered a major acquisition by DHS under MD 102.

**Figure 6: Department of Homeland Security's (DHS) Consideration of the Headquarters Consolidation as a Major Acquisition Has Varied**



Source: GAO analysis of DHS data; Art Explosion (clip art). | GAO-14-648

Note: A DHS acquisition program is considered a Level 1 Major Acquisition if its life-cycle cost is at or above \$1 billion, and a Level 2 Major Acquisition if its life-cycle cost is \$300 million or more, but less than \$1 billion.

<sup>31</sup>DHS reviews its acquisition portfolio annually and designates programs as major acquisitions based on DHS investment thresholds. Generally, programs that incur costs greater than \$300 million over the life-cycle of the program are considered major acquisitions.

<sup>32</sup>In 2014, DHS changed the name of the Major Acquisition Oversight List to the Master Acquisition Oversight List to more accurately distinguish between the department's major (Level 1 and 2) and non-major (Level 3) acquisitions and non-acquisition activities included in the list.

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PARM officials explained that they considered the St. Elizabeths project to be more of a GSA acquisition than a DHS acquisition because GSA owns the site and the majority of building construction is funded through GSA appropriations. Furthermore, they stated that DHS appropriations for the project are largely transferred to GSA through interagency mechanisms so that, in effect, GSA is responsible for managing contracts procured with DHS funding. PARM officials also explained that they did not believe that the IT portion of the St. Elizabeths project should be classified as a DHS major acquisition. They said that although the IT acquisitions are a DHS responsibility and funded with DHS appropriations, GSA is managing the IT contracts and therefore they believe those acquisitions' oversight should reside with GSA. They said that the reason the IT component was placed on the Major Acquisition Oversight List in 2013 was because the DHS Office of Inspector General (OIG) recommended its inclusion.<sup>33</sup> When asked why the overall headquarters consolidation program was previously identified by DHS as a major acquisition in earlier years, and what had changed, PARM officials said that it was likely included on past acquisition lists because it was a new program and DHS and GSA roles and responsibilities had yet to be firmly established.

We recognize that GSA has responsibility for managing contracts associated with the headquarters consolidation project. However, a variety of factors, including the overall cost, scope, and visibility of the project, as well as the overall importance of the project in the context of DHS's mission, make the consolidation project a viable candidate for consideration as a major acquisition. As noted above, an acquisition program is considered a Level 1 Major Acquisition if its life-cycle cost is at or above \$1 billion. DHS and GSA were unable to provide an estimate of the life-cycle cost for the St. Elizabeths project. However, under the

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<sup>33</sup>DHS OIG, *Adherence to Acquisition Management Policies Will Help Reduce Risks to the Technology Integration Program*, OIG-12-107 (Washington, D.C.: Sept. 11, 2012). The OIG found that the IT portion of the consolidation project, called the Technology Integration Program (TIP) was a large and costly acquisition, valued at over \$875 million, that was critical to the establishment of a robust IT infrastructure at the St. Elizabeths Campus. The OIG stated that despite GSA's role in awarding and administering the IT contracts, TIP was a DHS IT project and no GSA funding was involved in TIP. Among other things, the OIG went on to say that without the proper reporting processes, DHS had little guarantee that TIP was properly progressing, or that its strategic goals would be reached, and that DHS lacked full understanding of any potential risks or the opportunity to evaluate or mitigate them. DHS concurred with the DHS OIG recommendation and placed the TIP program on the major acquisition list.

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current plan, DHS reports it will need about \$1.7 billion to complete the project by 2026, not including life-cycle cost, well above the normal threshold required for a major acquisition classification called for by MD 102. Furthermore, per MD 102, the Acquisition Review Board may consider a project a candidate for oversight under MD 102 if the project's importance to DHS's strategic and performance plans is disproportionate to its size, or if the project has high executive visibility, impacts more than one DHS component, has significant program or policy implications, or if the Deputy Secretary, Chief Acquisition Officer or Acquisition Decision Authority recommends an increase to a higher acquisition level. Given the size and scope of the project and the extent to which the completion of the project could impact the performance of DHS's mission, the headquarters consolidation project should be considered a candidate for treatment as a major acquisition under MD 102. If DHS were to consider the headquarters consolidation project a major acquisition, consistent with MD 102 requirements, DHS would be better positioned to oversee the project and provide decision makers in DHS and Congress, and the taxpayer greater assurance that the project is being acquired on-time and on-budget.

We also observed that, during the years (2010, 2011, 2013, and 2014) that the headquarters consolidation project, or portions of it, was on DHS's major acquisition list and therefore subject to MD 102 requirements, the project did not comply with major acquisition requirements as outlined by DHS guidelines. Specifically, the project has not produced any of the required key acquisition documents requiring department-level approval: (1) mission need statement, (2) capability development plan, (3) operational requirements document, (4) integrated logistics support plan, (5) life-cycle cost estimate, (6) acquisition program baseline, and (7) test and evaluation master plan. Furthermore, one role of PARM is to conduct independent evaluations of major programs' health and risks, but PARM has not assessed the St. Elizabeths project as of March 2014. PARM officials stated, however, that they informally monitor the project through regular communication with DHS officials who oversee the St. Elizabeths project and have no concerns about the project's management. In accordance with MD 102, the IRB's predecessor body—the Acquisition Review Board—reviewed the headquarters consolidation program with a focus on ARRA funding in 2009 and 2010, but has not reviewed the program since then, even though the program as a whole was considered a major acquisition in 2011, and likewise with the IT component in 2013 and 2014. In May 2010, the board generally expressed concern about the level of DHS oversight given that the project was highly visible and important for the department,

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and recommended senior leadership meetings between DHS and GSA. In September 2010, DHS and GSA signed a memorandum of understanding that defined certain roles for both agencies regarding project oversight. As noted earlier, DHS officials stated the headquarters consolidation has not undergone review by the IRB since 2010 because they viewed it as primarily a GSA project.

DHS officials also stated that the program was under way before MD 102 was issued and that the directive requirements were not applicable. In addition, officials stated that they regularly briefed leadership on the status of the project and have produced some documentation, such as a needs assessment and baseline, which officials said are similar to documents required by MD 102. For example, the St. Elizabeths baseline contains some cost and schedule information for the project as required by MD 102. However, it does not contain other required information to help measure program performance. In addition, a 2010 update to MD 102 stated the directive requirements are to be applied to the maximum extent possible to all major acquisitions in existence when the update was issued. According to DHS acquisition officials, since 2010, the DHS Acquisition Officer has issued waivers for some legacy programs, but not for the headquarters consolidation program or its IT component. Although the St. Elizabeths program managers may provide visibility of the project to leadership and may have similar key documentation, this falls short of the requirements contained in MD 102. The MD 102 process provides a more consistent, transparent review process that would involve a greater cross section of departmental stakeholders, among other things, especially given the magnitude of the project and the numbers of components that would occupy space at St. Elizabeths.

DHS has established through MD 102 an acquisitions policy for major capital assets that provides the agency with tools to better manage large projects. For example, regular project review and approval by a cross section of departmental leadership, along with having standardized project documentation, can help mitigate significant acquisitions challenges such as funding instability and capability changes. Furthermore, the MD 102 process provides oversight and facilitates program accountability. If the entire headquarters consolidation program were designated as a major acquisition, DHS would be better positioned to follow its own acquisition policy. Utilizing the MD 102 review framework could provide the structure for more efficient program management and provide DHS, Congress, and taxpayers greater assurance that government funds are being spent in a way that is consistent with sound acquisition practices, and the project is moving forward as intended.

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## DHS and GSA Cost and Schedule Estimates for the St. Elizabeths Project Do Not Conform with Leading Practices

DHS and GSA cost and schedule estimates for the headquarters consolidation project at St. Elizabeths do not or only minimally or partially conform with leading estimating practices, and are therefore unreliable. Furthermore, in some areas, the cost and schedule estimates do not fully conform with GSA guidance relevant to developing estimates. Developing cost and schedule estimates consistent with leading practices could promote greater transparency and provide decision makers needed information about the St. Elizabeths project and the larger DHS headquarters consolidation effort.

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## St. Elizabeths Cost and Schedule Estimates Are Unreliable

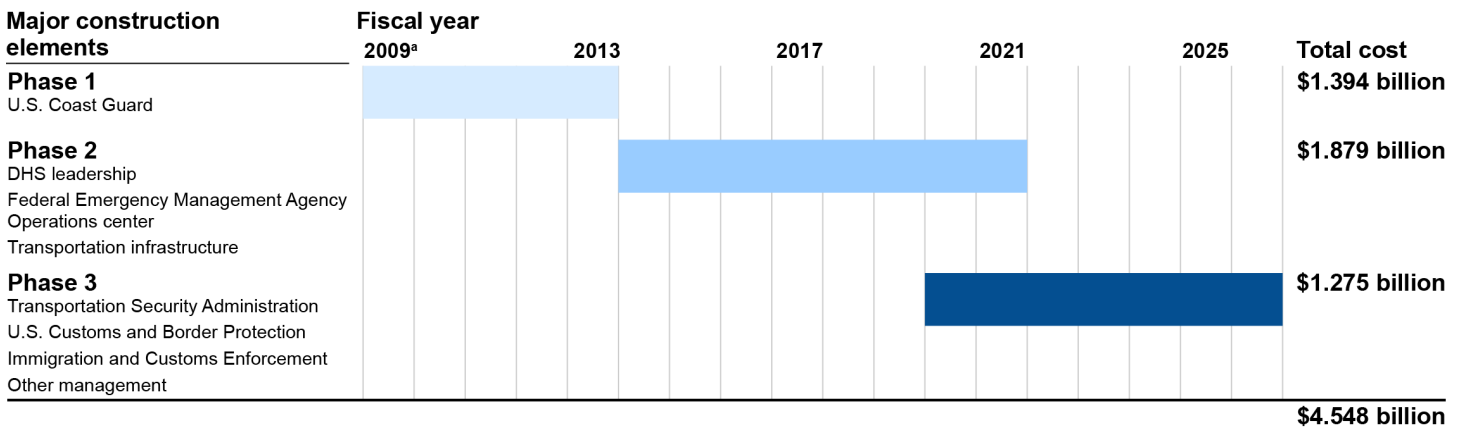
DHS and GSA cost and schedule estimates for the headquarters consolidation project at St. Elizabeths contain numerous deficiencies that do not reflect leading practices, which render the estimates unreliable. In 2013, DHS and GSA updated earlier estimates to produce the current St. Elizabeths cost and schedule estimates summarized in figure 7.<sup>34</sup> These DHS and GSA estimates showed a total project cost of about \$4.5 billion—\$2.8 billion funded through GSA appropriations and the remaining \$1.7 billion funded through DHS appropriations. According to the 2013 estimates provided by DHS and GSA, based on this level of funding, the project would be completed in 2026.

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<sup>34</sup>To analyze the schedule estimate, we asked DHS and GSA to provide the most recent Integrated Master Schedule (IMS) that included all related embedded project schedules. However, the 2013 schedule estimate provided by DHS and GSA did not cover the entire consolidation project in sufficient detail. As a result, we analyzed the most recent complete schedule available, which was created in 2008. Subsequently, at the request of GSA, we also applied our leading practices criteria to the incomplete 2013 schedule.



**Figure 7: St. Elizabeths Development Baseline Updated in 2013**



Source: GAO summary of Department of Homeland Security and General Services Administration data. | GAO-14-648

<sup>a</sup>Total cost includes approximately \$64 million received in prior fiscal years.

We compared the 2013 cost estimate and the 2008 and 2013 schedule estimates with leading practices for developing such estimates and found that the estimates do not or only minimally or partially conform with key characteristics for developing reliable estimates. Specifically, we compared DHS and GSA overall project cost estimates with the GAO *Cost Estimating and Assessment Guide (Cost Guide)*,<sup>35</sup> which defines leading practices related to four characteristics—*comprehensive, well documented, accurate, and credible*—that are important to developing high-quality, reliable cost estimates.<sup>36</sup> We also compared DHS and GSA

<sup>35</sup>GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: Mar. 2, 2009). The methodology outlined in this guide is a compilation of best practices that federal cost-estimating organizations and industry use to develop and maintain reliable cost estimates throughout the life of a government acquisition program. The leading practices were developed in conjunction with government and industry experts in the cost-estimating community. By default, the guide also serves as a guiding principle for our auditors to evaluate the economy, efficiency, and effectiveness of government programs.

<sup>36</sup>See app. III for the list of 4 characteristics of high-quality cost estimates mapped to the 12 steps of high-quality cost estimates.

overall schedule estimates with the GAO *Schedule Assessment Guide*,<sup>37</sup> which defines leading practices related to four characteristics—*comprehensive, well constructed, credible, and controlled*—that are important to developing high-quality, reliable schedule estimates.<sup>38</sup> Tables 5 and 6 describe the characteristics of high-quality, reliable cost and schedule estimates that served as the foundation of our comparative analysis.

**Table 5: Four Characteristics of a High-Quality, Reliable Cost Estimate**

Characteristic	Description
Comprehensive	The cost estimate should include both government and contractor costs of the program over its full life cycle, from inception of the program through design, development, deployment, and operation and maintenance to retirement of the program. It should also completely define the program, reflect the current schedule, and be technically reasonable. Comprehensive cost estimates should be structured in sufficient detail to ensure that cost elements are neither omitted nor double-counted. Specifically, the cost estimate should be based on a product-oriented work breakdown structure (WBS) that allows a program to track cost and schedule by defined deliverables, such as hardware or software components. Finally, where information is limited and judgments must be made, the cost estimate should document all cost-influencing ground rules and assumptions.
Well documented	A good cost estimate—while taking the form of a single number—is supported by detailed documentation that describes how it was derived and how the expected funding will be spent in order to achieve a given objective. Therefore, the documentation should capture in writing such things as the source data used, the calculations performed and their results, and the estimating methodology used to derive each WBS element's cost. Moreover, this information should be captured in such a way that the data used to derive the estimate can be traced back to and verified against their sources so that the estimate can be easily replicated and updated. The documentation should also discuss the technical baseline description and how the data were normalized. Finally, the documentation should include evidence that the cost estimate was reviewed and accepted by management.

<sup>37</sup>GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, [GAO-12-120G](#) (Washington, D.C.: May 2012). Developing the scheduling concepts introduced in the *Cost Estimating and Assessment Guide*, the *GAO Schedule Assessment Guide* presents them as ten leading practices associated with developing and maintaining a reliable, high-quality schedule. The leading practices were developed in conjunction with government and industry experts in the schedule estimating community. A companion to the *Cost Guide*, the *GAO Schedule Assessment Guide* serves also to present guiding principles for our auditors in evaluating the economy, efficiency, and effectiveness of government programs.

<sup>38</sup>See app. IV for a description of 10 leading practices for developing high-quality schedule estimates.

Characteristic	Description
Accurate	The cost estimate should provide for results that are unbiased, and it should not be overly conservative or optimistic. An estimate is accurate when it is based on an assessment of most likely costs; adjusted properly for inflation; and contains few, if any, minor mistakes. In addition, a cost estimate should be updated regularly to reflect significant changes in the program—such as when schedules or other assumptions change—and actual costs, so that it is always reflecting current status. During the update process, variances between planned and actual costs should be documented, explained, and reviewed. Among other things, the estimate should be grounded in a historical record of cost estimating and actual experiences on other comparable programs.
Credible	The cost estimate should discuss any limitations of the analysis because of uncertainty or biases surrounding data or assumptions. Major assumptions should be varied, and other outcomes recomputed to determine how sensitive they are to changes in the assumptions. Risk and uncertainty analysis should be performed to determine the level of risk associated with the estimate. Further, the estimate’s cost drivers should be cross-checked, and an independent cost estimate conducted by a group outside the acquiring organization should be developed to determine whether other estimating methods produce similar results.

Source: GAO. | GAO-14-648

**Table 6: Four Characteristics of a High-Quality, Reliable Schedule Estimate**

Characteristic	Description
Comprehensive	A comprehensive schedule includes all activities for both the government and its contractors necessary to accomplish a project’s objectives as defined in the project’s work breakdown structure (WBS). The schedule includes the labor, materials, travel, facilities, equipment, and the like needed to do the work and depicts when those resources are needed and when they will be available. It realistically reflects how long each activity will take and allows for discrete progress measurement.
Well constructed	A schedule is well constructed if all its activities are logically sequenced with the most straightforward logic possible. Unusual or complicated logic techniques are used judiciously and justified in the schedule documentation. The schedule’s critical path represents a true model of the activities that drive the project’s earliest completion date, and total float accurately depicts schedule flexibility.
Credible	A schedule that is credible is horizontally traceable—that is, it reflects the order of events necessary to achieve aggregated products or outcomes. It is also vertically traceable: Activities in varying levels of the schedule map to one another and key dates presented to management in periodic briefings are in sync with the schedule. Data about risks and opportunities are used to predict a level of confidence in meeting the project’s completion date. The level of necessary schedule contingency and high-priority risks and opportunities are identified by conducting a robust schedule risk analysis.
Controlled	A schedule is controlled if it is updated periodically by trained schedulers using actual progress and logic to realistically forecast dates for program activities. It is compared against a designated baseline schedule to measure, monitor, and report the project’s progress. The baseline schedule is accompanied by a baseline document that explains the overall approach to the project, defines ground rules and assumptions, and describes the unique features of the schedule. The baseline schedule and current schedule are subject to a configuration management control process.

Source: GAO. | GAO-14-648

We have applied our leading cost and schedule estimation practices in past work involving federal construction projects, and the leading

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practices were developed in conjunction with numerous stakeholders from government and the private sector, including DHS and GSA.<sup>39</sup> Furthermore, GSA acknowledged the value of our leading cost estimation practices in 2007 and issued an order to apply the principles to all cost estimates prepared in every GSA project, process, or organization.<sup>40</sup>

For both the cost and schedule estimates, our analysis focused on how well DHS and GSA met each of the four characteristics based on our assessment of conformance to the leading practices associated with that characteristic. We then arrayed the extent to which DHS and GSA cost and schedule estimates conformed with the four characteristics of each using five rating categories—fully meets, substantially meets, partially meets, minimally meets, or does not meet.<sup>41</sup> We considered cost and schedule estimates to be reliable if the overall assessment ratings for each of the four characteristics were substantially or fully met. Conversely, if our analysis showed that any of the characteristics were not met, minimally met, or partially met, then the estimate did not fully

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<sup>39</sup>See for example GAO, *Architect of the Capitol: Incorporating All Leading Practices Could Improve Accuracy and Credibility of Projects' Cost Estimates*, [GAO-14-333](#) (Washington, D.C.: Mar. 25, 2014); *VA Construction: VA Is Working to Improve Initial Project Cost Estimates, but Should Analyze Cost and Schedule Risks*, [GAO-10-189](#) (Washington, D.C.: Dec. 14, 2009); and *Modernizing the Nuclear Security Enterprise: New Plutonium Research Facility at Los Alamos May Not Meet All Mission Needs*, [GAO-12-337](#) (Washington, D.C.: Mar. 26, 2012).

<sup>40</sup>See GSA Order 4210.1: *CFO P Cost Estimation Policy Handbook*, June 27, 2007. The GSA Chief Financial Officer initiated this cost estimation policy in response to a GAO recommendation contained in GAO, *Telecommunications: GSA Has Accumulated Adequate Funding for Transition to New Contracts, but Needs Cost Estimation Policy*, [GAO-07-268](#) (Washington, D.C.: Feb. 23, 2007). Specifically, GSA concurred with a recommendation to establish a policy for cost estimation efforts that reflects leading practices by requiring that estimates be: comprehensive, well documented, accurate, and validated.

<sup>41</sup>We established five descriptions for our assessments of leading practices and cost estimate characteristics: fully meets, substantially meets, partially meets, minimally meets, and does not meet. We consider a leading practice to be fully met when the associated tasks are completely satisfied, substantially met when a large portion of the associated tasks are satisfied, partially met when about half of the associated tasks are satisfied, minimally met when a small portion of the associated tasks are satisfied, and not met when none of the associated tasks are satisfied. Our assessment method weights each leading practice equally and bases the assessment of each characteristic on the average score of underlying leading practices. We assign each description a numerical value (5 for fully meets to 1 for does not meet) and round scores to the higher numerical value (i.e., a score of 4.5 would round up to 5). Assessments were conducted by an individual analyst, and then the results were independently traced and verified by a second analyst.

reflect the characteristics of a high-quality estimate and cannot be considered reliable. The following two sections provide an overview of the results of our comparison of DHS and GSA cost and schedule estimates with the four characteristics for each of GAO's cost- and schedule-estimating guidelines.

**St. Elizabeths Cost Estimate Partially or Minimally Conforms with Leading Practices**

Our overall comparison of the 2013 cost estimate for St. Elizabeths development with leading cost-estimating best practices showed that the estimate partially or minimally conforms with leading practices. Specifically, we found that the cost estimate for the headquarters consolidation at St. Elizabeths partially conforms with leading practices associated with the characteristics of comprehensive and well-documented estimates, and minimally conforms with leading practices associated with characteristics of accurate and credible estimates.

We assessed the DHS and GSA cost estimate using the framework of the four characteristics above associated with high-quality, reliable cost estimates. Table 7 shows the overall results of our comparison along with examples of selected leading practices under each characteristic and our rationale for assessment. Appendix V provides greater detail on our comparison of the estimate with specific leading practices that constitute the four cost-estimating characteristics.

**Table 7: Summary Assessment of 2013 St. Elizabeths Development Cost Estimate Compared with Leading Practices**

Characteristic	GAO assessment	Selected leading practice	Examples of rationale for assessment
Comprehensive	●	Include all life-cycle costs	Estimate does not include annual costs for the full useful life of the campus or costs for all civilian and contractor support personnel.
		Completely define program, reflect current schedule, and be technically reasonable	Estimate is not technically reasonable because ground rules and assumptions have not been updated for several years, other than adjustment for inflation.
Well documented	●	Use data that are adequate for easily updating the estimate to reflect actual costs or program changes so that they can be used for future estimates	Several data items are built into the estimate's cost model and are not adjustable, which makes it difficult to update the model to reflect actual costs or program changes.
		Describe how the estimate was developed so that a cost analyst unfamiliar with the program could understand and replicate the estimate	Key content related to the estimate was spread across several documents, and an analyst unfamiliar with the program could not understand and replicate the estimate without significant additional information.

Characteristic	GAO assessment	Selected leading practice	Examples of rationale for assessment
Accurate	○	Produce results that are unbiased, not overly conservative or optimistic, and based on an assessment of most likely costs	Estimate is optimistic in assuming that none of the costs grew more than the overall inflation rate, and does not include an uncertainty analysis to evaluate whether the estimate is based on most likely costs.
		Regularly update estimate to reflect significant changes in the program	Estimate is not regularly updated to reflect significant changes to the program, other than adjustments based on available funding.
Credible	○	Conduct sensitivity analysis that identifies a range of possible costs	No sensitivity analysis was performed on the cost estimate.
		Conduct independent cost estimate by a group outside the acquiring organization	DHS/GSA did not obtain an independent cost estimate to determine whether other estimating methods produce similar results.

- = Fully meets: DHS/GSA provided complete evidence that satisfies the entire criterion
- = Substantially meets: DHS/GSA provided evidence that satisfies a large portion of the criterion
- ◐ = Partially meets: DHS/GSA provided evidence that satisfies about half of the criterion
- = Minimally meets: DHS/GSA provided evidence that satisfies a small portion of the criterion
- = Does not meet: DHS/GSA provided no evidence that satisfies any of the criterion

Source: GAO analysis of Department of Homeland Security and General Services Administration cost data. | GAO-14-648

A reliable cost estimate is critical to the success of any program. Such an estimate provides the basis for informed investment decision making, realistic budget formulation and program resourcing, meaningful progress measurement, proactive course correction when warranted, and accountability for results. Accordingly, DHS and GSA would benefit from maintaining current and well-documented estimates of project costs at St. Elizabeths—even if project funding is not fully secured—and these estimates should encompass the full life-cycle of the program and be independently assessed. Among other things, OMB states that generating reliable program cost estimates is a critical function necessary to support OMB’s capital programming process. Without this capability, DHS and GSA are at greater risk of experiencing cost overruns, missed deadlines, and performance shortfalls related to the headquarters consolidation program.

### St. Elizabeths Schedule Estimates Minimally Conform with Leading Practices

Our overall comparison of DHS and GSA schedule estimates with leading schedule-estimating practices showed that the most recent schedule estimate DHS and GSA prepared with sufficient detail for the entire project—in 2008—minimally conforms with leading practices. Specifically, the 2008 estimate minimally conforms with leading practices related to each of the characteristics of comprehensive, well-constructed, credible, and controlled estimates.

We assessed DHS and GSA schedule estimates using the framework of the four characteristics above associated with high-quality, reliable schedule estimates. Table 8 shows the overall results of our analysis of the 2008 schedule estimate, along with examples of select leading practices under each characteristic and our rationale for assessment. We highlighted the results of the 2008 schedule comparison because the 2008 schedule was the most recent schedule that included logic necessary for identifying a critical path. As noted above, at the request of GSA, we also analyzed a schedule estimate updated in 2013. However, the 2013 estimate was incomplete and did not cover the overall consolidation program in sufficient detail. For example, the schedule depicts only high-level activities and does not provide details needed to understand the sequence of events, including work to be performed in fiscal years 2014 and 2015. As a result, the 2013 schedule satisfied fewer leading practices than the 2008 schedule, and is also unreliable. Appendix VI provides greater detail on our comparison of both the 2008 and 2013 estimates with 10 specific leading practices that compose the four schedule estimating characteristics.

**Table 8: Summary Assessment of 2008 St. Elizabeths Development Schedule Estimate Compared with Leading Practices**

Characteristic	GAO assessment	Select leading practice	Examples of rationale for assessment
Comprehensive	○	Capture all activities	Estimate does not include all activities for both the government and its contractors necessary to accomplish the project's objectives.
		Assign resources to all activities	Schedule does not account for when all resources (such as labor, materials, travel, facilities, and equipment) are needed and when they will be available.
Well constructed	○	Sequence all activities	Parts of the estimate are not logically sequenced, and DHS/GSA utilized unusual and complicated logic techniques without justification in the schedule documentation.
Credible	○	Verify that the schedule is traceable horizontally and vertically <sup>a</sup>	Alignment of varying levels of activities and supporting sub activities could not be verified because DHS/GSA could not provide sufficient documentation.
		Conduct a schedule risk analysis	Estimate does not include a risk assessment to predict a level of confidence in the project's completion date.
Controlled	○	Update the schedule with actual progress and logic	DHS/GSA has not updated the schedule containing the entire program since December 2008.
		Maintain a baseline schedule	DHS/GSA could not provide a baseline schedule document that explains the overall approach to the project, defines ground rules and assumptions, and describes the unique features of the schedule.

- = Fully meets: DHS/GSA provided complete evidence that satisfies the entire criterion
- = Substantially meets: DHS/GSA provided evidence that satisfies a large portion of the criterion
- = Partially meets: DHS/GSA provided evidence that satisfies about half of the criterion

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- ◐ = Minimally meets: DHS/GSA provided evidence that satisfies a small portion of the criterion
  - = Does not meet: DHS/GSA provided no evidence that satisfies any of the criterion

Source: GAO analysis of Department of Homeland Security and General Services Administration schedule data. | GAO-14-648

<sup>a</sup>A schedule that is credible is horizontally traceable—that is, it reflects the order of events necessary to achieve aggregated products or outcomes. It is also vertically traceable: activities in varying levels of the schedule map to one another and key dates presented to management in periodic briefings are in sync with the schedule.

In accordance with leading schedule estimation practices, the success of a major program such as the consolidation project at St. Elizabeths depends in part on having an integrated and reliable master schedule that defines when work will occur and how long it will take and how each activity is related to the others. For example, the program schedule provides not only a road map for systematic project execution but also the means by which to gauge progress, identify and resolve potential problems, and promote accountability at all levels of the program. A program schedule is also a vehicle for developing a time-phased budget baseline and an essential basis for managing trade-offs among cost, schedule, and scope. Accordingly, and despite current funding uncertainty for the project, DHS and GSA would benefit from developing a comprehensive schedule for the St. Elizabeths consolidation project in accordance with leading practices. DHS and GSA officials, as discussed in more detail below, generally did not agree with this overall assessment because they believe the leading practices are not well-suited for the type of complex construction projects occurring at the St. Elizabeths site.

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## St. Elizabeths Cost and Schedule Estimates Do Not Always Conform with GSA Project-Estimating Guidance

We compared the cost and schedule estimates prepared by DHS and GSA for the St. Elizabeths project with relevant GSA guidance and found that the estimates do not always conform with agency estimating requirements.<sup>42</sup> In commenting on our assessments of the St. Elizabeths cost and schedule estimates, DHS and GSA officials acknowledged that the estimates do not fully conform with our leading practices, but said that the estimates do conform with GSA project estimation policies. GSA officials agreed with the underlying objectives of our leading cost- and schedule-estimating practices, but noted that other methodologies are

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<sup>42</sup>According to DHS and GSA officials, creating the cost and schedule estimates for the St. Elizabeths project was a joint undertaking. However, GSA and its contractors led the management of the cost and schedule estimates and therefore apply relevant GSA guidance.



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valid and better suited to GSA projects like construction at St. Elizabeths. GSA officials cited GSA's *Project Estimating Requirements for the Public Buildings Service*, also called P-120, and GSA's *Facilities Standards for the Public Buildings Service*, also called P-100, as the key documents for estimating and managing building construction programs within GSA.<sup>43</sup> Because P-120 and P-100 focus on cost estimation requirements and do not fully describe schedule estimation, GSA officials subsequently provided us with GSA's Global Project Management (gPM) guidance as an additional source as it includes the *Scheduling Fundamental Guide*.<sup>44</sup>

We reviewed the GSA guidance listed above and noted several areas where GSA cost and scheduling-estimating policies align with our leading practices. More specifically, 8 of the 12 steps of a high-quality cost estimate were at least partially reflected in GSA guidance, and 5 of our 10 leading schedule-estimating practices were at least partially reflected. For example, GSA's P-100 guidance fully reflects our leading cost estimation practice of "defining the program's characteristics," as it contains formal, detailed design standards and criteria for construction of new facilities and repairs or alterations to existing buildings. GSA's gPM guidance fully reflects our leading schedule estimation practice of "capturing all activities," as it states that the first step in building a schedule is to identify all activities required to complete the project and recommends incorporating the activities to the project's Work Breakdown Structure (WBS)—a framework for documenting certain activities like estimating costs, identifying resources, determining where risks may occur, and providing the means for measuring program status.

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<sup>43</sup>See GSA, *P-120: Project Estimating Requirements for the Public Buildings Service*, January 2007, and GSA, *P-100: Facilities Standards for the Public Buildings Service*, November 2010. According to GSA, P-120 is the cost-estimating and cost management criteria document that presents the technical and administrative requirements for routine cost-estimating and cost management tasks involved in a construction project's planning and execution stages, and defines cost-estimating practices and standards for professional services. P-100 establishes design standards and criteria for new buildings, repairs and alterations, and modernizations and also applies to lease construction with government option to purchase buildings. P-100 contains policy and technical criteria to be used in the programming, design, and documentation of GSA facilities.

<sup>44</sup>GSA's Global Project Management (gPM) guidance, including the PBS *Scheduling Fundamentals Guide*, can be accessed by all GSA employees on their gPM intranet website.

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In cases where GSA guidance and our leading practices align, we compared the St. Elizabeths cost estimates with GSA guidance and found some areas where the project estimates were developed consistent with the guidance. For example, P-120 and P-100 call for GSA to establish a set of ground rules for estimating GSA construction projects, such as how inflation is applied or how budget constraints might affect the project. Our comparison of the St. Elizabeths project cost estimate with GSA guidance showed that the project estimate documents the ground rules consistent with the guidance. Likewise, P-120 recommends using a WBS for projects to be funded over more than 1 year. Our comparison showed that the estimate included a WBS that outlined the end product and major program effort.

In contrast, we also found areas where the 2013 St. Elizabeth cost estimate was not prepared consistent with GSA guidelines. Specifically, our comparison showed that the project cost estimate:

- **Does not include a life-cycle cost analysis.** P-120 and P-100 both require that a life-cycle cost analysis be conducted to help determine the value of a project beyond just the cost of acquiring it, such as the cost of repairs, operations, preventive maintenance, logistic support utilities, and depreciation over the useful lifetime of the facility. P-100 states, for example, that “three characteristics distinguish GSA buildings from buildings built for the private sector: longer life span, changing occupancies, and the use of a life-cycle cost approach to determine overall project cost.” No life-cycle cost analysis for St. Elizabeths is reflected in the estimate, including the cost of repair, operations, and maintenance.
- **Is not regularly updated to reflect significant changes in the program.** P-120 guidance states that the cost estimates for design projects should be updated throughout the design process, and furthermore, where costs are included, design assumptions must be addressed in order to completely define the scope of the estimate. We found that the estimate was updated based on available funding, but was not regularly updated to reflect significant changes to the program including actual costs.
- **Does not include an independent cost estimate.** P-100 states that GSA will develop two separate independent government estimates (IGE) to aid in effective project controls and assist in tracking the budget. The GSA definition of IGE does not completely align with the GAO definition of an independent cost estimate, but no IGEs were conducted for the entire St. Elizabeths project.

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With regard to St. Elizabeths 2008 and 2013 schedule estimates, we found some instances where the project schedule estimates were partially consistent with GSA guidelines—the estimates covered elements of the guidance—and others where they did not. For example, P-120 states that schedules should realistically reflect how long each activity should take. Our comparison of the St. Elizabeths schedule estimates with GSA guidance showed that the project estimates partially establish the duration of all activities—a factor that is reflected in both the 2008 and 2013 schedule estimates. Likewise, GSA’s gPM states that activities should be sequenced after they have been defined and their duration has been estimated, tracked according to start and finish dates, and structured to show relationships between them to reflect their dependency on each other. Our comparison showed that the 2008 schedule estimate (not the 2013 estimate) partially reflected these gPM guidelines. In those instances where schedule estimates were not prepared in a manner consistent with GSA guidelines, we found that the 2008 and 2013 schedule estimates:

- **Do not capture all project activities.** GSA’s gPM states that the first step in building a schedule is to identify all activities required to complete the project. GSA scheduling guidance also recommends incorporating the activities into the project’s WBS as this feature helps to organize and define the total scope of the project. However, we observed that the St. Elizabeths schedules did not define in detail the work necessary to accomplish a project’s objectives, including activities both the government and contractors are to perform.
- **Do not contain an updated Integrated Master Schedule (IMS).** GSA’s gPM stresses the importance of regularly updating the schedule so that it represents the most up-to-date information on planned and completed activities, but we found no evidence that DHS and GSA maintained and regularly updated an IMS for the entire project. This includes providing a review of missed milestones, current expected completion dates, and actions needed to maintain/regain schedule progress.
- **Do not include a complete schedule baseline document.** GSA’s gPM states that establishing a baseline schedule that should be changed only with formal approvals from both the project team and the client is one of the four steps to establish a schedule. The gPM guidance also states that the baseline schedule should be maintained and that it should serve as the record of the “approved” schedule to allow the project manager to calculate variance. We found no evidence of a schedule baseline document that described the overall

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schedule, the sequencing of events, and the basis for activity durations, among other things, to help measure performance.

Reliable cost and schedule estimates are critical to providing overall project transparency and also in providing information to a variety of decision makers. However, in commenting on our analysis of St. Elizabeths cost and schedule estimates, DHS and GSA officials said that it would be difficult or impossible to create reliable estimates that encompass the scope of the entire St. Elizabeths project. Officials said that given the complex, multiphase nature of the overall development effort, specific estimates are created for smaller individual projects, but not for the campus project as a whole. Therefore, in their view, leading estimating practices and GSA guidance cannot reasonably be applied to the high-level projections developed for the total cost and completion date of the entire St. Elizabeths project. In addition, DHS and GSA officials stated that given funding uncertainty for the St. Elizabeths project as a whole, they were reluctant to allocate resources to conduct more detailed cost and schedule estimates until additional appropriations were received. They described future project phases as “not real” until they are funded. They added that once funding for a project phase is secured, more complete estimates would be created as part of that segment’s design. For example, regarding the schedule estimates, a senior DHS official said that at the programmatic level, since future phases of construction have not been authorized, funded, or designed, it would be illogical to develop anything beyond a generalized milestone schedule. GSA officials also commented that planning estimates for future unfunded work is conceptual and milestone based and therefore is sufficient for planning Phases 2 and 3. GSA stated that the higher-level, milestone schedule currently being used to manage the program is more flexible than the detailed schedule GAO proposes, and has proven effective even with the highly variable funding provided for the project.

We found, however, that this high-level schedule is not sufficiently defined to effectively manage the program. For example, our review of the schedule showed that project bars in the schedule that represent the two active Phase 1 and Phase 2A efforts do not contain detailed schedule activities that include current government, contractor, and applicable subcontractor effort. Specifically, there is no detailed program schedule that enables the tracking of key deliverables, and the activities shown in the schedule address only high-level agency square footage segments, security, utilities, landscape, and road improvements. While we understand the need to keep future effort contained in high-level planning packages, in accordance with leading practices, near-term work occurring

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in fiscal years 2014 and 2015 should have more detailed information. Further, there are no milestones identified that are consistent with the contract dates and other key dates established by management in the baseline schedule, and the project bars for near-term work are not mapped to a statement of work to ensure all effort is accounted for in the schedule. Finally, the project bars for near-term work also do not contain any risk mitigation activities. We recognize the challenges of developing reliable cost and schedule estimates for a large-scale, multiphase project like St. Elizabeths, particularly given its unstable funding history and that incorporating GAO's cost- and schedule-estimating leading practices may involve additional costs. However, unless DHS and GSA invest in these practices, Congress risks making funding decisions and DHS and GSA management risk making resource allocation decisions without the benefit that a robust analysis of levels of risk, uncertainty, and confidence provides.

In addition to stating that it is not feasible to develop cost and schedule estimates for the entire St. Elizabeths project that conform with leading practices, DHS and GSA officials pointed to the project's performance to date as an indicator of sound overall management. Specifically, DHS and GSA officials maintained that Phase 1 of the overall consolidation project—primarily the USCG headquarters—was completed “on-schedule and near on-budget,” after taking into account delays in the project start and smaller than expected annual appropriations, thus proving that their estimation practices were sound. As noted earlier, some of the work that was originally planned for Phase 1, such as utility installation; security measures; landscaping; and work on the visitors' center, historic auditorium, and access road, was deferred to later project stages. According to DHS and GSA officials, reducing the scope of Phase 1 enabled the project team to shift resources to more critical capabilities required for USCG occupancy, which resulted in on-schedule and near on-budget completion for the portion of Phase 1 funded by Congress. DHS and GSA officials maintained that the execution of Phase 1 was successful and that this should have factored into our analysis of cost and schedule estimates. However, our analysis of estimates is focused on the remaining work in the project, not the actual performance of work completed. Phase 1 results cannot be the sole basis used to forecast the reliability of cost and schedule estimates for the remaining phases of development at St. Elizabeths. As our analyses showed, the estimates were deficient in several areas, including comprehensiveness, accuracy, and credibility, which renders them unreliable in the context of future work.

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In addition to the planned work deferrals and reductions in scope described above, other unanticipated obstacles affected Phase 1 project cost and schedule as well, but DHS and GSA officials did not document these impacts. For example, GSA officials noted that the original design for the Coast Guard fitness center was complete and construction was set to begin, but the building had to be redesigned and sunk farther underground after a historic preservation stakeholder objected to the structure's sight-lines. Also, toxic ash was unexpectedly discovered in the walls of one of the historic buildings, which required additional funds and time to remove.<sup>45</sup> DHS and GSA officials were not able to tell us how much additional funding and time were required to redesign and construct the fitness center and to remediate the toxic ash. Overall, without documentation, we could not quantify the specific effects of these types of actions on Phase 1 cost growth and delays. Because DHS and GSA project cost and schedule estimates inform Congress's funding decisions and affect the agencies' abilities to effectively allocate resources across competing projects in their capital programs, there is a risk that funding decisions and resource allocations could be made based on information that is not reliable.

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## Conclusions

Several factors have changed since DHS began planning its consolidated headquarters in 2005. New workplace standards allow more people to work in less space, and recent government-wide initiatives like Freeze the Footprint have prompted agencies to rethink their real property portfolios and lease arrangements. In addition, the DHS headquarters consolidation effort has not received the level of funding that DHS and GSA officials originally envisioned. By taking into account changing workplace standards and funding instability, assessing alternatives, prioritizing projects, and using the results of these analyses to inform the revised project plan in accordance with leading practices, DHS and GSA would be better positioned to assure decision makers within both agencies and in Congress that the consolidation project is justified. In addition, DHS has an acquisitions policy that generally aligns with leading capital decision-making practices, which applies to major acquisitions, as determined by cost criteria and other factors such as project visibility. However, DHS has moved the headquarters consolidation project or elements of the project on and off its list of major acquisitions over the

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<sup>45</sup>The ash originated from the hospital's coal-fired power plant and was used as insulation.

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last several years. Furthermore, during the periods when the project was identified by DHS as a major acquisition, the program did not fully comply with acquisition policy requirements, such as obtaining department-level approval of certain documents. Although GSA owns the site, funds the majority of the building construction, and oversees other contracts on behalf of DHS, given DHS's significant monetary investment, along with the project's visibility and potential impact on DHS missions, treating headquarters consolidation as a major acquisition and applying the policy to the maximum extent possible would provide greater assurance that government funds are being spent in a way that is consistent with sound acquisition practices and that the project is moving forward as intended.

Creating reliable cost and schedule estimates for the headquarters consolidation project should be an integral part of DHS and GSA efforts to reassess the project. DHS and GSA current estimates do not conform with several leading practices, which make the estimates unreliable. Furthermore, in several instances, the cost and schedule estimates do not fully conform with GSA's estimation policies. Although DHS and GSA maintain that more comprehensive estimates will be conducted as the project advances and funding is secured, decision makers could benefit now from accurate estimates that encompass the life-cycle of the project. Without this information, it is difficult for agency leadership and Members of Congress to make informed decisions regarding resource allocations and compare competing priorities. Pending the development of reliable cost and schedule estimates, the project risks potential cost overruns, missed deadlines, and performance shortfalls.

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## Recommendations for Executive Action

In order to improve transparency and allow for more informed decision making by congressional leaders and DHS and GSA decision-makers, we recommend that, before requesting additional funding for the DHS headquarters consolidation project, the Secretary of Homeland Security and the Administrator of the General Services Administration work jointly to take the following two actions:

- conduct the following assessments and use the results to inform updated DHS headquarters consolidation plans:
  - a comprehensive needs assessment and gap analysis of current and needed capabilities that take into consideration changing conditions, and
  - an alternatives analysis that identifies the costs and benefits of leasing and construction alternatives for the remainder of the project and prioritizes options to account for funding instability.

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- After revising the DHS headquarters consolidation plans, develop revised cost and schedule estimates for the remaining portions of the consolidation project that conform to GSA guidance and leading practices for cost and schedule estimation, including an independent evaluation of the estimates.

We further recommend that the Secretary of Homeland Security designate the headquarters consolidation program a major acquisition, consistent with DHS acquisition policy, and apply DHS acquisition policy requirements.

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## Matter for Congressional Consideration

Congress should consider making future funding for the St. Elizabeths project contingent upon DHS and GSA developing a revised headquarters consolidation plan, for the remainder of the project, that conforms with leading practices and that (1) recognizes changes in workplace standards, (2) identifies which components are to be colocated at St. Elizabeths and in leased and owned space throughout the NCR, and (3) develops and provides reliable cost and schedule estimates.

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## Agency Comments and Our Evaluation

We provided a draft of this report to DHS and GSA for review and comment. In written comments, DHS concurred with all three of the recommendations, and GSA concurred with the two recommendations that applied to it. DHS and GSA comments are summarized below and reprinted in appendix VII and appendix VIII respectively.

- DHS and GSA concurred with our first recommendation that DHS and GSA conduct a comprehensive needs assessment and alternatives analysis. DHS and GSA commented that DHS and GSA have already completed a draft enhanced consolidation plan which DHS believes includes the needs assessment and gap analysis envisioned by GAO. In addition, DHS stated that that the cost-benefit analysis of leasing versus construction completed during development of the original project master plan has been updated to reflect current conditions and included as part of this draft plan. GSA reported that it is working closely with DHS and will share this plan with stakeholders upon completion.
- DHS and GSA concurred with our second recommendation that DHS and GSA develop revised cost and schedules that conform to GSA guidance and leading practices. DHS commented that a revised programmatic schedule and estimate was created in



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conjunction with development of the draft enhanced plan, which, according to DHS, is currently with the Office of Management and Budget for approval. DHS stated that it defers to GSA as to whether this estimate conforms to GSA or other criteria for cost and schedule estimation, since the project is being managed and executed by GSA and not DHS. GSA commented that it plans to update the cost and schedule estimates upon completion of the Enhanced Plan, and may adopt some of the leading practices referenced by GAO.

- DHS concurred with our third recommendation that DHS designate the headquarters consolidation program a major acquisition and apply DHS acquisition policy requirements. DHS reported that the Acting Under Secretary for Management determined in September 2014 that the DHS-funded portions of the St. Elizabeths project will come under the purview of the DHS Acquisition Review Board for oversight effective immediately to assure senior leadership visibility over DHS funds executed by GSA. DHS also requested that we consider this recommendation resolved and closed. Designating the DHS-funded portions of the St. Elizabeths project a major acquisition partially addresses our recommendation. It is still too early to assess the extent to which DHS is applying its acquisition policy to the project. As stated in our report, the St. Elizabeths headquarters consolidation project has been moved off and on the DHS master acquisition oversight list in prior years and in the years that it has been on the list, the project did not comply with major acquisition requirements as outlined by DHS guidelines. We will continue to monitor DHS's actions to apply its acquisition policy to the project as part of our normal recommendation follow-up process.

In its comments, DHS also expressed concern that our report did not sufficiently describe the roles and responsibilities of DHS and GSA. Specifically, DHS stated that, as a tenant agency, its role is to establish programmatic requirements; budget for and fund tenant responsible items; provide oversight on GSA's use of DHS funds; validate that GSA managed design and construction activities meet DHS operational and program requirements; and coordinate with GSA and other stakeholders throughout the process, as appropriate. DHS also noted that other activities are managed by GSA in accordance with GSA policies and under GSA supervision and oversight. DHS stated that, while DHS cooperates with GSA and helps facilitate completion of these activities as appropriate, DHS does not have any supervisory control over the

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activities. Specifically, DHS stated that it did not select the St. Elizabeths site, nor does not award or manage contracts for design and construction. We agree that GSA has responsibility for these activities and have added more detailed discussion of DHS and GSA roles to the report. However, cooperation and collaboration between DHS and GSA is essential for a variety of reasons, including the overall cost, scope, and visibility of the project; the overall importance of the project in the context of DHS's mission; and in light of the fact that DHS has received \$494.8 million to date for the project. This does not include the additional \$1.2 billion that DHS expects that it will need to ensure that the project is completed by 2026. In this context, we believe that the management and implementation of the St. Elizabeths project is a shared responsibility between DHS and GSA, requiring them to work closely together to help provide greater assurance to decision makers in Congress, DHS, and GSA—as well as taxpayers—that the project is being appropriately managed and acquired on-time and on-budget.

DHS also expressed concern that the report is overly focused on “leading practices” as opposed to being more outcome and results oriented. We believe that applying the leading practice cited in our draft report would better position DHS and GSA to manage the St. Elizabeths’ project and help ensure better outcomes and results. DHS stated that GSA, in concert with DHS, has already conducted sufficient analysis to support the best practices in our report. We disagree. As we note in the report, cost and schedule estimates for the project were deficient in several areas, including comprehensiveness, accuracy, and credibility. Estimates also failed to comply with GSA’s internal guidance for cost and schedule.

In its written response, GSA also commented that several of the leading practices GAO identifies are better suited to non-real estate investments such as weapons systems, spacecraft, aircraft carriers, and software systems. We disagree. As stated in our report, we have applied our leading cost and schedule estimation practices in past work involving federal construction projects, and the leading practices were developed in conjunction with numerous stakeholders from government and the private

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sector, including DHS and GSA.<sup>46</sup> Furthermore, GSA acknowledged the value of our leading cost estimation practices in 2007 and issued an order to apply the principles to all cost estimates prepared in every GSA project, process, or organization.<sup>47</sup>

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We are sending copies to the Secretary of Homeland Security, Administrator of GSA, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have questions about this report, please contact either David Maurer at (202) 512-9627 or [maurerd@gao.gov](mailto:maurerd@gao.gov), or David Wise at (202) 512-2834 or [wised@gao.gov](mailto:wised@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last

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<sup>46</sup> See for example GAO, *Architect of the Capitol: Incorporating All Leading Practices Could Improve Accuracy and Credibility of Projects' Cost Estimates*, GAO-14-333 (Washington, D.C.: Mar. 25, 2014); *VA Construction: VA Is Working to Improve Initial Project Cost Estimates, but Should Analyze Cost and Schedule Risks*, GAO-10-189 (Washington, D.C.: Dec. 14, 2009); and *Modernizing the Nuclear Security Enterprise: New Plutonium Research Facility at Los Alamos May Not Meet All Mission Needs*, GAO-12-337 (Washington, D.C.: Mar. 26, 2012).

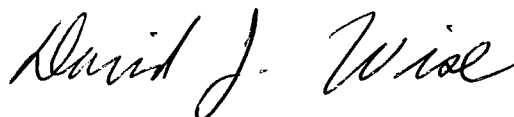
<sup>47</sup> See GSA Order 4210.1: CFO P Cost Estimation Policy Handbook, June 27, 2007. The GSA Chief Financial Officer initiated this cost estimation policy in response to a GAO recommendation contained in *Telecommunications: GSA Has Accumulated Adequate Funding for Transition to New Contracts, but Needs Cost Estimation Policy*, GAO-07-268 (Washington, D.C.: Feb. 23, 2007). Specifically, GSA concurred with a recommendation to establish a policy for cost estimation efforts that reflects leading practices by requiring that estimates be: comprehensive, well documented, accurate, and validated.

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page of this report. Key contributors to this report are listed in appendix IX.



David C. Maurer  
Director  
Homeland Security and Justice Issues



David J. Wise  
Director  
Physical Infrastructure Issues

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*List of Requesters*

The Honorable Thomas R. Carper  
Chairman

The Honorable Tom A. Coburn, M.D.  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Michael T. McCaul  
Chairman  
Committee on Homeland Security  
House of Representatives

The Honorable Jeff Duncan  
Chairman  
Subcommittee on Oversight and Management Efficiency  
Committee on Homeland Security  
House of Representatives

The Honorable Richard Hudson  
Chairman  
Subcommittee on Transportation Security  
Committee on Homeland Security  
House of Representatives

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# Appendix I: Objectives, Scope, and Methodology

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We conducted our review to examine (1) the extent to which the Department of Homeland Security (DHS) and the General Services Administration (GSA) developed DHS headquarters consolidation plans in accordance with leading capital decision-making principles, and (2) the extent to which DHS and GSA have estimated the costs and schedules of the DHS headquarters consolidation project at St. Elizabeths in a manner that is consistent with leading practices.

To determine the extent to which DHS and GSA developed DHS headquarters consolidation plans in accordance with leading capital decision-making principles, we reviewed and analyzed DHS and GSA capital planning documents and interviewed DHS and GSA officials responsible for the planning and management of the St. Elizabeths project, as well as DHS and GSA senior leadership. We compared DHS and GSA capital planning actions against Office of Management and Budget (OMB) and GAO leading practices (see app. II).<sup>1</sup> Our analysis of DHS and GSA efforts using criteria for leading capital decision-making focused on planning for the remaining segments or phases of the project because, as we stated in previous reports, the planning phase is the crux of the capital decision-making process.<sup>2</sup> The results from this phase are used throughout the remaining phases of the process; therefore, if key practices during this phase are not followed there may be repercussions on agency operations if poor capital investment decisions are made. To determine the extent to which DHS planned and implemented the DHS headquarters consolidation project at St. Elizabeths in accordance with

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<sup>1</sup>See GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: Dec. 1, 1998). To produce this guide, we conducted extensive research to identify leading practices in capital decision-making used by state and local governments and private sector organizations. Specifically, on the basis of interviews and documentation obtained from site visits to leading organizations, we identified innovative practices used by individual organizations as well as approaches and elements that were common across organizations. The leading organizations in our study reviewed a draft of this guide and verified that the case study examples are an accurate representation of their practices. These practices are, in part, intended to provide a disciplined approach or process to help federal agencies effectively plan and procure assets to achieve the maximum return on investments. In the overall capital decision-making framework, planning is the first phase—and arguably the most important—since it drives the remaining phases of budget, procurement, and management.

<sup>2</sup>See GAO, *Federal Capital: Three Entities' Implementation of Capital Planning Is Mixed*, [GAO-07-274](#) (Washington, D.C.: Feb. 23, 2007), and *Budget Issues: Agency Implementation of Capital Planning Principles Is Mixed*, [GAO-04-138](#) (Washington, D.C.: Jan. 16, 2004).

departmental acquisition guidelines, we interviewed officials from DHS's Office of Program Accountability and Risk Management (PARM) as well as DHS project managers. We reviewed and analyzed DHS Acquisition Management Directive 102-01 (MD 102) and DHS's Major Acquisitions Oversight List for fiscal years 2010 through 2014. We then compared the acquisition standards detailed in MD 102 with DHS's efforts to acquire a consolidated headquarters facility at the GSA-owned St. Elizabeths Campus.

To determine the extent to which DHS and GSA have estimated the costs and schedules of the DHS headquarters consolidation project at St. Elizabeths in a manner that is consistent with leading practices, we interviewed DHS and GSA program officials and compared DHS and GSA overall project cost and schedule estimates with GAO leading practices. Specifically, the *GAO Cost Estimating and Assessment Guide* (Cost Guide) identifies leading practices that represent work across the federal government and are the basis for a high-quality, reliable cost estimate.<sup>3</sup> A cost estimate created using the leading practices exhibits four broad characteristics: it is accurate, well documented, credible, and comprehensive. That is, each characteristic is associated with a specific set of leading practices. In turn, each leading practice is made up of a number of specific tasks (see app. III). Similarly, we compared DHS and GSA overall schedule estimates with the *GAO Schedule Assessment Guide*, which defines leading practices related to four characteristics—comprehensive, well constructed, credible, and controlled—that are important to developing high-quality, reliable schedule estimates (see

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<sup>3</sup>GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: Mar. 2, 2009). The methodology outlined in this guide is a compilation of best practices that federal cost-estimating organizations and industry use to develop and maintain reliable cost estimates throughout the life of a government acquisition program. The leading practices were developed in conjunction with government and industry experts in the cost-estimating community. By default, the guide also serves as a guiding principle for our auditors to evaluate the economy, efficiency, and effectiveness of government programs.

app. IV).<sup>4</sup> For our evaluations of the cost and schedule estimates, when the tasks associated with the leading practices that define a characteristic were mostly or completely satisfied, we considered the characteristic to be substantially or fully met. When all four characteristics were at least substantially met, we considered a cost or schedule estimate to be reliable.<sup>5</sup> To analyze the St. Elizabeths schedule estimate, we asked DHS and GSA to provide the most recent Integrated Master Schedule (IMS) that included all related embedded project schedules. Although the 2013 cost estimate provided by DHS and GSA was complete, the 2013 schedule estimate did not cover the entire consolidation project in sufficient detail. As a result, we initially analyzed the most recent complete schedule available, which was created in 2008. The 2008 schedule estimate listed project completion in 2016. Subsequently, at the request of GSA, we also applied our leading practices criteria to the incomplete 2013 schedule. We shared our analysis with DHS and GSA officials to review, comment on, and provide additional information, and we adjusted our analysis where appropriate. Finally, we reviewed GSA guidance that DHS and GSA officials stated was relevant to cost and schedule estimating for the St. Elizabeths project: *P-120: Project Estimating Requirements for the Public Buildings Service (PBS)*; *P-100: Facilities Standards for the Public Buildings Service*; and GSA's Global Project Management (gPM) guidance, which includes the *PBS*

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<sup>4</sup>GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, [GAO-12-120G](#) (Washington, D.C.: May 2012). Developing the scheduling concepts introduced in the *Cost Estimating and Assessment Guide*, the *GAO Schedule Assessment Guide* presents them as 10 leading practices associated with developing and maintaining a reliable, high-quality schedule. The leading practices were developed in conjunction with government and industry experts in the schedule-estimating community. A companion to the *Cost Guide*, the *GAO Schedule Assessment Guide* serves also to present guiding principles for our auditors in evaluating the economy, efficiency, and effectiveness of government programs.

<sup>5</sup> We established five descriptions for our assessments of leading practices and cost estimate characteristics: fully meets, substantially meets, partially meets, minimally meets, and does not meet. We consider a leading practice to be fully met when the associated tasks are completely satisfied, substantially met when a large portion of the associated tasks are satisfied, partially met when about half of the associated tasks are satisfied, minimally met when a small portion of the associated tasks are satisfied, and not met when none of the associated tasks are satisfied. Our assessment method weights each leading practice equally and bases the assessment of each characteristic on the average score of underlying leading practices. We assign each description a numerical value (5 for fully meets to 1 for does not meet) and round scores to the higher numerical value (i.e., a score of 4.5 would round up to 5). Assessments were conducted by an individual analyst, and then the results were independently traced and verified by a second analyst.



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*Scheduling Fundamentals Guide*. In areas where GSA estimating guidance aligned with our leading cost and schedule-estimating leading practices, we evaluated the extent to which the St. Elizabeths cost and schedule estimates conformed with GSA guidance.

We conducted our work from August 2013 to September 2014 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.

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# Appendix II: Leading Practices in Capital Decision-Making

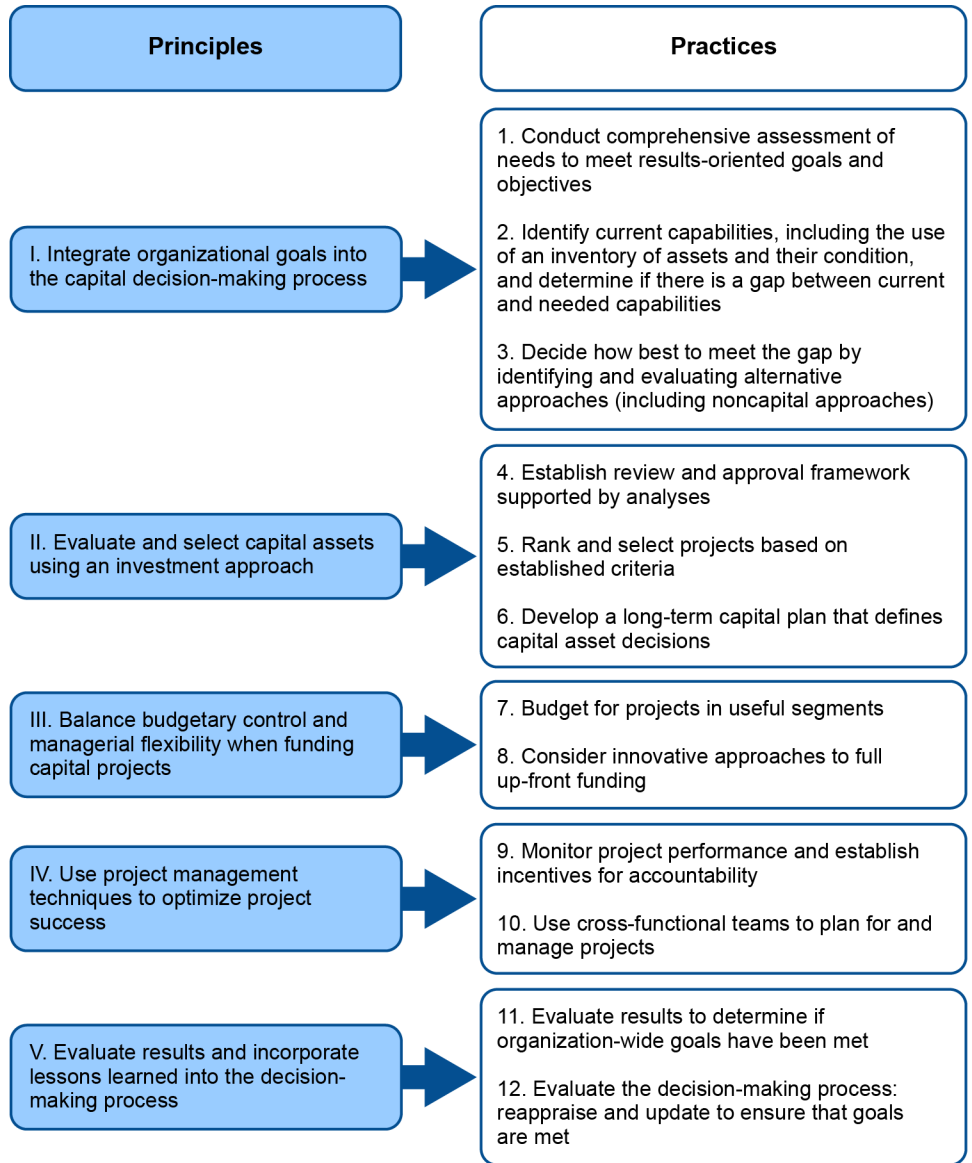
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Congress, the Office of Management and Budget (OMB), and GAO have all identified the need for effective capital planning among federal agencies. GAO developed its *Executive Guide: Leading Practices in Capital Decision-Making*, which provides guidance to federal agencies on planning, budgeting, acquiring, and managing capital assets.<sup>1</sup> Figure 8 illustrates how capital decision-making principles fit together.

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<sup>1</sup>GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

**Figure 8: Leading Practices in Capital Decision-Making**



Source: GAO. | GAO-14-648

# Appendix III: The Leading Practices for Developing High-Quality Cost Estimates

We developed the GAO Cost Estimating and Assessment Guide in order to establish a consistent methodology that is based on best practices and that can be used across the federal government for developing, managing, and evaluating capital program cost estimates. We have identified 12 steps under 4 characteristics that, followed correctly, should result in reliable and valid cost estimates that management can use for making informed decisions.

**Table 9: The Characteristics of a High-Quality Cost Estimate, Mapped to the 12 Steps of High-Quality Cost Estimating**

Cost estimate characteristic	Cost-estimating step
<b>Well documented</b>	
<p>The estimate is thoroughly documented, including source data and significance, clearly detailed calculations and results, and explanations for choosing a particular method or reference.</p> <ul style="list-style-type: none"> <li>Data are traced back to the source documentation</li> <li>Includes a technical baseline description</li> <li>Documents all steps in developing the estimate so that a cost analyst unfamiliar with the program can recreate it quickly with the same result</li> <li>Documents all data sources for how the data were normalized</li> <li>Describes in detail the estimating methodology and rationale used to derive each Work Breakdown Structure (WBS) element's cost</li> </ul>	<p>1. Define the estimate's purpose 3. Define the program 5. Identify ground rules and assumptions 6. Obtain the data 10. Document the estimate 11. Present the estimate to management</p>
<b>Comprehensive</b>	
<p>The estimate's level of detail ensures that cost elements are neither omitted nor double counted.</p> <ul style="list-style-type: none"> <li>Details all cost-influencing ground rules and assumptions</li> <li>Defines the WBS and describes each element in a WBS dictionary</li> <li>A major automated information system program may have only a cost element structure</li> </ul>	<p>2. Develop the estimating plan 4. Determine the estimating approach</p>
<b>Accurate</b>	
<p>The estimate is unbiased, not overly conservative or overly optimistic, and based on an assessment of most likely costs.</p> <ul style="list-style-type: none"> <li>It has few, if any, mathematical mistakes; its mistakes are minor</li> <li>It has been validated for errors like double counting and omitted costs</li> <li>Cost drivers have been cross-checked to see if results are similar</li> <li>It is timely</li> <li>It is updated to reflect changes in technical or program assumptions and new phases or milestones</li> <li>Estimates are replaced with Earned Value Management<sup>a</sup> (EVM) estimate at completion<sup>b</sup> (EAC) and the independent EAC from the integrated EVM system</li> </ul>	<p>7. Develop the point estimate and compare it with an independent cost estimate 12. Update the estimate to reflect actual costs and changes</p>
<b>Credible</b>	

**Appendix III: The Leading Practices for  
Developing High-Quality Cost Estimates**

<b>Cost estimate characteristic</b>	<b>Cost-estimating step</b>
Discusses any limitations of the analysis from uncertainty or biases surrounding data or assumptions.	7. Develop the point estimate and compare it with an independent cost estimate
<ul style="list-style-type: none"> <li>Major assumptions are varied and other outcomes recomputed to determine their sensitivity to changes in assumptions</li> <li>Risk and uncertainty analysis is performed to determine the level of risk associated with the estimate</li> <li>An independent cost estimate is developed to determine if other estimating methods produce similar results</li> </ul>	8. Conduct sensitivity analysis 9. Conduct risk and uncertainty analysis

Source: GAO. | GAO-14-648

<sup>a</sup>EVM is a project management tool that integrates the technical scope of work with schedule and cost elements for investment planning and control. It compares the value of work accomplished in a given period with the value of the work expected in that period. Differences in expectations are measured in both cost and schedule variances.

<sup>b</sup>An EAC is an independent assessment of the cost to complete authorized work based on a contractor's historical EVM performance. It uses various EVM metrics to forecast the expected final cost.

# Appendix IV: 10 Leading Practices for Developing High-Quality Schedule Estimates

The *GAO Schedule Assessment Guide* is a companion to the Cost Guide. A consistent methodology for developing, managing, and evaluating capital program cost estimates includes the concept of scheduling the necessary work to a timeline, as discussed in the Cost Guide. A well-planned schedule is a fundamental management tool that can help government programs use public funds effectively by specifying when work will be performed in the future and measuring program performance against an approved plan. Table 10 represents the 10 leading practices associated with a high-quality and reliable schedule and their concepts.

**Table 10: 10 Leading Practices for Developing High-Quality Schedule Estimates**

Leading practice	Explanation
Capturing all activities	The schedule should reflect the resources (labor, materials, and overhead) needed to do the work, whether they will be available when needed, and any funding or time constraints.
Sequencing all activities	The schedule should be planned so that critical project dates can be met. To do this, activities need to be logically sequenced—that is, listed in the order in which they are to be carried out. In particular, activities that must be completed before other activities can begin (predecessor activities), as well as activities that cannot begin until other activities are completed (successor activities), should be identified. Date constraints and lags should be minimized and justified. This helps ensure that the interdependence of activities that collectively lead to the completion of events or milestones can be established and used to guide work and measure progress.
Assigning resources to all activities	The schedule should reflect the resources (labor, materials, and overhead) needed to do the work, whether they will be available when needed, and any funding or time constraints.
Establishing the duration of all activities	The schedule should realistically reflect how long each activity will take. When the duration of each activity is determined, the same rationale, historical data, and assumptions used for cost estimating should be used. Durations should be reasonably short and meaningful and allow for discrete progress measurement. Schedules that contain planning and summary planning packages as activities will normally reflect longer durations until broken into work packages or specific activities.
Verifying that the schedule can be traced horizontally and vertically	The detailed schedule should be horizontally traceable, meaning that it should link products and outcomes associated with other sequenced activities. These links are commonly referred to as handoffs and serve to verify that activities are arranged in the right order for achieving aggregated products or outcomes. The integrated master schedule (IMS) should also be vertically traceable—that is, varying levels of activities and supporting subactivities can be traced. Such mapping or alignment of levels enables different groups to work to the same master schedule.
Confirming that the critical path is valid	The schedule should identify the program critical path—the path of longest duration through the sequence of activities. Establishing a valid critical path is necessary for examining the effects of any activity's slipping along this path. The program critical path determines the program's earliest completion date and focuses the team's energy and management's attention on the activities that will lead to the project's success.
Ensuring reasonable total float	The schedule should identify reasonable float (or slack)—the amount of time by which a predecessor activity can slip before the delay affects the program's estimated finish date—so that the schedule's flexibility can be determined. Large total float on an activity or path indicates that the activity or path can be delayed without jeopardizing the finish date. The length of delay that can be accommodated without the finish date's slipping depends on a variety of factors, including the number of date constraints within the schedule and the amount of uncertainty in the duration estimates, but the activity's total float provides a reasonable estimate of this value. As a general rule, activities along the critical path have the least float.

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**Appendix IV: 10 Leading Practices for  
Developing High-Quality Schedule Estimates**

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Conducting a schedule risk analysis	A schedule risk analysis uses a good critical path method (CPM) schedule and data about project schedule risks and opportunities as well as statistical simulation to predict the level of confidence in meeting a program's completion date, determine the time contingency needed for a level of confidence, and identify high-priority risks and opportunities. As a result, the baseline schedule should include a buffer or reserve of extra time.
Updating the schedule using actual progress and logic	Progress updates and logic provide a realistic forecast of start and completion dates for program activities. Maintaining the integrity of the schedule logic at regular intervals is necessary to reflect the true status of the program. To ensure that the schedule is properly updated, people responsible for the updating should be trained in critical path method scheduling.
Maintaining a baseline schedule	A baseline schedule is the basis for managing the project scope, the time period for accomplishing it, and the required resources. The baseline schedule is designated the target schedule, subject to a configuration management control process, against which project performance can be measured, monitored, and reported. The schedule should be continually monitored so as to reveal when forecasted completion dates differ from planned dates and whether schedule variances will affect downstream work. A corresponding baseline document explains the overall approach to the project; defines custom fields in the schedule file; details ground rules and assumptions used in developing the schedule; and justifies constraints, lags, long activity durations, and any other unique features of the schedule.

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Source: GAO. | GAO-14-648

# Appendix V: Summary Assessment of St. Elizabeths 2013 Cost Estimate Compared with Leading Practices

We assessed the Department of Homeland Security (DHS) and General Services Administration (GSA) cost estimate using the framework of the four characteristics—comprehensive, well documented, accurate, and credible—associated with high-quality, reliable cost estimates. Table 11 provides greater detail on our comparison of the estimate with leading practices that constitute the four cost-estimating characteristics.

**Table 11: Summary Assessment of St. Elizabeths 2013 Cost Estimate Compared with Leading Practices**

Characteristic	Overall assessment	Leading practice	Individual assessment
Comprehensive	●	The cost estimate includes all life-cycle costs	●
		The cost estimate completely defines the program, reflects the current schedule, and is technically reasonable	●
		The cost estimate is product-oriented, traceable to the statement of work/objective, and at an appropriate level of detail to ensure that cost elements are neither omitted nor double-counted.	●
		The estimate documents all cost-influencing ground rules and assumptions.	●
Well documented	●	The documentation should capture the source data used, the reliability of the data, and how the data were normalized.	●
		The documentation describes in sufficient detail the calculations performed and the estimating methodology used to derive each element's cost.	●
		The documentation describes step by step how the estimate was developed so that a cost analyst unfamiliar with the program could understand what was done and replicate it	○
		The documentation discusses the technical baseline description and the data in the baseline are consistent with the estimate	●
		The documentation provides evidence that the cost estimate was reviewed and accepted by management.	○
Accurate	○	The cost estimate results are unbiased, not overly conservative or optimistic and based on an assessment of most likely costs.	○
		The estimate has been adjusted properly for inflation.	●
		The estimate contains few, if any, minor mistakes.	●
		The cost estimate is regularly updated to reflect significant changes in the program so that it is always reflecting current status.	○
		Variances between planned and actual costs are documented, explained, and reviewed.	○
		The estimate is based on a historical record of cost estimating and actual experiences from other comparable programs.	○
		The estimating technique for each cost element was used appropriately	●



**Appendix V: Summary Assessment of St. Elizabeths 2013 Cost Estimate Compared with Leading Practices**

<b>Characteristic</b>	<b>Overall assessment</b>	<b>Leading practice</b>	<b>Individual assessment</b>
Credible	☉	The cost estimate includes a sensitivity analysis that identifies a range of possible costs based on varying major assumptions, parameters, and data inputs.	○
		A risk and uncertainty analysis was conducted that quantified the imperfectly understood risks and identified the effects of changing key cost driver assumptions and factors.	☉
		Major cost elements were cross-checked to see whether results were similar.	☉
		An independent cost estimate was conducted by a group outside the acquiring organization to determine whether other estimating methods produce similar results.	○

- = Fully meets: DHS/GSA provided complete evidence that satisfies the entire criterion
- = Substantially meets: DHS/GSA provided evidence that satisfies a large portion of the criterion
- ☉ = Partially meets: DHS/GSA provided evidence that satisfies about half of the criterion
- ☉ = Minimally meets: DHS/GSA provided evidence that satisfies a small portion of the criterion
- = Does not meet: DHS/GSA provided no evidence that satisfies any of the criterion

Source: GAO analysis of Department of Homeland Security and General Services Administration cost data. | GAO-14-648

# Appendix VI: Summary Assessment of St. Elizabeths 2008 and 2013 Schedule Estimates Compared with Leading Practices

We assessed Department of Homeland Security (DHS) and General Services Administration (GSA) schedule estimates using the framework of the four characteristics—comprehensive, well constructed, credible, and controlled—associated with high-quality, reliable schedule estimates. Table 12 provides greater detail on our comparison of both the 2008 and 2013 estimates with 10 specific leading practices that constitute the four schedule estimating characteristics.

**Table 12: Summary Assessment of St. Elizabeths 2008 and 2013 Schedule Estimates Compared with Leading Practices**

Characteristic	Overall assessment		Leading practice	Individual assessment	
	2008 schedule	2013 schedule		2008 schedule	2013 schedule
Comprehensive	○	○	Capturing all activities	○	○
			Assigning resources to all activities	○	○
			Establishing the duration of all activities	●	●
Well constructed	○	○	Sequencing all activities	●	○
			Confirming that the critical path is valid	○	○
			Ensuring reasonable total float	○	○
Credible	○	○	Verifying that the schedule is traceable horizontally and vertically	○	○
			Conducting a schedule risk analysis	○	○
Controlled	○	○	Updating the schedule with actual progress and logic	○	○
			Maintaining a baseline schedule	○	○

- = Fully meets: DHS/GSA provided complete evidence that satisfies the entire criterion
- = Substantially meets: DHS/GSA provided evidence that satisfies a large portion of the criterion
- ◐ = Partially meets: DHS/GSA provided evidence that satisfies about half of the criterion
- = Minimally meets: DHS/GSA provided evidence that satisfies a small portion of the criterion
- = Does not meet: DHS/GSA provided no evidence that satisfies any of the criterion

Source: GAO analysis of Department of Homeland Security and General Services Administration schedule data. | GAO-14-648

# Appendix VII: Comments from the Department of Homeland Security

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

September 12, 2014

Mr. David Maurer  
Director, Homeland Security and Justice Issues

Mr. David J. Wise  
Director, Physical Infrastructure Issues  
U.S. Government Accountability Office  
441 G. Street NW  
Washington, DC 20548

Re: Draft Report GAO-14-648, "FEDERAL REAL PROPERTY: DHS and GSA Need to Strengthen the Management of DHS Headquarters Consolidation"

Dear Messrs. Maurer and Wise:

Thank you for the opportunity to review and comment on this draft report. The Department of Homeland Security (DHS) appreciates the Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

As GAO notes, several factors have changed since DHS began planning its consolidated headquarters in 2005, and that the project has not received the level of funding that DHS and General Services Administration (GSA) officials originally requested. The Department is concerned that the report does not sufficiently describe the different roles and responsibilities between GSA and DHS in the planning and execution of the headquarters consolidation project. In short, GSA serves as the broker/property manager and DHS is the tenant. This distinction in agency roles is critical to avoiding possible misunderstandings concerning which agency is the most appropriate one to address the recommendations in this report.

As a tenant agency, DHS's role is to establish programmatic requirements; budget for and fund tenant responsible items; provide oversight on GSA's use of DHS funds; validate that GSA-managed design and construction activities meet DHS operational and program requirements; and, coordinate with GSA and other stakeholders throughout the process, as appropriate. DHS does not make any housing decisions; did not select the St. Elizabeths site; and does not award or manage any contracts for design or construction, infrastructure development, outfitting, or move planning/execution. All of these activities are managed by GSA in accordance with GSA policies and under GSA supervision and oversight. While DHS cooperates with GSA and helps facilitate completion of these activities, as appropriate, DHS does not have any supervisory control over the activities.

The Department is also concerned that the report seems overly focused on "leading practices" as opposed to being more outcome- and results-oriented. DHS agrees that enhancements related to project estimating and scheduling practices are possible, although we believe GSA, in concert with

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DHS, has already conducted sufficient analysis to support the practices identified in this document. It is just as important to note that GSA and DHS successfully delivered the Douglas A. Munro Coast Guard Headquarters Building on-time and within budget for the portions of the project funded by the Congress.

Effective capital planning requires sound, sustainable and reliable capital budgeting programs for GSA and executive agencies. The fact that this project has not received the level of funding that GSA and DHS originally requested by the Administration cannot be overemphasized.

Regardless of whether the St. Elizabeths campus is built out as originally envisioned, DHS must proceed with headquarters consolidation within the National Capitol Region. Approximately 70 percent of DHS and Component Headquarters occupancies in various commercial leased facilities will expire between FY 2016-2020. These leases must be re-competed. These are not discretionary investments, but rather “must pay” requirements. Of note, GAO has previously acknowledged the long-term cost-benefits to agencies in shifting high-value (prospectus level) commercial leases to federal space.<sup>1</sup>

While we are disappointed with much of the context and perspective presented in this report, it contains three recommendations, with which the Department concurs. Specifically, GAO recommended that:

**Recommendation 1:** The Secretary of Homeland Security and the Administrator of GSA work jointly to conduct the following assessments and use the results to inform updated DHS headquarters consolidation plans:

- a comprehensive needs assessment and gap analysis of current and needed capabilities that take into consideration changing conditions, and
- an alternatives analysis that identifies the costs and benefits of leasing and construction alternatives for the remainder of the project and prioritizes options to account for funding instability.

**Response:** Concur. GSA and DHS have already completed a draft enhanced consolidation plan which DHS believes includes the needs assessment and gap analysis envisioned by GAO. In addition, the cost-benefit analysis of leasing versus construction completed during development of the original project master plan has been updated to reflect current conditions and included as part of this plan. The draft enhanced consolidation plan is pending Office of Management and Budget (OMB) clearance and, until cleared, it remains a pre-decisional and deliberative document that cannot be shared with GAO. We anticipate that OMB will clear the plan sometime on or before submission of the President’s FY 2016 Budget to Congress. Estimated Completion Date (ECD): February 27, 2015.

**Recommendation 2:** After revising the DHS headquarters consolidation plans, the Secretary of Homeland Security and the Administrator of GSA work jointly to develop revised cost and schedule estimates for the remaining portions of the consolidation project that conform to GSA

<sup>1</sup> See GAO, “FEDERAL REAL PROPERTY: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases,” GAO-13-744 (Washington, D.C.: September 2013), pages 25 and 34.

guidance and leading practices for cost and schedule estimation, including independent evaluation of the estimates.

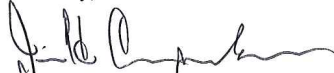
**Response:** Concur. A revised programmatic schedule and estimate was created in conjunction with development of the enhanced coordination plan. DHS defers to GSA as to whether this estimate conforms to GSA or other criteria for cost and schedule estimation, since the project is being managed and executed by GSA and not DHS. In addition, DHS defers to GSA regarding the accomplishment of any independent evaluation of the estimate, again because the project is being managed and executed by GSA and not DHS. ECD: To be determined by GSA.

**Recommendation 3:** The Secretary of Homeland Security designate the headquarters consolidation program a major acquisition, consistent with DHS acquisition policy, and apply DHS acquisition policy requirements.

**Response:** Concur. This project is being managed by GSA in accordance with GSA acquisition policies and under GSA supervision and oversight; the full project is not governed by DHS. However, the Acting Under Secretary for Management has determined that the DHS-funded portions of the St. Elizabeths project will come under the purview of the DHS Acquisition Review Board for oversight effective immediately to assure senior leadership visibility over DHS funds executed by GSA. We request that GAO consider this recommendation resolved and closed.

Again, thank you for the opportunity to review and provide comments on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,



Jim H. Crumpacker, CIA, CFE  
Director  
Departmental GAO-OIG Liaison Office

# Appendix VIII: Comments from General Services Administration



The Administrator

September 9, 2014

The Honorable Gene L. Dodaro  
Comptroller General of the United States  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the draft report, "Federal Real Property: DHS and GSA Need to Strengthen the Management of DHS Headquarters Consolidation" (GAO-14-648). The DHS consolidation represents a unique opportunity to reduce future real estate costs, enhance mission effectiveness through co-location, and redevelop an underutilized asset already in the Federal portfolio. GSA successfully delivered Phase 1, the Douglas A. Munro Coast Guard Headquarters Building, and I anticipate an on-time and on-budget delivery of the next phase of St. Elizabeth's, a \$155 million investment to upgrade the historic Center Building.

As GAO has noted many times, the uncertainty in funding and limited access to the Federal Buildings Fund creates a serious challenge for the management of real property.<sup>1</sup> In the case of St. Elizabeth's, piecemeal funding of project phases has extended the schedule and reduced opportunities for cost savings through sharing resources and infrastructure among phases. GSA supports previous recommendations by GAO for Congress to develop alternative budget structures that allow for greater consistency in funding and project planning, and until Congress restores GSA's full and consistent access to the Federal Buildings Fund, the Government will continue to see cost increases and schedule delays for long-term, multi-phase construction projects.

GSA agrees with GAO's recommendation to conduct a "comprehensive needs assessment and gap analysis of current and needed capabilities that take into consideration changing conditions, and an alternatives analysis that identifies the costs and benefits of leasing and construction alternatives for the remainder of the project and prioritizes options to account for funding instability." As stated in the report, I have already begun this assessment and will include an alternatives analysis that further improves efficiency and savings. The St. Elizabeth's Consolidation Enhanced Plan will not only improve processes but reduce costs by decreasing the overall footprint,

<sup>1</sup> "Capital Financing: Alternative Approaches to Budgeting for Federal Real Property" (GAO-14-239) and "Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities" (GAO-12-646).

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reexamining original project requirements, and integrating the efficient use of leased space based on a review of DHS leases throughout the National Capital Region. GSA and DHS are working closely together and will share this plan with stakeholders upon completion.

Finally, I also agree with the recommendation to “develop revised cost and schedule estimates for the remaining portions of the consolidation project that conform to GSA guidance and leading practices for cost and schedule estimation, including an independent evaluation of the estimates.” GSA plans to update these estimates upon completion of the Enhanced Plan, and may adopt some of the leading practices referenced by GAO. Several of the leading practices GAO identifies are better suited to non-real estate investments such as weapons systems, spacecraft, aircraft carriers, and software systems. However, quantifying risk and uncertainty are important considerations for real property projects in an uncertain funding environment. GSA will use this leading practice in the St. Elizabeth’s Enhanced Plan and include it in future revisions of GSA policies.

GSA is developing specific actions in response to each of the recommendations. I am confident that these actions will satisfactorily remedy the concerns raised by GAO. If you have any additional questions or concerns, please do not hesitate to contact me at (202) 501-0800, or Ms. Lisa Austin, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,



Dan Tangherlini

cc: David J. Wise, Director, Physical Infrastructures Issues, GAO  
David C. Maurer, Director, Homeland Security and Justice Issues, GAO

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# Appendix IX: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

David C. Maurer, Director, Homeland Security and Justice Issues, (202) 512-9627 or [maurerd@gao.gov](mailto:maurerd@gao.gov)

David J. Wise, Director, Physical Infrastructure Issues, (202) 512-2834 or [wised@gao.gov](mailto:wised@gao.gov)

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## Staff Acknowledgments:

In addition to the contacts named above, John Mortin (Assistant Director), Karen Richey (Assistant Director), Juana Collymore, Giselle Cubillos, Daniel Hoy, Abishek Krupanand, Jennifer Leotta, and David Lutter made key contributions to this report. Also contributing to this report were Charles Bausell, Susan Hsu, Eric Hauswirth, Tracey King, Linda Miller, Jan Montgomery, and Cynthia Saunders.



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