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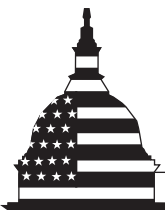
Testimony
Before the Committee on Veterans'
Affairs, House of Representatives

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VA REAL PROPERTY

**Realignment Progressing,
but Greater Transparency
about Future Priorities Is
Needed**

Statement of Lorelei St. James
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Why GAO Did This Study

The Department of Veterans Affairs (VA) has undertaken various planning efforts to realign its real property portfolio, including the Capital Asset Realignment for Enhanced Services (CARES), creation of a 5-year capital plan, and its newest effort, the Strategic Capital Investment Planning process (SCIP). Through these efforts, VA has identified numerous real property priorities it believes should be completed if the agency's facilities are to meet veterans' needs for services now and in the future. In January 2011, GAO reported on the extent to which VA's capital planning efforts (1) have resulted in changes to its real property portfolio and (2) follow leading practices and provide information for informed decision making. This statement summarizes the results of this report. To perform the work for the report, GAO reviewed leading capital planning practices and data on VA's real property portfolio and future priorities. GAO also interviewed VA officials and veterans service organizations and visited sites in 5 of VA's 21 veterans integrated service networks.

What GAO Recommends

In the report, GAO recommended that VA annually provide to Congress the full results of its SCIP process and any subsequent capital planning efforts, including details on estimated costs of future projects. VA concurred with this recommendation.

VA REAL PROPERTY

Realignment Progressing, but Greater Transparency about Future Priorities Is Needed

What GAO Found

GAO reported that, through its capital planning efforts, VA had taken steps to realign its real property portfolio from hospital based, inpatient care to outpatient care, but a substantial number of costly projects and other long-standing challenges also remain. Several of VA's most recent capital projects—such as community based outpatient clinics, rehabilitation centers for blind veterans, and a spinal cord injury center—were based on its CARES efforts and subsequent capital planning. VA officials and veterans service organizations GAO contacted agreed that these facilities have had a positive effect on veterans' access to services. However, VA had identified several high-cost priorities such as facility repairs and projects that have not yet been funded. For example, VA reported in its 5-year capital plan for fiscal years 2010-2015 that it had a backlog of \$9.4 billion of facility repairs. The 5-year plan further identified an additional \$4.4 billion in funding to complete 24 of the 69 ongoing major construction projects. Besides substantial funding priorities, GAO also found that VA, like other agencies, has faced underlying obstacles that have exacerbated its real property management challenges and can also impact its ability to fully realign its real property portfolio. GAO previously reported that such challenges include competing stakeholder interests, legal and budgetary limitations, and capital planning processes that did not always adequately address such issues as excess and underutilized property.

VA's capital planning efforts generally reflected leading practices, but lacked transparency about the cost of future priorities that could better inform decision making. For example, VA's 2010-2015 capital plan linked its investments with its strategic goals, assessed the agency's capital priorities, and evaluated various alternatives. Also, SCIP strengthened VA's capital planning efforts by extending the horizon of its 5-year plan to 10 years and providing VA with a longer range picture of the agency's future real property priorities. VA officials told GAO that SCIP builds on its existing capital planning processes, addresses leading practices, and further strengthens VA's efforts in some areas. GAO has not fully assessed SCIP and it remains to be seen what impact SCIP will have on the results of VA's capital planning efforts. While these changes were positive steps, GAO found that VA's planning efforts lacked transparency regarding the magnitude of costs of the agency's future real property priorities, which may limit the ability of VA and Congress to make informed funding decisions among competing priorities. For instance, for potential future projects, VA's 2010-2015 capital plan only listed project name and contained no information on what these projects were estimated to cost or the priority VA had assigned to them beyond what was then the current budget year. Transparency about future requirements would benefit congressional decision makers by putting individual project decisions in a long-term, strategic context, and placing VA's fiscal situation within the context of the overall fiscal condition of the U.S. government.

Chairman Miller, Ranking Member Filner, and Members of the Committee:

I am pleased to be here today as you examine construction planning issues related to the Department of Veterans Affairs (VA). VA is one of the largest federal property-holding agencies, with more than 33,000 acres of land and over 5,500 buildings. VA uses this diverse inventory of real property to ensure that veterans receive medical care, benefits, social support, and lasting memorials. Over time, VA has recognized the need to modernize its facilities and realign its real property portfolio to provide accessible, high-quality, and cost-effective access to its services. Its Capital Asset Realignment for Enhanced Services (CARES) planning effort, which began over a decade ago, was designed to assess its building and land ownership in response to changing veterans' inpatient and outpatient demand for care. Since its 2004 CARES decision report, VA has undertaken additional planning efforts to realign its real property portfolio. For example, with its annual budget submission to Congress, VA began including 5-year capital plans that included information about projects it was seeking to start, as well as the estimated costs from first year through completion. More recently, VA developed a Strategic Capital Investment Planning (SCIP) process, which is intended to continue VA's efforts to prioritize its most urgent real property priorities. Through these capital planning efforts, VA has identified numerous real property priorities that it believes should be completed if the agency's facilities are to meet veterans' demand for services.

This statement is primarily based on our January 2011 report, which addressed the impact of CARES and the effectiveness of VA's capital planning process.¹ This statement addresses the following questions also covered in the report:

1. To what extent have VA's capital planning efforts resulted in changes to its real property portfolio and what priorities remain?
2. To what extent do VA's capital planning efforts follow leading federal practices and provide the information needed for informed decision making?

To perform this work, we reviewed leading capital planning practices and data on VA's real property portfolio and future priorities. We also

¹GAO, *VA Real Property: Realignment Progressing, but Greater Transparency about Future Priorities Is Needed*, GAO-11-197 (Washington, D.C.: Jan. 31, 2011).

interviewed VA officials and veterans service organizations, and visited sites in 5 of VA's 21 veterans integrated service networks. More detailed information on our scope and methodology can be found in appendix I of the report.

Our work was performed in accordance with generally accepted government auditing standards. This report did not assess the results of VA's capital planning proposals that are reflected in the President's fiscal year 2012 budget, which was released after our report was issued.

In summary, we found that through its capital planning efforts, VA had taken steps to realign its real property portfolio from hospital based, inpatient care to outpatient care, but a substantial number of costly projects and other long-standing challenges also remain. Several of VA's most recent capital projects—such as community based outpatient clinics, rehabilitation centers for blind veterans, and a spinal cord injury center—were based on its CARES efforts and subsequent capital planning. VA officials and veterans service organizations we contacted agreed that these facilities have had a positive effect on veterans' access to services. However, VA had identified several high-cost priorities such as facility repairs and projects that have not yet been funded. For example, VA reported in its 5-year capital plan for fiscal years 2010-2015 that it had a backlog of \$9.4 billion of facility repairs. The 5-year plan further identified an additional \$4.4 billion in funding to complete 24 of the 69 ongoing major construction projects. Besides substantial funding priorities, we also found that VA, like other agencies, has faced underlying obstacles that have exacerbated its real property management challenges and can also impact its ability to fully realign its real property portfolio. We have previously reported that such challenges include competing stakeholder interests, legal and budgetary limitations, and capital planning processes that did not always adequately address such issues as excess and underutilized property.

Furthermore, we found that VA's capital planning efforts generally reflected leading practices, but lacked transparency about the cost of future priorities that could better inform decision making. For example, VA's 2010-2015 capital plan linked its investments with its strategic goals, assessed the agency's capital priorities, and evaluated various alternatives. Also, SCIP strengthened VA's capital planning efforts by extending the horizon of its 5-year plan to 10 years, and providing VA with a longer range picture of the agency's future real property priorities. VA officials told us that SCIP builds on its existing capital planning processes, addresses leading practices, and further strengthens VA's efforts in some areas. We

have not fully assessed SCIP and it remains to be seen what impact SCIP will have on the results of VA's capital planning efforts. While these changes were positive steps, we found that VA's planning efforts lacked transparency regarding the magnitude of costs of the agency's future real property priorities, which may limit the ability of VA and Congress to make informed funding decisions among competing priorities. For instance, for potential future projects, VA's 2010-2015 capital plan only listed project name and contained no information on what these projects were estimated to cost or the priority VA had assigned to them beyond what was then the current budget year. Transparency about future requirements would benefit congressional decision makers by putting individual project decisions in a long-term, strategic context, and placing VA's fiscal situation within the context of the overall fiscal condition of the U.S. government. It is important to note that providing future cost estimates to Congress for urgent, major capital programs is not without precedent in the federal government. Other federal agencies, such as the Department of Defense, have provided more transparent estimates to Congress regarding the magnitude of its future capital priorities beyond immediate budget priorities.

We concluded in our report that billions of dollars have already been appropriated to VA to realign and modernize its portfolio. Furthermore, VA had identified ongoing and future projects that could potentially require several additional billion dollars over the next few years to complete. Given the fiscal environment, VA and Congress would benefit from a more transparent view of potential projects and their estimated costs. Such a view would enable VA and Congress to better evaluate the full range of real property priorities over the next few years and, should fiscal constraints so dictate, identify which might take precedence over the others. In short, more transparency would allow for more informed decision making among competing priorities, and the potential for improved service to veterans over the long term would likely be enhanced. To enhance transparency and allow for more informed decision making related to VA's real property priorities, we recommended that the Secretary of Veterans Affairs provide the full results of VA's SCIP process and any subsequent capital planning efforts, including details on the estimated cost of all future projects, to Congress on a yearly basis. VA concurred with the recommendation. We have not yet assessed the extent to which VA has implemented our recommendation in relation to the President's 2012 budget.

Finally, I would also like to refer to a report we issued in December 2009, on VA construction.² This report may be relevant to today's discussion because it assessed VA's cost estimating approach for major projects. We found that while about half of 32 major ongoing construction projects we reviewed were within VA's budget, 18 projects experienced cost increases, and 11 had experienced schedule delays since they were first submitted to Congress. Five projects experienced a cost increase of over 100 percent. There were several reasons for construction project cost increases and schedule delays, including VA preparing initial cost estimates that were not thorough, significant changes to project scope after the initial estimate was submitted, and unforeseen events such as an increase in the cost of construction materials. VA had taken steps to improve initial construction project cost estimates, but we reported that it could better assess the risks to costs and schedules. We recommended that for all major projects, VA conduct a cost risk analysis, a schedule risk analysis when appropriate, and require the use of an integrated master schedule. VA concurred with our recommendations.

Chairman Miller, Ranking Member Filner, and Members of the Committee, this concludes my prepared remarks. I would be happy to answer any questions that you may have.

For further information regarding this statement, please contact Lorelei St. James at (202) 512-2834 or at stjamesl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. David Sausville, Assistant Director; George Depaoli; and Erica Miles also made key contributions to this statement.

²GAO, *VA Construction: VA Is Working to Improve Project Cost Estimates, but Should Analyze Cost and Schedule Risks*, [GAO-10-189](#) (Washington D.C.: Dec. 14, 2009).

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