



Highlights of [GAO-07-31](#), a report to congressional requesters

Why GAO Did This Study

The United Nations (UN) estimated in 2005 that renovating its headquarters will cost up to \$1.75 billion. As the UN's host country and largest contributor, the United States has a substantial interest in the project's success. In this report, we (1) determine whether the development of the Capital Master Plan (CMP) has been consistent with leading industry practices, (2) examine factors that led to changes in the cost estimate and determine whether the 2005 estimate was updated using industry practices, (3) review the status of financing of the renovation, (4) identify decisions needed for the renovation to proceed, and (5) review UN oversight and State monitoring efforts.

To address these objectives, we reviewed UN design and planning documents, including the latest cost estimate, to compare them with industry standards. To assess oversight, we reviewed OIOS and UN Board of Auditors reports and met with UN officials.

What GAO Recommends

GAO recommends that the Secretary of State and U.S. Permanent Representative to the UN work with other member states to (1) identify a CMP procurement strategy to mitigate weaknesses in UN procurement processes and (2) ensure that OIOS receives sufficient funding for its oversight of the CMP. State and the UN agreed with our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-31.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov or Terrell Dorn at (202) 512-6923.

UNITED NATIONS

Renovation Planning Follows Industry Practices, but Procurement and Oversight Could Present Challenges

What GAO Found

UN officials continue to use leading industry practices in developing the UN headquarters renovation project, but reliance on existing UN procurement practices could impact the effective implementation of the renovation in the future. Since the CMP office relies on current UN procurement practices, implementation of future CMP procurements could become vulnerable to numerous UN procurement weaknesses that GAO previously reported in April 2006 (GAO-06-577), such as the lack of guidance for construction procurement in the procurement manual.

The estimated total cost of the CMP increased from about \$1.19 billion to almost \$1.75 billion between 2002 and 2005 to reflect inflation arising from a later start date, refinements to the design, and a change in the renovation approach. The UN continued to follow construction industry practices to develop the 2005 cost estimate and has included expected elements. However, the cost estimate is still preliminary and will likely change.

While the UN has passed a resolution expressing a preference for cash assessments, it has yet to decide how to finance the remaining renovation costs. In June 2006, the General Assembly passed a resolution stating that a cash payment option would be the simplest and most cost-effective approach for funding the CMP. Under this approach, the UN would assess member states for the cost of the renovation through single- or multiyear payments. The amount the UN assessed member states would be likely based on each country's rate for its annual regular budget contributions. The General Assembly plans to revisit the financing issue by the end of 2006.

Without certain General Assembly decisions by the end of 2006, the renovation's current schedule could be delayed and costs could increase. Specifically, a General Assembly decision on a financing arrangement for the total CMP budget would be needed to ensure that funds could be available by December 2007. Without these decisions, the CMP office cannot finalize a start date for the renovation.

UN oversight entities have continued to oversee the CMP while the Department of State has monitored its progress. The Office of Internal Oversight Services (OIOS) has conducted audits on CMP procurements and has issued several reports of its findings and recommendations. However, OIOS relies on funds from the CMP budget and must negotiate for those funds with the UN budget office, which may impair its ability to secure sufficient funds. The UN Board of Auditors has also conducted oversight of the CMP office by reviewing its financial records and internal controls and has found no material weaknesses in its review. Similarly, State's monitoring efforts have not identified any significant concerns, according to State officials.