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GSA issues with construction cost visibility and management, spanning repair, renovation, maintenance and new builds

The General Services Administration's (GSA) systemic issues with construction cost visibility and management are fundamentally compounded by its refusal to use current, verifiable, objective, and granular local market cost data. Instead, it relies on less accurate methods, such as national average cost books (e.g., RSMeans), simple location factors, and unverified contractor quotes. This disconnect between the agency's data sources and actual market conditions exacerbates its cost challenges across all construction project types. Impact on cost visibility.

- Cost data and accuracy: Relying on national average databases like RSMeans and generic location factors often results in estimates that do not reflect the specific, localized costs of labor, materials, equipment, and subcontractors for a given project.
    - o Inaccurate baselines: Using national data with simple multipliers means the GSA's initial cost baselines are often flawed from the start. This leads to budget inaccuracies and a lack of true visibility into actual project costs.
    - o Poor forecasting: The GSA's use of imprecise data hinders its ability to accurately forecast the final cost of a project. A 2019 GAO report noted that the GSA does not report final costs for completed projects or adequately disclose budget revisions, likely due to these unreliable initial estimates.
- Deferred maintenance backlog: The GSA's inability to track the true cost of repairs and alterations at a local, granular level makes it difficult to realistically track its multi-billion-dollar maintenance backlog. National averages fail to capture specific local conditions, potentially overstating or understating the costs for different regions.

Consequences for project management
- Procurement issues: Relying on national average data can lead to skewed price negotiations and increased costs.
    - o Overbilling: Without verifiable local market cost data, the GSA is less equipped to prevent overbilling by contractors. Experts suggest that AI-enabled audits against a local baseline could help flag anomalous costs.
    - o Poor contractor management: The GSA's lack of objective cost data weakens its position when managing contractors and validating their bids. The GSA Office of Inspector General (OIG) has previously identified issues with a lack of effective contractor oversight.

- Ineffective oversight: GSA's approach to cost data hampers its ability to effectively oversee projects and track performance.
  - Lack of transparency: Without line-item verification against objective local data, it is difficult to determine if a contractor's quote is fair and reasonable. This lack of transparency undermines oversight and can lead to cost overruns.
  - Inadequate project tracking: The use of inaccurate initial estimates makes it difficult to track and analyze cost differences between estimated and actual costs, a critical step for effective project oversight.
- Limited sharing of lessons learned: Without systematic analysis of local, granular cost data, the GSA is unable to learn from its past projects effectively. It misses the opportunity to analyze localized cost deviations and apply those lessons to improve future cost estimation.

Broader contributing factors intensified by poor cost data
- Chronic underfunding: GSA's underfunding issues are compounded by an inability to provide accurate and specific cost data to justify budget requests. The lack of verifiable cost information makes it harder to secure appropriate appropriations.
- Inflation: During periods of high inflation, relying on static national average data becomes even more problematic. National averages and simple factors cannot keep pace with the rapid and often localized shifts in labor and material prices, leading to greater inaccuracies.
- Inefficient project delivery: An over-reliance on national data and poor oversight can force the GSA to use more expensive and less efficient procurement methods, such as construction management firms, to compensate for its data shortcomings. This can inflate costs further and decrease efficiency.

Note: RSMeans® cost books are updated annually and rely on City Cost Indexes (CCIs) for localization. This methodology has been independently shown to introduce significant errors, often in the 30–40% range, when compared to current, locally researched cost data.

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