

January 2011

VA REAL PROPERTY

Realignment Progressing, but Greater Transparency about Future Priorities Is Needed



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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.

This congressionally requested report addresses 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. To perform this work, 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

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

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Realignment Progressing, but Greater Transparency about Future Priorities Is Needed

What GAO Found

Through its capital planning efforts, VA has 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 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 has 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, 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 has 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 reflect leading practices, but lack transparency about the cost of future priorities that could better inform decision making. For example, GAO found that VA's 5-year capital plan links its investments with its strategic goals, assesses the agency's capital priorities, and evaluates various alternatives. Also, SCIP strengthens 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. While these are positive steps, VA's planning efforts lack 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 5-year capital plan only lists project name and contains no information on what these projects are estimated to cost or the priority VA has assigned to them beyond the current budget year. VA officials said during the review that they are considering the release of future year capital cost estimates to Congress. 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. 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.

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Abbreviations

CARES	Capital Asset Realignment for Enhanced Services
CBOC	community-based outpatient clinic
DOD	Department of Defense
NCA	National Cemetery Administration
OMB	Office of Management and Budget
SCIP	Strategic Capital Investment Planning
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Networks

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

January 31, 2011

The Honorable Bob Filner
Ranking Member
Committee on Veterans' Affairs
House of Representatives

The Honorable Michael H. Michaud
Ranking Member
Subcommittee on Health
Committee on Veterans' Affairs
House of Representatives

The Honorable Daniel K. Akaka
United States Senate

The Department of Veterans Affairs (VA) is one of the largest federal property-holding agencies, with more than 33,000 acres of land and over 5,500 buildings.¹ VA uses this diverse inventory of real property to provide health care and other services to millions of veterans. 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 services. For example, in 1999, VA initiated the Capital Asset Realignment for Enhanced Services (CARES) to assess its building and land ownership in response to changing veterans' inpatient and outpatient demand for care. The CARES assessment resulted in several recommendations to modify VA's real property portfolio, including the closing of some hospitals and the opening of smaller more accessible clinics. After VA released the initial CARES findings, the Secretary of Veterans Affairs appointed the CARES commission—composed of independent stakeholders, including former VA administrators, veterans, and health care professionals—to bring an external perspective to the CARES

¹The total acres of U.S. land and buildings under the jurisdiction and control of VA are as of October 2009.

findings and to recommend which projects VA should undertake.² The commission issued its report to VA in February 2004,³ and, after reviewing the report, VA issued the *CARES Decision* report in May 2004 to Congress and other stakeholders, such as veterans service organizations. The decision report listed projects and actions that VA planned to take over the next 20 years, as well as the tools and principles that the agency planned to use to realign its infrastructure and upgrade its facilities.⁴

Since the May 2004 decision report, VA has undertaken additional planning efforts to realign its real property portfolio. For example, VA now includes with its annual budget submission to Congress, a 5-year capital plan that includes information about projects it seeks to begin in the current budget year, as well as their estimated costs from first year through completion. VA is also developing 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. As requested, we assessed the impact of CARES and the effectiveness of VA's capital planning process. In that context, this report addresses the following questions:

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 answer these questions, we reviewed relevant laws and agency documents on the status of VA's capital projects, including CARES implementation monitoring reports and VA's annual budget submissions to

²The independent, 16-member CARES commission was chartered in December 2003. The commission issued recommendations to the Secretary on the basis of its review of the Draft National CARES Plan and related information obtained through public hearings, site visits, public meetings, written comments from veterans and other stakeholders, and consultations with experts.

³CARES Commission, *Capital Asset Realignment for Enhanced Services*, a report to the Secretary of Veterans Affairs (Washington, D.C.: February 2004).

⁴Department of Veterans Affairs, Office of the Secretary, *CARES Decision* (Washington, D.C.: 2004).

Congress. We also interviewed VA officials located in VA's central office in Washington, D.C., and six Veterans Integrated Service Networks (VISN).⁵ To gain further insight on the steps VA took to realign its real property portfolio, we observed ongoing and completed projects at five of the six selected VISNs. The VISNs were selected using a scale of small, medium, and large, based on the number of veterans served; we chose two VISNs from each of those categories. We visited various types of facilities—renovated or built since the CARES decision—in five of those selected VISNs across the United States.⁶ Among the VISNs, we observed various types of facilities on the basis of seven CARES decisions that VA is tracking.⁷ Regarding VA's capital planning efforts, we reviewed various documents, such as its 5-year capital plan and its proposal regarding SCIP. We also interviewed officials from VA and five veterans service organizations. Additionally, we considered the results of prior GAO reports and the Office of Management and Budget (OMB) guidance on leading federal capital planning practices. We conducted this performance audit from January 2010 to January 2011, 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. (App. I contains additional information on our scope and methodology.)

Background

The mission of VA is to serve America's veterans and their families with dignity and compassion and to be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials. VA is a cabinet-level agency with a budget of over \$127 billion and is one of the world's largest health care, medical research, and insurance benefits

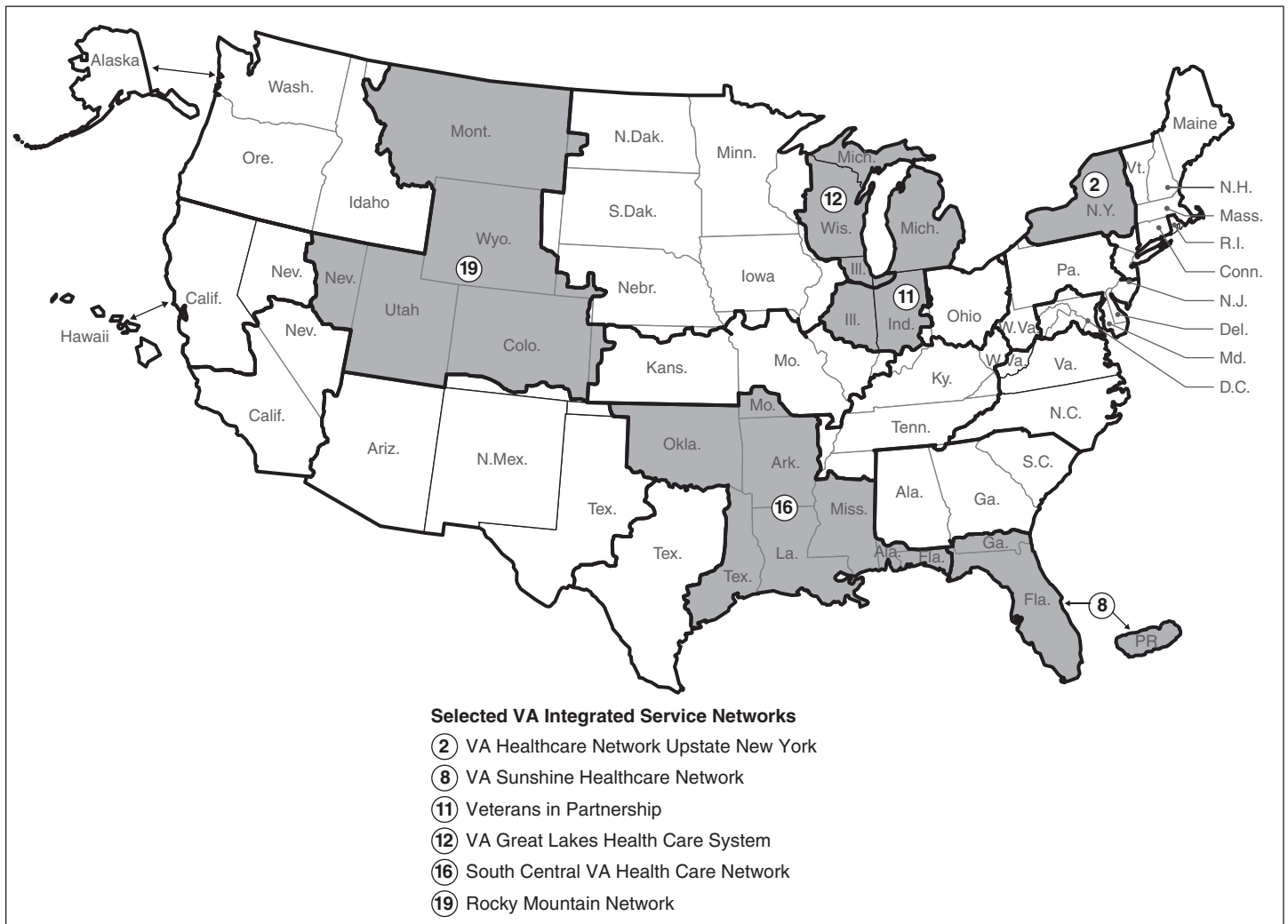
⁵VHA's facilities are organized into 21 regional networks, known as VISNs, that are structured to manage and allocate resources to VA health care facilities across the United States.

⁶We interviewed officials from the six VISNs that we selected. However, we did not travel to one of these VISNs because there were no projects completed or under construction to observe.

⁷VA is monitoring the implementation progress of seven CARES issues: (1) community-based outpatient clinics, (2) veteran rural access hospitals, (3) improved access and modernization, (4) special disability programs, (5) excess property, (6) VA/Department of Defense sharing, and (7) OneVA collaborations.

organizations. In addition to a central office, VA consists of three administrations that generally operate as distinct entities: the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA). VHA's facilities are organized into 21 regional networks, known as VISNs, that are structured to manage and allocate resources to VA health care facilities across the United States. Each VISN is also responsible for coordination and oversight of all administrative and clinical activities within its specified region of the country. We reviewed the status of capital projects in 6 of VA's 21 VISNs, as shown in figure 1.

Figure 1: Selected VA Veterans Integrated Service Networks

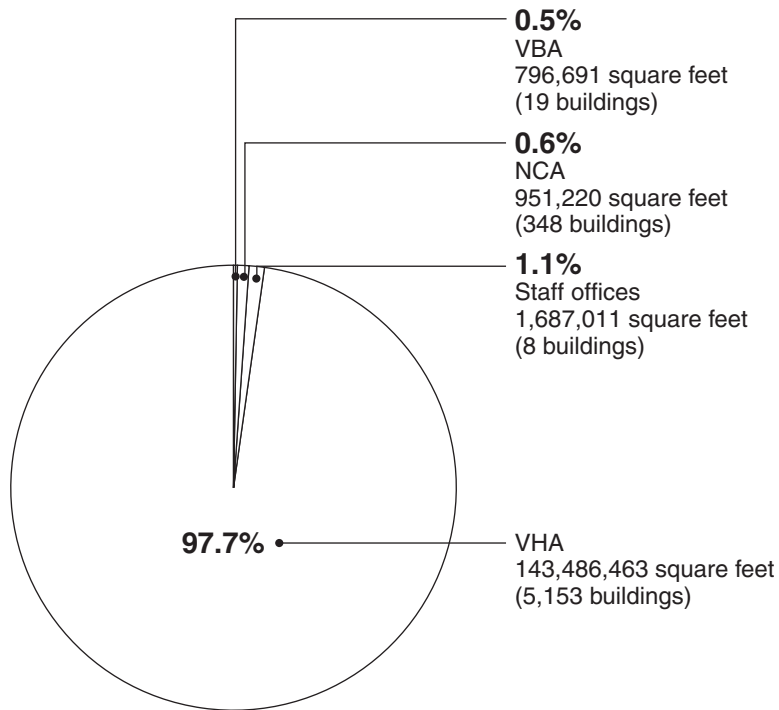


Sources: U.S. Department of Veterans Affairs, Map Resources (map), and GAO.

To provide services to veterans, VA's current real property portfolio consists of U.S.-owned buildings under VA jurisdiction and control. VA also generally has authority to enter into enhanced-use leases, 3-year outleases, and sharing agreements relating to its real property or space.⁸ The assets include, for example, hospitals, clinics, cemeteries, and office buildings where veterans access their many benefits and VA administers its programs. VHA is the largest administration and, in terms of the number of acres owned and square footage, includes the greatest portion of VA's real property portfolio, as shown in figure 2.

⁸Enhanced-use leases are typically long-term agreements with public and private entities for the use of VA property, resulting in cash, in-kind consideration, or both. VA is authorized to enter into an enhanced-use lease if it enhances the use of the property or results in an improvement of services to veterans in the network in which the property is located. Outlease agreements are agreements by which VA may lease real property under its jurisdiction and control for up to 3 years to public and private entities. Sharing agreements are agreements with entities to use VA space for the benefit of veterans or nonveterans in exchange for payment or services if VA's resources would not be used to their maximum effective capacity and would not adversely affect the care of veterans.

Figure 2: VA's Real Property Square Footage by Administration as of Fiscal Year 2009



Source: VA.

In response to our 1999 recommendations for improving agency capital asset planning and budgeting, VA initiated CARES.⁹ CARES was the first comprehensive, long-range assessment of VA's health care capital asset priorities since 1981 and was designed to assess buildings and land ownership under VA's jurisdiction and control in light of expected demand for VA inpatient and outpatient health care services across a planning horizon through fiscal year 2022. For example, VA recognized that the shift in veterans' demand for services could be met at community based outpatient clinics that are more geographically accessible to veterans than its hospitals. The CARES process validated gaps in VA's infrastructure and health care services provided to veterans. The process also included a set

⁹GAO, *VA Health Care: Improvements Needed in Capital Asset Planning and Budgeting*, [GAO/HEHS-99-145](#) (Washington, D.C.: Aug. 13, 1999); and *VA Health Care: Capital Asset Planning and Budgeting Need Improvement*, [GAO/T-HEHS-99-83](#) (Washington, D.C.: Mar. 10, 1999).

of tools for annual capital and strategic planning to enable VA to plan for real property needs to provide quality health care to veterans.

Also in response to our 1999 recommendations, VA developed formal 5-year capital plans that are submitted with its annual budget requests to Congress.¹⁰ The 5-year capital plan included in VA's fiscal year 2011 budget submission document includes the following: capital planning linked to the agency mission, strategic goals, and objectives; baseline assessments and identification of performance gaps—such as underutilized or vacant property and the backlog of repairs needed at its facilities; an alternatives evaluation and resulting risk management plan for these performance gaps; a description of the agency's planning and approvals process; and a long-term capital plan. Effective planning for capital investments is important for several reasons. First, over time, large amounts of federal funds are spent on capital assets. Second, the performance of capital assets affects how agencies are able to achieve their missions, goals, and objectives to provide service to the public. Finally, capital planning drives budgeting, procurement, and management of an agency's capital assets.

As VA increased its emphasis on outpatient care rather than inpatient care, it was left with an increasingly obsolete infrastructure, including many hospitals built or acquired more than 50 years ago in locations that are sometimes far from where veterans live. This challenge of misaligned infrastructure is not unique to VA. In January 2003, we identified federal real property management as a high-risk area, and VA was cited among those federal agencies that hold a majority of federally owned and leased space.¹¹ We also reported on VA's long-standing problems with excess and underutilized property,¹² deteriorating facilities, unreliable real property data, overreliance on costly leasing, and building security challenges. We did this to highlight the need for broad-based transformation in this area, which, if well implemented, will better position federal agencies to achieve mission effectiveness and reduce operating costs.

¹⁰GAO/HEHS-99-145 and GAO/T-HEHS-99-83.

¹¹GAO, *High Risk Series: Federal Real Property*, GAO-03-122 (Washington, D. C.: January 2003).

¹²Excess property means any property under the control of a federal executive agency that is not required for the agency's needs or the discharge of its responsibility. Underutilized means that other uses for these properties (such as enhanced-use leases) have not been identified.

As its newest capital planning effort, VA has initiated SCIP, which will be an agencywide review of VA's real property priorities and will inform its fiscal year 2012 annual budget submission.¹³ According to VA, SCIP will include six key components. Table 1 shows these components and the VA's planned actions to implement them.

Table 1: Key Components of VA's Strategic Capital Investment Planning Process and Planned Implementation Actions

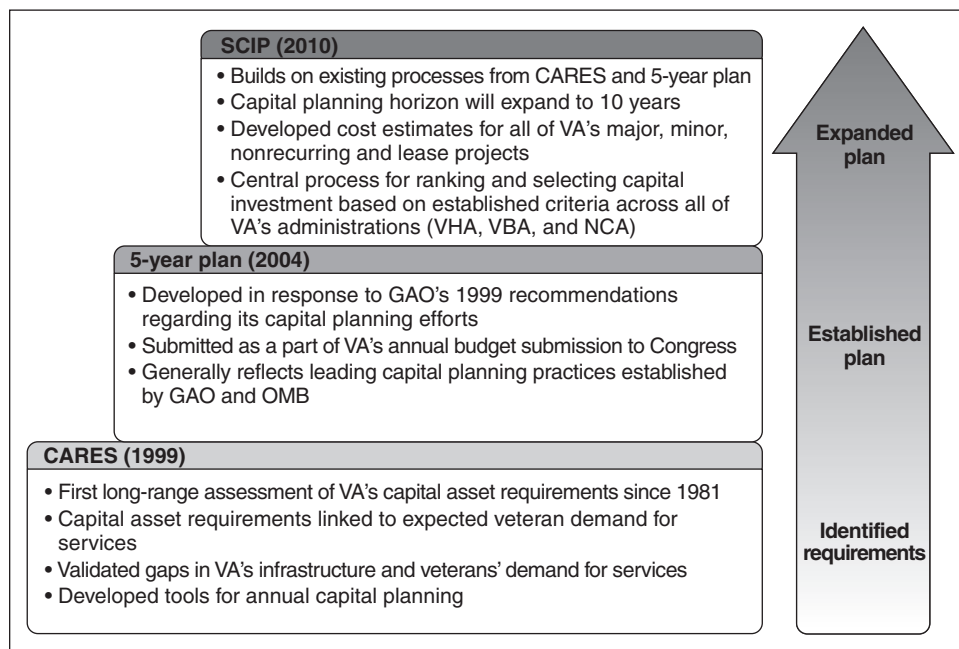
Key component	Planned implementation actions
Gap analysis	Identify performance gaps in various areas, including access and utilization, space, and condition.
Strategic capital assessment	Based on the gap analysis, each VISN or other area-level project owner prepares a strategic overview of their local 10-year plans and a narrative document explaining how gaps will be reduced, why certain investments were chosen, and how capital investments were prioritized.
Internal review and validation	Local plans will be centrally validated, evaluated, and consolidated into a prioritized project list across VA's administrations. The prioritization list will be communicated back to the VISNs or other area-level project owners to make corrections and adjustments.
10-year capital plan	VA will develop a 10-year plan that includes a prioritized list of projects with input from local networks. The capital plan will identify specific new investments and tie each investment to a reduction in gaps.
2012 decision criteria and weights	A process to prioritize projects across VA's administrations.
Feedback: Promote transparency and engage stakeholders	External stakeholders—Congress, OMB, GAO, and VSOs—were provided updates on the SCIP process at key decision points.

Source: VA.

¹³The congressional budget process is one of the phases of the overall federal budget process, during which Congress adopts its budget and enacts laws appropriating funds for the fiscal year. After review and revision, federal agency budget estimates are transmitted to Congress in the president's budget request. In accordance with current law, the President must transmit the budget request to Congress on or before the first Monday in February.

SCIP, which VA said builds on its existing capital planning processes, also addresses leading practices. It further strengthens VA's efforts in some areas and is still evolving and being refined. The SCIP components are linked to VA's previous capital planning efforts, including CARES and the development of its 5-year capital plan. Figure 3 illustrates VA's capital planning steps from 1999 to 2010.

Figure 3: VA's Capital Planning Steps 1999–2010



Source: GAO analysis of VA capital planning efforts.

VA Has Taken Steps to Realign Its Real Property Portfolio, but a Substantial Number of Costly Projects and Other Long-standing Challenges Remain

VA Has Taken Steps to Realign Its Real Property Portfolio

As a part of its shift from hospital based, inpatient care to outpatient care, VA has made changes to its real property portfolio on the basis of its May 2004 *CARES Decision* document and subsequent capital planning. As for specific *CARES Decision* projects, VA reported in its April 2010 *Implementation Monitoring Report on Capital Asset Realignment for Enhanced Services* that it has completed 13 of 59 planned major and minor construction projects, opened 82 of 156 planned community-based outpatient clinics (CBOC), and has another 19 ongoing major construction projects identified in the *CARES Decision*.¹⁴ As for net changes to VA's real property portfolio since the *CARES Decision*, our analysis of the data in VA's 5-year capital plans from 2004 to 2009 found that leases and leased space had increased due in part to VA's efforts to realign its portfolio towards more outpatient facilities, such as CBOCs and vet centers. These centers provide readjustment counseling and outreach services to all veterans and family members dealing with military-related issues. Although U.S.-owned buildings and vacant space¹⁵ under VA's jurisdiction and control show a decrease because of VA's disposal of assets,¹⁶ VA

¹⁴VA's budgets for new construction exist in two accounts—Major Construction and Minor Construction—which are funded as separate line items within VA's appropriation. Major construction projects are those estimated to cost more than \$10 million, while minor construction projects are those estimated to cost \$10 million or less. See 38 U.S.C. § 8104(a)(3)(A). Nonrecurring maintenance projects that may result in a change in space function or a renovation of existing infrastructure and are funded through the VHA Medical Facilities budget account.

¹⁵VA uses the term "owned" to differentiate between buildings, space and acreage the United States owns which are under VA's jurisdiction and control versus what it leases.

¹⁶GAO, *VA Real Property: VA Emphasizes Enhanced-Use Leases to Manage Its Real Property Portfolio*, [GAO-09-776T](#) (Washington, D.C.: June 10, 2009).

shows a net increase as a result of new construction projects. Similarly, the net increase in owned acreage can be attributed to property acquired by VA's National Cemetery Administration for new cemeteries. These results of VA's agencywide capital planning efforts since its March 2004 *CARES Decision* are shown in table 2.

Table 2: Net Changes to VA Real Property Portfolio, Fiscal Years 2004 and 2009

Year	Leases	Leased space (square feet)	Owned buildings	Owned space (square feet)	Owned acres	Vacant space (square feet, in millions)
2004	997	10,959,275	5,566	144,536,638	31,975	8.57 ^a
2009	1,432	15,689,289	5,528	146,921,385	33,888	6.93
Change	435	4,730,014	(38)	2,384,747	1,913	(1.64)

Source: GAO analysis of VA 5-year capital plan data.

^a*CARES Decision* baseline used as vacant space was not reported in VA's fiscal year 2004 5-year capital plan.

Our analysis also showed that, with the exception of hospitals, VA has expanded the number and types of buildings by which it delivers services. Table 3 shows VA's changes to its real property portfolio in terms of facility types.

Table 3: Net Changes to Selected VA Facility Types, 2004 and 2009

Facility type	As of November 2004	As of December 2009	Net change
Independent Outpatient Clinics ^a	4	6	2
Regional Office - Outpatient Clinics ^a	1	1	0
VA Hospitals ^b	157	153	(4)
VA National Cemeteries	120 ^c	130	10
VA Outpatient Clinics ^a	702	783	81
Vet Centers ^d	206	271	65

Source: GAO analysis of VA fiscal year budget submission data.

^aThese clinics provide the most common outpatient services, including health and wellness visits, without the hassle of visiting a larger medical center.

^bVA closed or changed the primary hospital mission of the following four VA medical center (VAMC) locations: Lakeside (Chicago) VAMC, Illinois; Gulfport VAMC, Mississippi; New Orleans VAMC, Louisiana; and Canandaigua VAMC, New York.

^cThis is the number of VA National Cemeteries as of September 30, 2004.

^dVet Centers provide readjustment counseling and outreach services to all veterans who served in any combat zone. Services are also available for family members dealing with military-related issues.

VA officials and stakeholders generally agreed that changes to the VA real property portfolio have benefited veterans. For example, both groups reported that the new facilities, such as more accessible clinics, had improved veteran access to services by limiting the distance that veterans travel to VA health care facilities. Officials from veteran service organizations with whom we spoke stated that upgrades to VA's real property portfolio had improved care for veterans. For example, these officials commented that real property changes in VA facilities in Denver, Colorado, and Syracuse, New York, have resulted in improved services for veterans with spinal cord injuries or diseases. Additionally, officials from VA's central office and the VISNs that we contacted cited recent initiatives, such as telehealth and telemental health services at CBOCs, as being beneficial to veterans.

To gain further insight on the steps that VA took to realign its real property portfolio, we observed ongoing and completed projects at 5 VISNs that demonstrated VA's changes in the areas that CARES identified as priorities: improved access, modernization, special disability programs, underutilized or vacant property, CBOCs, VA and the Department of Defense (DOD) collaboration, long-term care, and mental health. As such, we visited several facilities in those VISNs as described in figures 4 through 9.

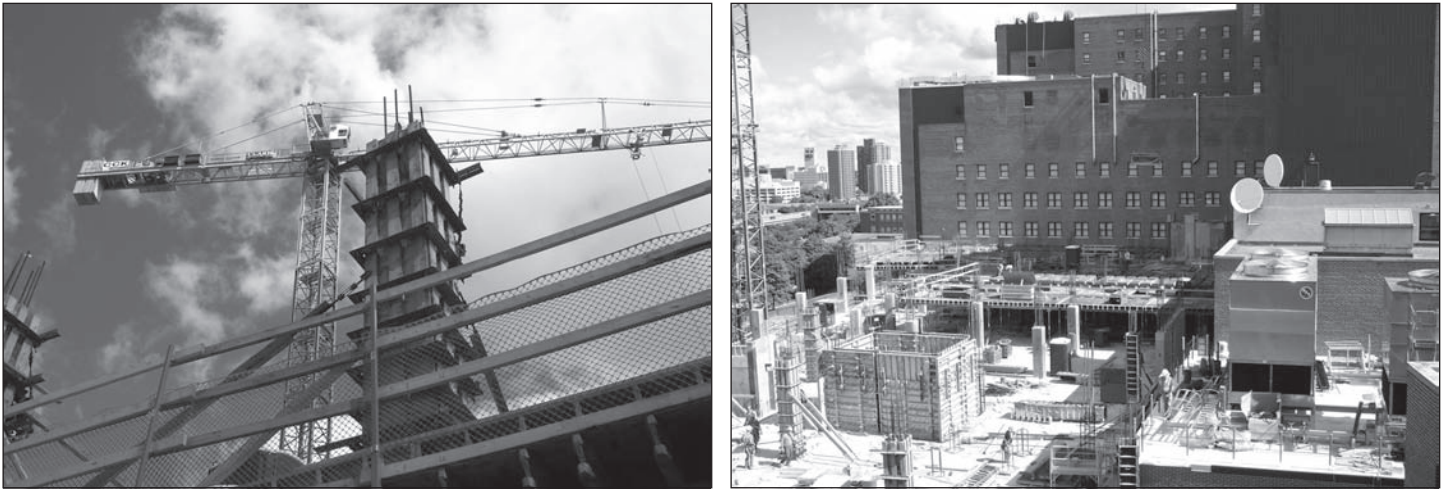
Figure 4: Ongoing construction of Orlando VA Medical Center, Florida



The 1 million-plus, square foot facility is planned to have 134 inpatient beds, a 120-bed community living center, and a 60-bed domiciliary. The hospital will also have radiation oncology services, eight operating rooms, two cardiac catheterization laboratories, two magnetic resonance imaging machines and several computed tomography scanners. An outpatient clinic and a veteran benefits office are also planned on-site. VISN officials told us the project is scheduled to complete construction in August 2012.

Source: GAO.

Figure 5: Ongoing construction of Spinal Cord Injury/Disease center at Syracuse VA Medical Center, New York



This six-floor addition includes a 30-bed center for treating spinal cord injuries, a therapeutic pool, expanded outpatient services, a dialysis program, and six new operating rooms. The construction also includes adding two levels to the current parking garage, with dedicated entrance to the center. VA initiated this project under CARES because services to treat acute spinal cord injuries in the VISN were limited. VISN officials told us the concrete portion of the construction project was scheduled to be completed the by the fall of 2010.

Source: GAO.

Figure 6: Joint Ambulatory Care Center, Pensacola, Florida



Opened in September 2008, the center (left) is shared by VA and DOD and provides services to veterans who reside in southern Alabama and the Florida Panhandle areas. The center provides primary, dental, vision (right), and mental-health care, as well as rehabilitation services, a women's clinic, and other specialty services.

Sources: GAO and VA.

Figure 7: Polytrauma Transitional Rehabilitation Program at James A. Haley Veteran's Hospital, Tampa, Florida



This program provides intensive rehabilitative care to veterans with multiple severe injuries, including traumatic brain injuries, that have resulted in physical, cognitive, psychological, or psychosocial impairments. For example, some patients live in dormitory-style apartments (left) and receive various treatments, including relearning household chores, such as cooking and laundry, in occupational therapy areas. Patients also use physical therapy areas in recovering from amputations and fractures (right).

Sources: GAO and VA.

Figure 8: Rehabilitation for Blind Veterans at Hines VA Medical Center, Illinois



Rehabilitation centers (left) provide services to support blind and low-vision veterans and active-duty service members in regaining their independence and quality of life. VA has a goal that its patients acquire the skills and capabilities necessary for the development of personal independence and emotional stability. For example, the center we visited provided various training on computers, using workshop tools such as saws (right), and learning to read Braille. Patients in the center are also shown how to use spatial markers—that is, area rugs, carpeting, and floor tiles, among other things—to help them orientate themselves when they are entering or exiting one part of a home or building and moving to another.

Sources: GAO and VA.

Figure 9: CBOCs in Aurora and Chicago, Illinois



CBOCs were created to place an emphasis on the importance of care for rural veterans, the availability of mental health services, and the flexibility of VISNs to relieve overcrowding at other facilities by moving care to a nearby outpatient setting. CBOCs we visited had telehealth capabilities, which allow CBOCs to link veterans to services outside their local travel area. Through these telehealth capabilities, veterans can receive services at their local clinic via video teleconference with specialty-care professionals that are not always available on-site. Some locations, such as the Aurora CBOC (left), have technology that can take diagnostic readings of the patient at the clinic and transmit those images to another location. The Chicago CBOC (right) not only has health care services, but has Department of Labor officials on-site to assist with job placement. The Chicago CBOC also has a computer room where veterans can use the Internet to apply for jobs and receive training.

Sources: GAO and VA.

VA Has Identified Several Costly Projects and, Like Other Agencies, Faces Persistent Underlying Obstacles in Managing Its Real Property Challenges

VA has been appropriated about \$16.7 billion from fiscal years 2004 through 2010 for major construction, minor construction, and nonrecurring maintenance. In addition, VA has identified several other high-cost projects that have not yet been funded. For example, VA reported in its 5-year capital plan for fiscal years 2010-2015 that agencywide, it has a backlog of \$9.4 billion of facility condition assessment deficiencies (repairs).¹⁷ Furthermore, due to incremental funding of projects,¹⁸ 24 of the 69 ongoing major construction projects listed in the plan needed an additional \$4.4 billion to complete.¹⁹ For example, the plan describes funding needed for the new medical facility in Denver. As of fiscal year 2010, VA has been funded only \$307 million of the estimated \$800 million total project cost. The President's budget for fiscal year 2011 included a request for \$451 million for this project. Even if this amount is funded, VA's 5-year capital plan reports that this project would still need an additional \$42 million to complete construction. VA officials commented that this phased approach enables the agency to request funding in stages that allow for the funding of independent and stand alone portions of projects to be built while allowing available resources to be utilized on other high-priority projects.

Like other agencies across the government, VA has faced underlying obstacles that have exacerbated its real property management challenges and caused them to persist over time. Specifically, we have previously reported on such challenges, including competing stakeholder interests, legal and budgetary limitations, and the need for improved capital planning. These challenges can impact the agency's ability to fully realign its real property portfolio. Regarding competing stakeholder interests, we have reported that VA has faced challenges in coordinating with historic preservation and community organizations, as well as managing established relationships with other health care providers, such as college

¹⁷VA uses contractors to conduct facility condition assessments to evaluate the condition of its assets at least once every 3 years. The contractor inspects all major systems in each building (e.g., structural, mechanical, plumbing, and others) and gives each system a grade of A (like-new condition) through F (critical condition and requires immediate attention). As part of this assessment, the contractor uses an industry cost database to estimate the correction costs for each system graded D or F—in poor or critical condition. VA's reported backlog is the sum of all identified correction costs.

¹⁸Incrementally funded projects are those for which budget authority is provided for only part of the estimated cost.

¹⁹GAO, *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 university partnerships.²⁰ While joint ventures for facilities present unique opportunities for VA to explore new ways to provide health care to veterans, it also raises issues for VA. These issues include the benefits and costs of investing in a joint facility compared with those of other alternatives, such as maintaining the existing facility or considering options with other health care providers in the area; legal matters associated with the new facility, such as leasing or transferring property, contracting, and employment; and potential concerns of stakeholders.

We have also identified legal and budgetary issues that can hamper agencies' efforts to address their excess and underutilized real property problems.²¹ For example, federal agencies must assess and may be required by law to pay for any environmental cleanup that may be needed before disposing of a property—a process that may require years of study and result in significant costs. Regarding VA, we have reported that some VA managers have retained excess property because the administrative complexity and costs of complying with these requirements were disincentives to disposal. For example, we previously reported that VA stated that except for enhanced-use leases, restrictions on retaining proceeds relating to VA controlled properties are a disincentive for VA to dispose of property. VA officials estimated that the average time it takes to implement an enhanced-use lease can range from 9 months to 2 years. VA can also dispose of underutilized and vacant property to other federal agencies and for programs for the homeless under the McKinney-Vento Act.²² However, VA officials stated that the process can average 2 years and that the agency may not receive compensation from such agreements entered into under this act.

Over the years, we have reported that (1) prudent capital planning can help agencies make the most of limited resources and (2) timely and effective capital acquisitions can result in economical acquisitions that are

²⁰GAO, *VA Health Care: VA Should Better Monitor Implementation and Impact of Capital Asset Alignment Decisions* [GAO-07-408](#) (Washington, D.C.: Mar. 21, 2007); and *Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*, [GAO-07-349](#) (Washington, D.C.: Apr. 13, 2007).

²¹GAO, *Federal Real Property: Progress Made in Reducing Unneeded Property, but VA Needs Better Information to Make Further Reductions*, [GAO-08-939](#) (Washington, D.C.: Sept. 10, 2008).

²²The McKinney-Vento Act, as amended, provides that property identified by agencies as unnecessary for mission requirements must first be made available to assist the homeless. See 42 U.S.C. 11411.

on budget, on schedule, and in line with mission needs and goals.²³ Both OMB²⁴ and GAO guidance²⁵ emphasize the importance of developing a long-term capital investment plan to guide the implementation of organizational goals and objectives and to help decision makers establish priorities over time. Capital planning is an especially important area for VA, given the agency's efforts to effect a large-scale transformation of its real property portfolio and the substantial capital investment these efforts will require.

VA's Capital Planning Efforts Generally Reflect Leading Practices, but Its Capital Plan Lacks Transparency about the Cost of Future Priorities That Could Better Inform Decision Making

Leading Practices in Capital Planning Have Been Established by OMB and GAO

Congress, OMB, and GAO have identified the need for effective capital planning. In addition, budgetary constraints and demands to improve performance in all areas have put pressure on agencies to make sound capital acquisition proposals. In the overall capital programming process, planning is the first phase—and, arguably, the most important—since it

²³ GAO, *VA Health Care: Key Challenges to Aligning Capital Assets and Enhancing Veterans' Care*, [GAO-05-429](#) (Washington, D.C.: Aug. 5, 2005).

²⁴ Office of Management and Budget, Supplement to Circular No. A-11, Part 7, *Capital Programming Guide* (Washington, D.C.: June 2006). This guide provides a single, integrated capital programming process for agencies to follow to ensure that capital assets successfully contribute to the achievement of agency strategic goals and objectives.






²⁵ GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

drives the remaining phases of budgeting, procurement, and management. OMB has issued various guidance and requirements for agencies to follow and use in developing disciplined capital programming processes, including the 1997 *Capital Programming Guide*, to provide agencies with a basic reference for establishing an effective process for making investment decisions.²⁶ In 1998, GAO issued its *Executive Guide* on the basis of a study of leading state and local government and private-sector capital investment practices.²⁷ Our guide (1) summarizes fundamental practices that have been successfully implemented by organizations that are recognized for their outstanding capital decision-making practices and (2) provides examples of leading practices from which the federal government may draw lessons and ideas. Although our guide focuses on fundamental practices, rather than detailed guidance, the practices represent actions and steps to be taken. In addition, the examples presented in our guide illustrate and complement many of the phases and specific steps contained in OMB's guide. There is a great deal of overlap in the OMB and GAO guides since both suggest similar fundamental practices that are essential to making effective capital investment decisions. Because of the importance of planning, we focused on VA's implementation of the concepts that underlie the planning phase of OMB's guide and planning practices in our guide (see fig.10).

²⁶ *Capital Programming Guide*.

²⁷ [GAO/AIMD-99-32](#).

Figure 10: Leading Capital Planning Practices, as Outlined in OMB and GAO Guidance

Planning practices	Description
<p>Strategic linkage</p> 	<p>Capital planning is an integral part of an agency’s strategic planning process. It provides a long-range plan for the capital asset portfolio in order to meet the goals and objectives in the agency’s strategic and annual performance plans. Agency strategic and annual performance plans should identify capital assets and define how they will help the agency achieve its goals and objectives. Leading organizations also view strategic planning as the vehicle that guides decision making for all spending.</p>
<p>Needs assessment and gap identification</p> 	<p>A comprehensive needs assessment identifies the resources needed to fulfill both immediate requirements and anticipated future needs 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 properly determine any performance gap between current and needed capabilities.</p>
<p>Alternatives evaluation</p> 	<p>Agencies should determine how best to bridge performance gaps by identifying and evaluating alternative approaches, including nonphysical capital options such as human capital. Before choosing to purchase or construct a capital asset or facility, leading organizations carefully consider a wide range of alternatives, such as contracting out, privatizing the activity, leasing, and whether existing assets can be used.</p>
<p>Review and approval of framework with established criteria for selecting capital investments</p> 	<p>Agencies should 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 organizationwide impact. As a part of this framework, proposed capital investments should be compared to one another to create a portfolio of major assets ranked in priority order.</p>
<p>Long-term capital investment plan</p> 	<p>The long-term capital plan should be the final and principal product resulting from the agency’s capital planning process. The capital plan, covering 5 years or more, should be the result of an executive review process that has determined the proper mix of existing assets and new investments needed to fulfill the agency’s mission, goals, and objectives, and should reflect decision makers’ priorities for the future. Leading organizations update long-term capital plans either annually or biennially. Agencies are encouraged to include certain elements in their capital plans, including a statement of the agency mission, strategic goals and objectives; a description of the agency’s planning process; baseline assessments and identification of performance gaps; and a risk management plan.</p>

Source: GAO analysis of VA capital planning efforts.

OMB and our guidance stress the importance of linking capital asset investments to an organization’s overall mission and long-term strategic goals. The guidance also emphasizes evaluating a full range of alternatives to bridge any identified performance gap, informed by agency asset inventories that contain condition information. Furthermore, the guidance calls for a comprehensive decision-making framework to review, rank, and select from among competing project proposals. Such a framework should






include the appropriate levels of management review, and selections should be based on the use of established criteria. The ultimate product of the planning phase is a comprehensive capital plan, which defines the long-term capital decisions that resulted from the agency's capital planning process. Both OMB and our guidance highlight the importance of this plan. The planning phase is the crux of the capital decision-making process and the products that result from this phase are used throughout the remaining phases of the process.

VA's 5-Year Capital Plan and SCIP Reflect Several of the Leading Practices

We found that VA's 5-year capital plan and SCIP reflect several of the leading capital planning practices that we have previously discussed. For example, VA's 5-year capital plan is updated annually as part of its annual budget submission to Congress and contains lists of projects, by administration, for the next 5 years. SCIP is an update to VA's capital planning process that builds on existing processes, including the principles and tools of CARES,²⁸ and was used to inform VA's annual budget submission to Congress for fiscal year 2012. Figure 11 presents examples of how VA's planning efforts reflect leading practices.

²⁸VA officials also noted that its capital planning principles and tools from CARES were integrated into VHA's Access Expansion Plan and Health Care Planning Model.

Figure 11: Comparison of Leading Capital Planning Practices to VA’s Capital Planning Efforts

Leading practices	Existing 5-year capital plan	New strategic capital investment planning process
Strategic linkage 	<ul style="list-style-type: none"> • Lists projects that received the highest priority ranking using criteria that reflect VA’s strategic goals and mission 	<ul style="list-style-type: none"> • Uses updated weighted criteria to evaluate potential capital investments, including one linked to the VA strategic plan
Needs assessment and gap identification 	<ul style="list-style-type: none"> • Criteria include evaluating existing assets and assessing whether capital investments improve their condition 	<ul style="list-style-type: none"> • Gap analysis completed comparing VA standards with the current conditions and locations of facilities
Alternatives evaluation 	<ul style="list-style-type: none"> • Four alternative approaches considered to bridge any performance gap—leasing; status quo; new construction; and rehabilitation, repair, or expansion of existing facilities 	<ul style="list-style-type: none"> • Same process as the 5-year capital plan
Review and approval framework with established criteria for selecting capital investments 	<ul style="list-style-type: none"> • Executive review process includes an assessment of capital investment proposals, evaluating, scoring, and prioritizing proposals by the VA administration, and making recommendations to the Secretary of VA 	<ul style="list-style-type: none"> • Maintains a similar executive review process • Projects are prioritized by evaluating proposals on the basis of updated list of weighted criteria • One prioritized list of projects across VA
Long-term capital plan 	<ul style="list-style-type: none"> • VA includes a 5-year capital plan as part of its annual budget submission to Congress 	<ul style="list-style-type: none"> • Extends the horizon of its 5-year plan to 10 years

Sources: GAO and OMB.

We compared VA’s 5-year capital plan with the leading practices. In the area of strategic linkage, we found that VA’s efforts reflect leading practices by identifying projects that received the highest priority ranking using criteria that reflect the goals and mission contained in VA’s Strategic Plan. For example, one of the criteria by which potential capital projects were prioritized was “Departmental Alignment,” which includes the Secretary’s goals for improving management and performance and VA’s strategic goals. In regard to assessing needs and identifying gaps, in 2004 we reported that VA neither had an agencywide inventory of existing capital assets nor agencywide information about the condition of those

assets, but VA has since developed a capital asset database.²⁹ VA officials said they recently completed facility condition assessments for all of its owned buildings and are considering whether to assess the condition of their leased buildings, many of which VA is not responsible for maintaining. VA uses facility condition assessments as one factor in guiding capital investment decisions to improve the condition of its most deteriorated buildings.

VA's 5-year capital plan also includes steps to evaluate various alternatives for addressing real property priorities by requiring that four alternative approaches be considered to bridge any capital need—leasing; status quo; new construction; and rehabilitation, repair, or expansion of existing facilities. In the area of establishing a review and approval framework for VA's capital investment decisions, VA has a panel chaired by a department-wide group of senior VA management to assess capital investment proposals; evaluate, score, and prioritize proposals by VA administration; and make recommendations through the VA governance process to the Secretary of VA. VA's 5-year plan uses established criteria by which potential capital projects are evaluated, such as criteria that reflect VA's goal of increasing veterans' access to health care and supporting services for veterans suffering from spinal cord injury, traumatic brain injury, and post-traumatic stress disorder. Finally, in 2004 we reported that VA did not have a long-term capital plan that identified agencywide real property priorities.³⁰ However, VA has since developed a 5-year capital plan, updated annually, which is used to inform the agency's annual budget submission. It describes VA's capital planning process and gives brief descriptions of capital investment projects included in its budget submission.

VA also modified its capital planning efforts in 2010 by developing a new process, called SCIP, which was used to inform its fiscal year 2012 budget submission to Congress. 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. Under SCIP, VA will continue to link its investments with its strategic goals, assess the agency's real property priorities, evaluate various alternatives, and use a similar review and approval framework when making capital investment

²⁹GAO, *Budget Issues: Agency Implementation of Capital Planning Principles is Mixed*, [GAO-04-138](#) (Washington, D.C.: Jan. 16, 2004).

³⁰[GAO-04-138](#).

decisions. In addition, SCIP also strengthens VA's capital planning in some areas. Specifically, SCIP extends the horizon of its 5-year capital plan to 10 years, providing VA with a longer range picture of the agency's future real property priorities. As a result of SCIP, VA officials told us that the agency developed cost estimates for all of its major and minor construction projects, leases, and nonrecurring maintenance projects for the next 10 years.³¹ SCIP is also centralizing VA's process for ranking and selecting capital investments on the basis of established criteria. For example, in the past, VA would develop a list of prioritized projects for each of its administrations, such as VBA, NCA, and VHA, for projects less than \$10 million dollars. However, VA is now prioritizing projects from an agencywide perspective across all of its administrations and developing one list to guide its capital planning decisions. VA has also drafted a set of weighted criteria by which it plans to evaluate projects. The criteria listed below assess whether capital investments

- improve the safety and security of VA facilities by mitigating potential damage to buildings facing the risk of a seismic event, improving compliance with safety and security laws and regulations, and ensuring that VA can provide service in the wake of a catastrophic event;
- address selected key major initiatives and supporting initiatives identified in VA's strategic plan;³²
- address existing deficiencies in its facilities that negatively impact the delivery of services and benefits to veterans;
- reduce the time and distance a veteran has to travel to receive services and benefits, increase the number of veterans utilizing VA's services, and improve the services provided;
- right-size VA's inventory by building new space, converting underutilized space, or reducing excess space; and

³¹Recurring costs are annual resources, including staff, that are necessary to support services from a space being built or remodeled.

³²VA's major initiatives include eliminating veteran homelessness, improving veterans' mental health, enhancing veterans' access to health care, and improving VA's human capital management, among others. The supporting initiatives provide more detailed goals, delegated to specific departments within VA, that are meant to help the agency meet its major initiatives and other strategic goals.

-
- ensure cost-effectiveness and the reduction of operating costs for new capital investments.

VA officials said that SCIP is still evolving and being refined. For example, VA officials said that the agency completed a series of “lessons learned” sessions to determine how the process can be improved and to make changes, if needed, for the 2013 budget cycle.

VA’s 5-year Capital Plan Lacks Transparency about the Cost of Future Priorities That Could Better Inform Decision Making

Despite the positive aspects of VA’s capital planning efforts, VA’s resulting 5-year capital plan that it provides yearly to Congress lacks transparency about the cost of future priorities beyond the current budget year. For projects VA proposes to initiate in the current budget year, VA’s 5-year capital plan includes current year estimates for cost of construction, equipment, and operating costs for major and minor construction projects, such as new and replacement medical facilities. It also provides estimates to complete these and other ongoing projects in future years. However, the plan identifies other potential projects, not beginning in the current budget year, for which it lists project name but contains no information on what these projects might cost or the priority, as VA has not assigned one to them. For example, VA’s most recent capital plan, submitted with its 2011 budget request, lists potential projects—including 100 major construction and 1,062 minor construction projects—for which pricing estimates are not provided.

We have previously reported that capital planning should result in a long-term capital plan with prioritized projects and justification of capital requests, such as project resource estimates and costs.³³ The cost estimates of prioritized projects can then be incorporated into an agency’s annual budget request to Congress. The yearly request reflects the agency’s policy decisions regarding what it has determined, in consultation with OMB, should be funded. VA officials told us that it has been VA’s policy to not include multiyear pricing information for projects in their current 5-year capital plan and budget submission to Congress. VA’s SCIP, according to VA officials and VA documents we reviewed, will identify costs for future projects and information about their relative priority within their organization. VA commented that the future priority of unfunded projects cannot be provided as these projects are reprioritized each year using updated weights and decision criteria. Further, during our

³³ [GAO/AIMD-99-32](#).

review, VA officials told us they are considering the release of future year capital cost estimates to Congress. A decision on the release of this information is expected to be reflected in the fiscal year 2012 budget and SCIP plan to be released in February 2011. VA officials added that pricing information is viewed as an internal tool for prioritizing projects and preparing budget requests and that project cost estimates become more reliable as the projects move closer to the year of construction.

While we agree that cost estimates beyond the current year are less reliable, this could be made clear to decision makers, and as the projects move closer to the year of implementation, the estimates can be refined. VA officials told us that the agency already maintains future year estimates internally. While VA may view this information as suitable only for internal use, decision makers in Congress would benefit from having it for several reasons. Specifically, transparency about future priorities allows decision makers to weigh current year budget decisions in context with the magnitude of future costs. In the case of VA, which has identified a significant number of future projects in the tens of billions of dollars, full transparency regarding these future priorities may spur discussion and debate about actions Congress can take to address them. This could include not only appropriations, but also programmatic changes and real property management tools that could help VA to leverage its real property to more efficiently and effectively meet the future needs of veterans. Additionally, transparency regarding future capital costs puts VA's priorities in context with the overall fiscal condition of the U.S. government. There is widespread agreement that the federal government faces formidable near- and long-term fiscal challenges. GAO has long stated that increased information and better incentives for budget decisions involving both existing and proposed programs that require significant future resources could facilitate consideration of competing demands and help put our finances on a more sustainable footing.³⁴ And lastly, one of VA's key stakeholders, the Senate Appropriations Committee, recently asked VA for more information on its future capital project costs.

³⁴GAO, *U.S. Financial Condition and Fiscal Future Briefing*, [GAO-08-490CG](#), University of Akron: January 29, 2008; *21st Century Transformation Challenges and Opportunities*, [GAO-08-260CG](#) (New Orleans, LA: October 30, 2007); *Federal Oversight: The Need for Good Governance, Transparency, and Accountability*, [GAO-07-788CG](#) (National Conference President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency: April 16, 2007); *Enhancing Performance, Accountability, and Foresight*, [GAO-06-1118CG](#) (Shanghai, China: September 13, 2006); *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

The committee is aware of VA's SCIP process and requested that the department submit with its fiscal year 2012 budget request, all findings associated with this review.³⁵ At the time of our review, VA had not determined how it would respond to this request.

Providing cost estimates for future projects to Congress for capital programs is not without precedent in the federal government. For example, in 1987, Congress directed the Department of Defense to submit a 5-year defense program (referred to as the future years defense program, (FYDP)) used by the Secretary of Defense in formulating the estimated expenditures and proposed appropriations included in the President's annual budget to support DOD programs, projects, and activities. The FYDP provides DOD and Congress with a tool for looking at future funding needs beyond immediate budget priorities and can be considered a long-term capital plan.³⁶ As another example, the judiciary recognized that it was facing space shortages, security shortfalls, and operational inefficiencies at courthouse facilities around the country.³⁷ In March 1996, the judiciary issued a 5-year plan for courthouse construction, which was intended to communicate the judiciary's urgent housing needs to Congress and the General Services Administration, and identified 45 projects for funding on the basis of information from Congress and GSA that \$500 million could be used as a planning target in estimating funds that will be available for courthouse construction each year. The judiciary also developed a methodology, including criteria and weights, for assigning urgency scores to projects. As another example, we reported earlier this year that House and Senate appropriators have voiced interest in having the Army Corps of Engineers include additional information in the agency's budget presentation.³⁸ We found that an information gap is created when an administration highlights its priority projects, but does not provide sufficient information on other future resource needs. Congressional users of the Corps' budget presentation told us that not

³⁵S. Rep. No. 111-226, at 64 (2010).

³⁶GAO, *Future Years Defense Program: Actions Needed to Improve Transparency of DOD's Projected Resource Needs*, [GAO-04-514](#) (Washington D.C.: May 7, 2004). The future years defense program reporting requirement is codified at 10 U.S.C. § 221.

³⁷GAO, *Courthouse Construction: Improved 5-Year Plan Could Promote More Informed Decisionmaking*, [GAO/GGD-97-27](#) (Washington, D.C.: Dec. 31, 1996).

³⁸GAO, *Army Corps of Engineers: Budget Formulation Process Emphasizes Agencywide Priorities, but Transparency of Budget Presentation Could be Improved*, [GAO-10-453](#) (Washington D.C.: Apr. 2, 2010).

having information on future resource needs limits the ability of Congress to make fully informed decisions when making appropriations decisions. Further, such information would increase the usefulness and transparency of the budget presentation.

Conclusions

VA has an important mission in serving veterans, and its real property portfolio is critical to ensuring that veterans have access to benefits and services. Billions of dollars have already been appropriated to VA to realign and modernize its portfolio. Further, VA has 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 than VA currently provides. 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.

Recommendation for Executive Action

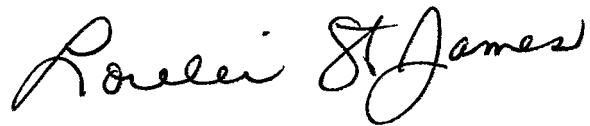
To enhance transparency and allow for more informed decision making related to VA's real property priorities, we recommend that the Secretary of Veterans Affairs provide the full results of VA's SCIP process and any subsequent capital planning efforts, including details on the estimated cost of all future projects, to Congress on a yearly basis.

Agency Comments

We provided a draft of this report to VA for their review and comment. VA generally agreed with our conclusions and concurred with our recommendation. VA also provided technical corrections and clarifications, which we incorporated as appropriate. See appendix II for VA's comments.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, to the Secretary of Veterans' Affairs, and other interested parties. The report also will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-2834 or stjamesl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Lorelei St. James". The signature is written in a cursive style with a large initial "L".

Lorelei St. James
Acting Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

We addressed the following objectives: (1) To what extent have the Department of Veterans Affairs' (VA) capital planning efforts resulted in changes to its real property portfolio and what priorities remain? and (2) To what extent do VA's capital planning efforts follow leading practices and provide the information needed for informed decision making?

To determine the extent to which VA's capital planning efforts, including the Capital Asset Realignment for Enhanced Services (CARES), have resulted in changes to its real property portfolio and to identify the agency's remaining priorities, we interviewed VA officials located in the central office in Washington, D.C., and 6 Veterans Integrated Service Networks (VISN) and observed VA facilities in 5 of these 6 VISNs. (See table 4 for a list of VA departments, VISNs interviewed and projects observed.)¹ Based on the number of veterans served annually, we selected 2 large, medium, and small VISNs each, out of a total of 21. To further guide our selections, we also considered a number of other factors, including the number of completed and ongoing projects, new medical facilities, and geographic dispersion. Within each VISN, we selected projects in various stages, CARES projects being monitored by VA according to seven centrally tracked implementation measures, and sites throughout the geographic footprint of each selected VISN.² We also interviewed senior officials at 5 veterans service organizations chartered by Congress or recognized by VA for claim representation. (See table 5 for a list of the veterans service organizations that we interviewed.) We also reviewed agency data in VA's *CARES Decision, its Implementation Monitoring Report on Capital Asset Realignment for Enhanced Services*, and its 5-year capital plan about changes to its real property portfolio and the number and cost of projects needing additional funding. In addition, we reviewed the funding that VA has received for major and minor construction projects and nonrecurring maintenance since fiscal year 2004 in VA budget submission documentation, its 5-year capital plans, and appropriation laws. We assessed the funding and facilities data from the VA and determined it was reliable for our purposes.

¹We interviewed officials from the 6 VISNs that we selected. However, we did not travel to one of these VISNs because there were no projects completed or under construction to observe.

²VA is monitoring the implementation progress of seven CARES issues: (1) community-based outpatient clinics, (2) veteran rural access hospitals, (3) improved access and modernization, (4) special disability programs, (5) excess property, (6) VA/Department of Defense sharing, and (7) OneVA collaborations.

Appendix I: Objectives, Scope, and Methodology

Table 4: VA Departments, VISNs That We Interviewed, and Projects That We Observed

VA central office entities	VISNs interviewed	Projects observed
Office of Construction and Facilities Management http://www.cfm.va.gov		
Veterans Health Administration, Office of Policy and Planning http://www1.va.gov/op3/		
Office of Management, Office of Asset Enterprise Management http://www4.va.gov/oaem/		
Veterans Health Administration, Deputy Under Secretary for Health for Operations and Management http://www.carecoordination.va.gov		
Veterans Health Administration, Deputy Under Secretary for Health for Operations and Management	VISN 2 - VA Health Care Upstate New York http://www.visn2.va.gov/	Vacant property at Canandaigua, NY, VA Medical Center Spinal Cord Injury/Disease Center under construction at Syracuse, NY, VA Medical Center
	VISN 19 - VA Rocky Mountain Network http://www.visn19.va.gov/	Medical Center replacement planning at Denver, CO
	VISN 11 - Veterans In Partnership Health care Network http://www.visn11.va.gov/	Not observed because there were no projects completed or under construction.
	VISN 12 - VA Great Lakes Health Care System http://www.visn12.va.gov	Community Based Outpatient Clinic at Hines, IL Tower addition at Jesse Brown VA Medical Center, Chicago, IL
	VISN 8 - VA Sunshine Health care Network http://www.visn8.va.gov/	Spinal Cord Injury/Disease Center addition at James A Haley Veterans Hospital Tampa, FL Medical Center under construction at Orlando, FL
	VISN 16 - South Central VA Health Care Network http://www.visn16.va.gov/	Consolidation of Gulfport, MS, VA Medical Center services to Biloxi, MS, VA Medical Center related construction Blind Rehabilitation Center construction at Biloxi, MS, VA Medical Center Joint Ambulatory Care Center (JACC) Pensacola, FL

Source: GAO analysis of VA data.

Table 5: Veterans Service Organizations That We Interviewed

Veterans service organizations	Web site
American Legion	http://www.legion.org
American Veterans	http://www.amvets.org
National Association of State Directors of Veterans Affairs	http://www.nasdva.net
Paralyzed Veterans of America	http://www.pva.org
Veterans of Foreign Wars	http://www.vfw.org

Source: GAO analysis of VSO data.

To determine the extent to which VA’s capital planning efforts follow leading practices and provide the information needed for informed decision making, we interviewed VA officials involved in its capital planning efforts. We also collected information on leading capital planning practices from the Office of Management and Budget’s *Capital Programming Guide*³ and GAO’s *Executive Guide*,⁴ and compared it with VA’s efforts as described in the agency 5-year capital plan. In addition, we collected information and interviewed officials on VA’s new capital planning process, called SCIP, and compared it to leading capital planning practices. To compare VA’s efforts with the efforts of other federal agencies that have provided estimates to Congress regarding the magnitude of future real property priorities, we reviewed our previous reports on capital planning across the federal government, including the Department of Defense’s future years defense program⁵ and efforts by the judiciary⁶ in March 1996 to communicate its urgent housing needs to Congress. Finally, we collected VA data on the agency’s future real property priorities and reviewed a recent request by Congress to VA to develop and submit a comprehensive capital plan, along with other information related to VA’s capital planning efforts.⁷

³Office of Management and Budget, Supplement to Circular No. A-11, Part 7, *Capital Programming Guide* (Washington, D.C.: June 2006). This guide provides a single, integrated capital programming process for agencies to follow to ensure that capital assets successfully contribute to the achievement of agency strategic goals and objectives.

⁴GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

⁵[GAO-04-514](#).

⁶GAO, *Courthouse Construction: Improved 5-Year Plan Could Promote More Informed Decisionmaking*, [GAO/GGD-97-27](#) (Washington, D.C.: Dec. 31, 1996).

⁷S. Rep. No. 111-226, at 64 (2010).

Appendix II: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
Washington DC 20420

January 21, 2011

Ms. Lorelei St. James
Acting Director, Physical Infrastructure
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. St. James:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, "**VA REAL PROPERTY: Realignment Progressing, but Greater Transparency about Future Priorities Is Needed**" (GAO-11-197) and generally agrees with GAO's conclusions and concurs with GAO's recommendation to the Department.

The enclosure specifically addresses GAO's recommendation and provides technical comments to the draft report. VA appreciates the opportunity to comment on your draft report.

Sincerely,


John R. Gingrich
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***VA REAL PROPERTY: Realignment Progressing, but Greater
Transparency about Future Priorities Is Needed***
(GAO-11-197)

GAO Recommendation: To enhance transparency and allow for more informed decision making related to VA's real property priorities, we recommend that the Secretary provide the full results of VA's SCIP process and any subsequent capital planning efforts, including details on the estimated costs of all future projects, to Congress on a yearly basis.

VA response: Concur. To enhance transparency and allow for more informed decision making related to VA's real property priorities, VA will provide all results of its SCIP process and any subsequent capital planning efforts, including details on the estimated costs of all future projects, to Congress on a yearly basis.

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Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the individual named above, David Sausville, Assistant Director; Daniel Cain; George Depaoli; Colin Fallon; Wati Kadzai; and Erica Miles made key contributions to this report.

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