



Federal Reserve: Evaluation of the Eccles-1951 Renovation Project Management and Construction Costs



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Executive Summary

We began this evaluation in July 2025 after receiving a request from then-Chairman Jerome H. Powell to assess the Board of Governors of the Federal Reserve System's (Board) oversight of the renovation project for its Marriner S. Eccles and 1951 Constitution Avenue NW buildings, including the associated costs.¹ The Board of Governors' (BOG) approved budget for the Eccles-1951 renovation project grew from \$1.317 billion in February 2020 to \$2.381 billion in December 2024 (the Board's most recently revised renovation budget).² During that time, the construction portion of the budget more than doubled from \$921 million to \$2.018 billion. In January 2026, the Board received a proposed construction cost of \$2.135 billion from its construction manager.

In January 2026, we learned from a public statement by then-Chairman Powell that the U.S. Department of Justice had opened a criminal probe involving his June 2025 testimony before Congress, which in part concerned the renovation project. On April 24, 2026, the U.S. Attorney's Office announced that it had closed the criminal probe "as the [inspector general] undertakes [his] inquiry."³ At no point during our evaluation did we find reasonable grounds to believe that a violation of federal criminal law had occurred requiring a referral to the U.S. Attorney General in accordance with the Inspector General Act.⁴ Further, while our report outlines deficiencies in the management of the renovation project, resulting in our recommended corrective actions in accordance with the Inspector General Act, we did not identify administrative misconduct during our evaluation.

The Eccles-1951 renovation is not the Board's first large construction project. In 2022, the Board completed a renovation of its William McChesney Martin, Jr., building. The Martin renovation took 11 years to complete—far longer than initially planned—and the total cost more than doubled from \$203 million in 2012 to \$454 million upon completion in 2022. Across five reports,

¹ In this report, we distinguish between the Board of Governors of the Federal Reserve System (Board) and the Board of Governors (BOG). The Board is the federal agency serving as the main governing body of the Federal Reserve System. The BOG is a seven-member body, nominated by the president and confirmed by the Senate, responsible for overseeing the Board's activities.

² The total Eccles-1951 renovation project budget included the construction budget, acquisition of the 1951 building, contingencies, and other project-related expenditures. The total project budget is part of the BOG-approved multicycle capital budget, which increased from \$1.378 billion in 2020 to \$2.455 billion in 2024.

³ On April 9, 2026, we were contacted by the U.S. Attorney's Office for the District of Columbia about our evaluation. We met with personnel from the U.S. Attorney's Office on April 16, 2026, and described the scope and status of our evaluation.

⁴ See Inspector General Act of 1978, 5 U.S.C. § 404(d) ("Reporting Violation of Federal Criminal Law—In carrying out the duties and responsibilities established under this chapter, each Inspector General shall report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.") and 5 U.S.C. § 404(a)(5) (the Inspector General shall keep the agency head aware of serious deficiencies relating to agency operations and recommend corrective action).

our oversight of the Martin renovation found several issues with the management of the project—a lack of proper planning and governance, unreliable cost estimates, unused cost-control measures, and incomplete status reporting. The Board took the measures necessary to close all 11 recommendations associated with those prior reports. However, we noted in this evaluation the recurrence of several issues that closely resembled our prior audit findings and issues we identified. Specifically, we noted the failure to establish a stated cost limitation for this project despite the same finding in our 2014 Martin renovation report, a deficiency in project status reporting that is closely related to a finding in our 2017 Martin renovation report, and the decision to not implement project governance and execution measures outlined in a guidance document that was prepared in response to our 2021 Eccles-1951 and Martin renovations report highlighting the importance of “clear and unambiguous authority . . . for [project] decisionmaking.”

The management of the Eccles-1951 renovation project was handled by a team consisting primarily of the Board’s Facility Services section in the Division of Management, with other Board groups providing support for procurement and contracting.⁵ Under the Federal Reserve Act, the BOG is authorized to delegate most of its administrative functions to Board staff, and with these delegations the BOG did not engage in day-to-day management of the renovation project.

As we detail in this report, the Board estimated in 2020 that the Eccles-1951 project would cost a total of \$1.317 billion, with the construction phase ending by the second quarter of 2024. However, as of August 2026, the project had a BOG-approved budget of \$2.381 billion, with the construction phase ending by December 2027.

The Board selected a construction manager at risk delivery method for the renovation project but has not successfully managed and executed it.

In an attempt to address lessons learned from the Martin renovation’s design-bid-build approach, the Board selected a different project delivery method, construction manager at risk (CMAR), for the Eccles-1951 renovation project. A well-managed CMAR contract allows a building owner—in this case, the Board—to transfer certain construction risks, including those related to cost and schedule performance, to its construction manager (also known as a construction manager as constructor, or CMc). To effect this risk transfer, a CMAR contract provides for the owner and CMc to agree on a guaranteed maximum price (GMP) for the project, usually around the time construction begins or building design is substantially complete. Once the GMP is set, the owner has greater cost certainty and the CMc is incentivized to carefully manage costs. If costs exceed the GMP, the CMc absorbs them with limited exceptions, such as when the GMP may be increased to account for change events like owner-directed changes or other adjustments like unforeseen site conditions for which the owner is

⁵ On December 28, 2025, the Board combined the Division of Management and the Division of Financial Management into the new Division of Management and Financial Services (MFS). The MFS director is the chief financial officer and reports to the chief operating officer.

responsible under the contract. Further, the CMc's fee is usually set and capped by the GMP agreement.⁶

The CMAR method involves hiring the CMc during the design phase so that the CMc can collaborate with the architecture and engineering (A/E) firm. This coordination allows for better project planning; permits the CMc to offer constructability guidance to reduce construction issues; enables the CMc to provide cost estimates as the design phase proceeds so the owner can select designs that fit within budget; and allows for a seamless transition from the design phase to the construction phase, reducing the project delivery timeline.

However, as this report details, the Board has not effectively executed the CMAR contract and its cost-management provisions. The Board's contract execution decisions have deviated from the CMAR method throughout the project's life cycle, effectively transforming the contract into a cost-plus reimbursement contract. As of July 2026, the Board had not established a project cost ceiling, transferred material risk to the CMc, limited its exposure to shifting market conditions, or sufficiently incentivized the CMc to keep project costs or its fees within a set limit.

The Board's challenges arose before construction began, when its plan to solicit and retain a CMc early in the design phase did not occur. Instead, the Board hired the CMc in March 2022 and held a kickoff meeting in April 2022, after two design phases had already been completed. Construction began on the project a few months later. Further, the solicitation did not require bidders to submit an estimated cost of work for the entire project. Bidders only submitted costs for preconstruction work and general conditions, and the Board awarded the CMAR contract for \$1.5 million in preconstruction services. Through modifications, this contract has increased in value to more than \$2 billion.

The summary below describes the most significant issues that our evaluation identified regarding the Board's management and execution of the construction project following the CMAR contract signing.

The Board did not timely obtain a construction cost estimate from its general contractor and did not share a stated cost limitation with the contractor.

We were concerned to find that the Board did not obtain a project cost estimate from the CMc until January 2026, which was 3.5 years after construction began and after the Board had awarded more than \$2 billion in construction costs. CMAR contract provisions require the CMc to provide three detailed cost estimates as building design evolved, but the project team told us they did not seek project cost estimates from the CMc because they had obtained a detailed, 149-page construction cost estimate from its A/E firm in March 2022, as well as an estimate

⁶ While a well-managed CMAR contract and the setting of a GMP provides greater cost certainty and reduced risk for the owner, it does not necessarily mean the project's overall cost will be lower than if a different well-managed construction method were used. That depends on a variety of factors, including any risk premium included in the negotiated GMP, whether any contingencies in the GMP agreement are triggered, and the owner's ability to limit design changes or modifications once construction begins.

from its third-party independent estimator. While obtaining preconstruction third-party estimates is a leading practice, doing so does not substitute for obtaining an estimate from the contractor that the Board hired to manage and complete the renovation project. We believe that the Board would have benefited from receiving cost estimates from its CMc, as provided for in the CMAR contract. These estimates would have allowed the Board to assess the reasonableness of the CMc's estimate against the Board's prior estimates, evaluate the cost of design options and changes, and establish and adhere to an accurate project budget.

Further, while the project team established a stated cost limitation of \$857 million during conceptual design and advised the A/E firm of it in April 2020, the project team neither updated the stated cost limitation nor required the A/E firm to design within it.⁷ In addition, neither the CMc nor the construction manager owner's representative (CMOR) were made aware of a stated cost limitation even though the CMAR contract required the CMc to work with the A/E firm so that the construction project could be "constructed and installed within the Board's final approved Stated Cost Limitation." As a result, the stated cost limitation was ineffective as a cost-control mechanism. Thus, at the time construction began, the Board had not obtained a cost estimate from the CMc, advised the CMc of a cost or budget limitation, or agreed on a GMP with the CMc.

As of July 2026, the Board had not established a guaranteed maximum price, 4 years after construction began and after almost all construction awards have been issued.

As of July 2026, more than 4 years after construction began and \$2 billion has been awarded for construction, the Board had yet to set a GMP.⁸ The Board therefore still does not have cost certainty and has not transferred material risk to the CMc. The CMAR contract provides that the Board "shall direct" the CMc to submit a GMP proposal from the CMc upon the Board's determination that project design is substantially complete, which the Board determined occurred in January 2025. On October 1, 2025, the project team sent the CMc an email asking the CMc to "move forward with submitting a Final GMP proposal." The CMc did not provide a formal GMP proposal in response to that request, and on December 30, 2025, the Board submitted a formal request to the CMc for a GMP proposal following a November 2025 meeting with our office that included a discussion about the potential benefits of a GMP. The CMc provided a GMP proposal to the Board in January 2026. The CMc's GMP proposal in January 2026 was the first time the Board had obtained a project cost estimate from the CMc.

A significant reason for the delay in substantially completing design was the Board's design changes after construction began. The CMc planned to submit a GMP proposal in fall 2023, shortly after the A/E firm planned to complete its interior fit-out design in mid-2023. However,

⁷ The A/E contract defines the stated cost limitation as "the maximum cost that the Board is willing to incur to complete construction of the Project inclusive of anticipated hard construction costs; fixed furnishings, equipment and infrastructure requirements; design contingency; the Construction Contractor's general conditions, overhead and profit (including bond and insurance costs); and escalation to the midpoint of construction."

⁸ In August 2026, the Board told us that it was evaluating whether to finalize a GMP agreement, taking into account that almost all construction awards had already been issued.

in January 2023, the Board changed its interior fit-out design from predominantly open workspaces to predominantly closed offices. This decision delayed the A/E firm's interior fit-out design completion by 21 months. As a result, substantial completion of the project's overall design was delayed until January 2025. The CMc advised the Board in 2024 that the Board's extensive design and construction modifications risked cost increases and schedule delays.

The Board is setting the project's cost through the award of 84 limited-scope price packages without establishing an overall cost ceiling and is not sufficiently incentivizing the CMc to control costs or limiting the CMc's fee amount.

Rather than negotiating a project-level GMP or several macrophase GMPs with its CMc, and then soliciting bids for price packages, the Board is instead issuing dozens of individual, limited-scope price packages for bidding without setting any cost ceiling in advance. Before formally requesting a GMP proposal in December 2025, the Board had awarded 69 packages and planned 15 more packages. In effect, in the absence of a GMP, the Board has been establishing the project's overall cost by accumulating award amounts for the 84 price packages to arrive at the project's overall cost. Moreover, pursuant to the CMAR agreement, the CMc is receiving a fee of 2.95 percent for the cost of construction work. Awarding packages without establishing a cost ceiling, and paying the CMc a 2.95 percent fee for the cost of construction work, caused the CMAR contract to resemble a riskier cost-plus reimbursement contract. Moreover, issuing price packages in this manner resulted in little risk transfer to the CMc, likely limited the number of subcontractors willing to bid on the price packages, lost economies of scale, made it more difficult for the Board to track costs, and did little to incentivize the CMc to control costs.

Board officials told us they believe the Board has received the benefit of a GMP because the budget and schedule risks for each of the 69 packages have been transferred to the CMc upon award. We did not find that to be the case. A GMP involves negotiating with the CMc on a maximum price once the design is substantially complete, usually by the time construction begins or shortly after early construction packages are awarded, not setting price through subcontractor bidding on price packages issued over the life of the construction project. While some limited postaward risk was transferred to the CMc by dividing work into small packages and awarding them over 4 years without any cost ceiling, the Board has not received the key benefits of its CMAR contract—namely, setting a GMP for the project, transferring material project-level risk to the CMc, obtaining greater cost certainty, and incentivizing the CMc to control costs.⁹

⁹ The CMAR contract provides that, if the final cost of the project is less than the GMP, the CMc receives 25 percent of the savings up to a maximum of \$5 million (except for the first \$500,000 in savings, which belongs exclusively to the Board). The Board told us that, in the absence of a GMP, there has been an assessment upon completion of each price package to determine whether the final cost was less than the package's award price. The CMc's GMP proposal in January 2026 included a log showing that the Board has saved \$21.6 million and the CMc will receive \$5 million.

Substantial cost increases were caused by four price packages, three of which did not receive at least three bids, exceeding cost estimates by almost \$500 million.

A provision in the CMAR contract requires each package to receive a minimum of three subcontractor bids; if three bids are not available “due to circumstances such as uniqueness of the item, limited sources, or regional shortages,” the contract requires the CMc to provide documentation “to prove limited availability to the satisfaction of the Board,” which the CMc did when less than three bids were obtained. Despite the lack of a project GMP, the project team told us that they believe competitive bidding for each price package has resulted in fair pricing. However, the CMc did not consistently receive three-bid competition on each package. Most notably, three bids were not received in connection with three of the four price packages for mechanical, electrical, and plumbing (MEP) work, with those three packages totaling \$624 million.¹⁰ The four MEP packages totaled \$694 million, which exceeded the A/E firm’s 2022 cost estimates by nearly \$500 million and made up a substantial amount of the overall construction cost increases. The Board did not pursue additional available measures to independently validate these or other cost increases when price packages did not receive three bids and significantly exceeded the A/E’s firm’s cost estimates. Instead, the project team told us that they preferred to keep the project moving. Specifically, the project team stated that they had extensive discussions with the CMc regarding competition on the MEP packages, and after these conversations, the project team believed that taking additional steps, such as trying to secure bids from additional subcontractors, would affect the construction schedule.

The Board has not effectively used its outside construction representative.

In December 2020, the Board hired a CMOR to serve as its trusted representative during the project and support its execution of the CMAR contract. A CMOR works closely with the owner to evaluate proposed budget changes, identify cost savings, and oversee the CMc. However, we found the Board limited the CMOR’s ability to perform cost-monitoring and cost-control functions. For example, the Board did not provide a project budget or a stated cost limitation against which the CMOR could manage costs. In addition, the Board did not provide the CMOR with subcontractors’ detailed bid information before awarding price packages. Although the Board told us that the CMOR reviewed, evaluated, and recommended issuing every package, without detailed bid information, the CMOR was limited in its ability to independently validate the proposed costs. Further, the Board did not ask the CMOR to provide independent cost estimates or cost comparisons for the MEP packages that did not receive three bids and exceeded the A/E firm’s cost estimate by nearly \$500 million. These decisions diminished the benefits of having a CMOR; limited the CMOR’s ability to independently monitor, evaluate, and control project costs; and resulted in the Board missing an opportunity to maximize the CMOR’s cost-monitoring and cost-control benefits.

¹⁰ The CMc solicited five to seven bidders for each of the trade packages that did not receive three bids.

Internal project governance was insufficient to manage a project of this magnitude and complexity.

The Board's existing governance and oversight framework was insufficient to manage the significant risks associated with a project of this size and complexity. Various internal oversight entities received status updates but did not have clear roles or responsibilities for overseeing the project's cost and budget. We also found it concerning that a project of this magnitude had no formally established success measures to monitor the project's progress. For example, rather than establish a project cost ceiling and manage to it, the Board increased the project's budget as costs escalated, thereby creating a pay-as-you-go approach. An additional governance concern was the limited requirement for senior leadership to review key decisions affecting budget or scope. The controlling Board guidance governing escalation of significant construction events did not require elevating decisions for work within the project's intended scope. Because construction costs were established through individual price packages rather than a project-level GMP, nearly all price package awards were considered in scope. Therefore, controlling guidance did not require elevation even if an award substantially exceeded cost estimates or affected the project budget, as in the case of the MEP package awards that were almost \$500 million more than estimated.

We also found that the Facility Services quarterly dashboard updates sent to internal oversight committees about the budget, schedule, and overall project status continually reported the overall status as "on track" even as costs increased and the completion date was delayed. These dashboards always reported the overall project status and schedule as "on track" because the benchmarks were continually changed to reflect the most recent Board-approved budget and schedule, rather than assessing the project's progress against the original expected cost and schedule. The dashboards did report the budget as being "at risk" in four consecutive quarters before a 2025 annual budget increase.

Multiple factors contributed to the construction cost increases.

We identified numerous factors that contributed to the significant construction cost increases, including inflation, limited subcontractor bidding, substantial Board design changes, and site conditions. We also found that the effect of some of these factors could have been mitigated by more effective project management and contract execution decisions. For example, completing the initial interior fit-out design by mid-2023, as initially intended, could have resulted in a GMP being negotiated in fall 2023, as originally planned, providing the Board with greater cost certainty and possibly mitigating some of the inflationary impact by keeping the project on schedule. Similarly, for price packages that received bids substantially over the March 2022 independent estimates or that received less than three bids, the Board did not take additional steps to validate price reasonableness, such as requesting the CMOR provide independent cost estimates or evaluate the substantial differences between the March 2022 estimates and the bids.

Interviews revealed that the Board attributed most of the project cost increases, including the specific MEP cost increases, to inflation. We found that inflation was clearly a factor in the cost increases faced by the Board, along with the other issues identified in this report. Inflation for new construction activity on a nationwide basis averaged about 16 percent from March 2022 to October 2023, according to Producer Price Index (PPI) data from the U.S. Bureau of Labor Statistics.¹¹ However, the increased costs for the two core and shell MEP packages far surpassed the inflation index over roughly the same period, growing 203 percent from \$178 million as estimated in March 2022 to \$539 million as awarded in July and October 2023. Similarly, costs for the two interior fit-out MEP packages increased 454 percent from \$28 million as estimated in March 2022 to \$155 million as awarded in June 2025—far surpassing the 19 percent increase in the PPI for that same period. Further, the seven construction cost categories that make up \$799 million of the overall \$960 million construction cost increase had increases ranging from 88 percent to 588 percent, far greater than the 24 percent increase in the PPI during March 1, 2022–January 1, 2026. We note that every construction project is distinct and that many factors such as a project’s location affect the impact of inflationary factors. When comparing the MEP package estimates to the actual amounts awarded, the variance from the PPI inflationary baseline exceeded 150 percent, suggesting that inflation as well as the other issues identified in this report were causes of the significant cost increases.

Lastly, we assessed the potential cost increases associated with certain design features, such as the building’s marble, water features, and garden terrace. We determined that these features did not materially contribute to subsequent construction cost increases.

We have seven recommendations to address the concerns and issues we identified. In response to our official draft report, the chairman concurred with the findings and recommendations and conveyed the Board’s commitment to addressing the items outlined in our recommendations. We will follow up with the Board quarterly to ensure that the recommendations are fully addressed.

¹¹ The PPI is a nationwide inflation measure that tracks the average change in selling prices for certain goods, services, and construction. Facility Services referenced the PPI index in its September 2022 presentation to the Division of Management and the Division of Financial Management that discussed the effect of inflation on the increased construction costs.

Objective and Methodology

We began this evaluation in July 2025 after receiving a request from then-Chairman Jerome H. Powell to assess the Board of Governors of the Federal Reserve System's (Board) oversight of the renovation project for its Marriner S. Eccles and 1951 Constitution Avenue NW buildings, including the associated costs. The Board's approved budget for the Eccles-1951 renovation project grew from \$1.317 billion in February 2020 to \$2.381 billion in December 2024, with the construction budget more than doubling from \$921 million in February 2020 to \$2.018 billion in December 2024, which is the most recently revised renovation budget.¹² Our objective was to assess the Board's oversight of its Eccles-1951 renovation project and to determine the key factors contributing to the project's cost increases, including the effect of certain design features.¹³

To conduct our work, we interviewed Board governors, senior Board officials, and staff involved in managing and overseeing the renovation project. We also interviewed key contractors to understand the nature of the services they provided, their explanations for the cost increases, and the Board's expectations for their services. In addition, we reviewed the Board's annual budget materials for 2020–2025; relevant contract files, including contracts, modifications, cost estimates, and status reports; and Facility Services project team briefing materials to Board officials, oversight groups, and the Board of Governors (BOG). We also reviewed information the Board posted publicly or shared with Congress, including in testimony, as well as Board policies and procedures for capital projects and procurement activities. Further, we reviewed our past reports on Board building renovation activities to assess whether any patterns or similar themes arose during the current renovation project.¹⁴ We also visited the renovation site to observe the project's progress, scope, and scale.

Because managing large, historic construction projects requires technical expertise, we hired a private-sector subject matter expert (SME) with over 15 years of experience in the construction industry to assist us in this evaluation. The SME, who specializes in financial analysis and cost estimating to support budgeting, bidding, and cost-control efforts on complex construction

¹² Unless otherwise noted, dollar figures throughout this report are generally rounded to the nearest million. Numbers throughout may not total because of rounding.

¹³ In this report, the term *certain design features* describes the design features that have been questioned by Congress and other external stakeholders.

¹⁴ Office of Inspector General, (1) *Audit Observations on the Board's Planning and Contracting Process for the Martin Building Construction, Renovation, and Relocation of Staff*, [OIG Report 2013-AA-B-007](#), March 29, 2013; (2) *Opportunities Exist for the Board to Improve Recordkeeping, Cost Estimation, and Cost Management Processes for the Martin Building Construction and Renovation Project*, [OIG Report 2014-AE-B-007](#), March 31, 2014; (3) *The Board Can Improve Communication and Documentation Regarding the Martin Building Project*, [OIG Report 2017-FMIC-B-012](#), May 24, 2017; (4) *The Board Can Improve the Management of Its Renovation Projects*, [OIG Report 2021-FMIC-B-004](#), March 10, 2021; and (5) *The Board's Contract Modification Process Related to Renovation Projects Is Generally Effective*, [OIG Report 2022-FMIC-B-002](#), February 2, 2022.

projects, assessed and provided feedback on our draft findings and conclusions and identified additional potential issues for us to review. We also developed an understanding of leading practices for construction activities, including contracting and project management, by researching the following industry materials: (1) U.S. Government Accountability Office (GAO) reports on large, complex construction projects; (2) federal guidance from the U.S. General Services Administration (GSA) for managing such projects; (3) academic literature; and (4) other industry materials on relevant topics.

Appendix A contains more details about our scope and methodology.

As noted above, our role in this evaluation was to assess the Board's management of the renovation project as well as the factors that led to the project's increase in cost. While our findings describe numerous concerns about the Board's project management and oversight, we do not speculate or make efforts to quantify the effect that those decisions may have had on the cost of the project or conclude whether those project costs were reasonable.

Eccles-1951 Renovation Project Scope, Risks, and Approach

The Eccles-1951 renovation project is an enormous undertaking that, according to the Board, addresses necessary updates for infrastructure, safety, security, and workspace needs (figure 1). In terms of scope, scale, and complexity, it exhibits similar risks to comparable large and complex government construction projects, which often experience delays and cost overruns as a result of their scale and the significant challenges that can arise over their extended duration. In 2022, the Board completed a large construction project with the renovation of its William McChesney Martin, Jr., building. Our oversight work of the Martin renovation found several issues—a lack of proper planning and governance, unreliable cost estimates, and unused cost-control measures, among others—that resemble our findings in this report. For the Eccles-1951 renovation, the Board selected the construction manager at risk (CMAR) delivery method that sought to address some of the issues it experienced with the design-bid-build approach during the Martin renovation. However, as the project progressed, deviations from the planned approach and unexpected risks resulted in delays and increased costs.

Figure 1. Conceptual Rendering of the Completed Eccles (Center) and 1951 (Right) Buildings with the Martin Building (Left) in the Background



Source: Board design plans submitted to the National Capital Planning Commission for final review on May 28, 2021.

The Board's Buildings

Before purchasing the 1951 building and undertaking the Eccles-1951 renovation project, the Board owned three buildings:

- Eccles, which was completed in 1937, was the Board's first headquarters building and remains its headquarters today.
- Martin, which was completed in 1974, is across the street from the Eccles building and connected to it by an underground tunnel.
- 1709 New York Avenue (NYA), which the Board purchased in 2001, is located several blocks to the northeast.

The Board attempted to identify additional office space near these buildings in 2007 to accommodate staff growth. However, it was unsuccessful and instead leased commercial office space. In September 2017, the U.S. Department of the Interior vacated 1951, which is adjacent to Eccles on Constitution Avenue NW.¹⁵ The BOG approved the purchase of the 1951 building in May 2018 for \$40.8 million.

The Board constructed, owned, and maintained Eccles since its completion in 1937, including renovating the piping system and installing new voice and data communication systems in 2000. A 2017 Board assessment of Eccles indicated that many of its building systems were at the end of their useful life. The 1951 building, built in 1933, had not undergone a comprehensive modernization in decades, and the Board determined its condition and configuration did not meet the agency's needs. In 2013, the GSA rated the building's condition as poor.

According to the Board, both buildings needed comprehensive renovations due to a backlog of critical upgrades to address

- changes in building codes and regulatory requirements
- new information technology requirements
- building security provisions
- environmental sustainability and energy efficiency
- increased utility demands and associated requirements imposed by more occupants and additional technology not anticipated at the time of the buildings' original design

¹⁵ The 1951 building was completed in 1933 and is designated as a historical building. The GSA, which owned 1951 at the time the Board purchased it, last renovated the building in 1978 to comply with GSA fire and safety standards.

For example, Board documents indicated that some of the Eccles mechanical equipment, such as air handling units and plumbing, typically have a useful life of 20 years but had been in use for 26 years. The documents also indicated that there were multiple leaks in the building (figure 2).

Figure 2. Eccles Air Handling Units Several Years Beyond Their Useful Life and Original, Abandoned Pipes with Dripping Water



Source: Board documents.

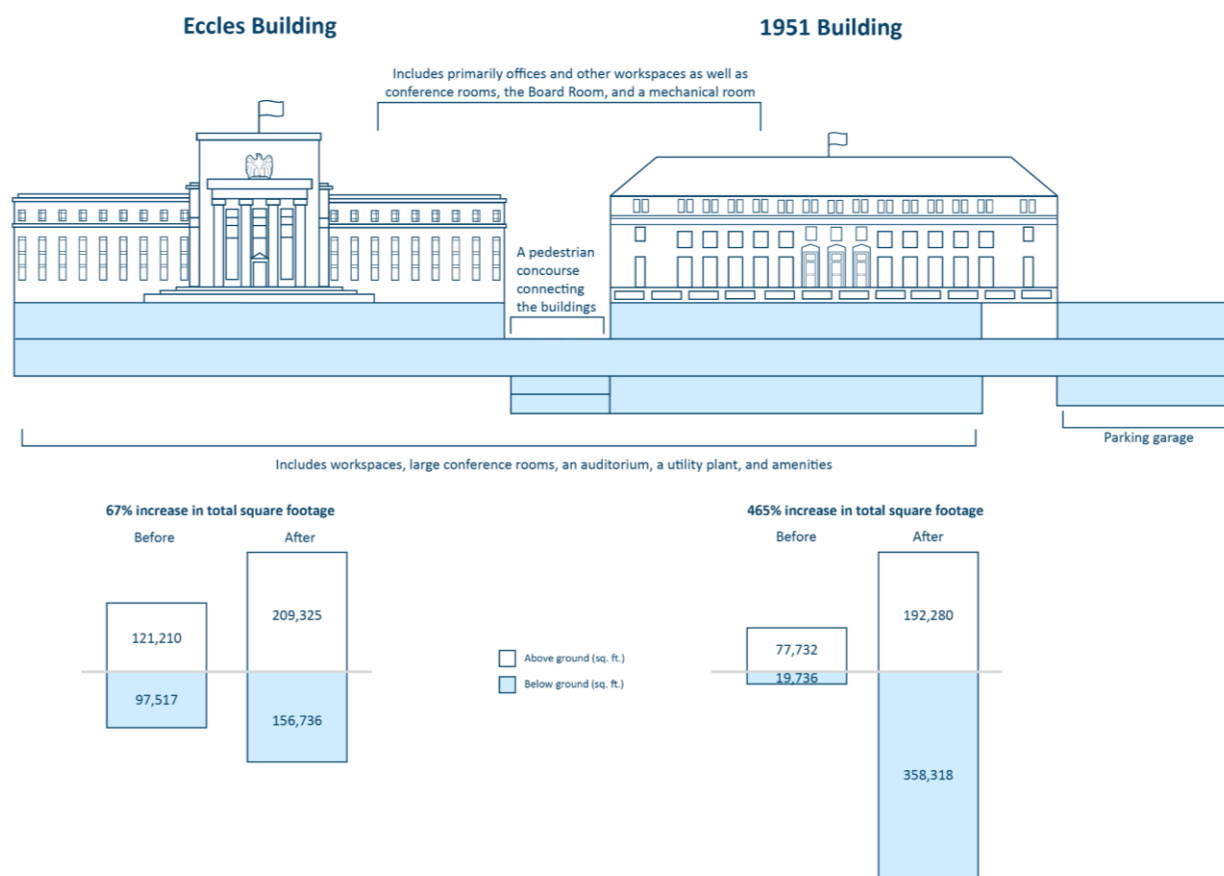
Scope and Scale of the Eccles-1951 Renovation Project

Given the Board's assessment of the condition of the Eccles and 1951 buildings, and the agency's plan to create additional office space for staff so that it could reduce or eliminate its leased space, the Board's renovation activities included

- nearly tripling the available square footage by constructing new spaces above and below ground in both buildings, resulting in the two buildings totaling 916,659 square feet (sq. ft.), including a parking garage (figures 3, 4, and 5)¹⁶
- replacing major systems for health and safety, like plumbing; electrical; heating, ventilation, and air conditioning (HVAC); and fire suppression
- removing and remediating hazardous materials, such as asbestos and lead, and meeting modern code standards
- increasing the accessibility of interior spaces for people with disabilities

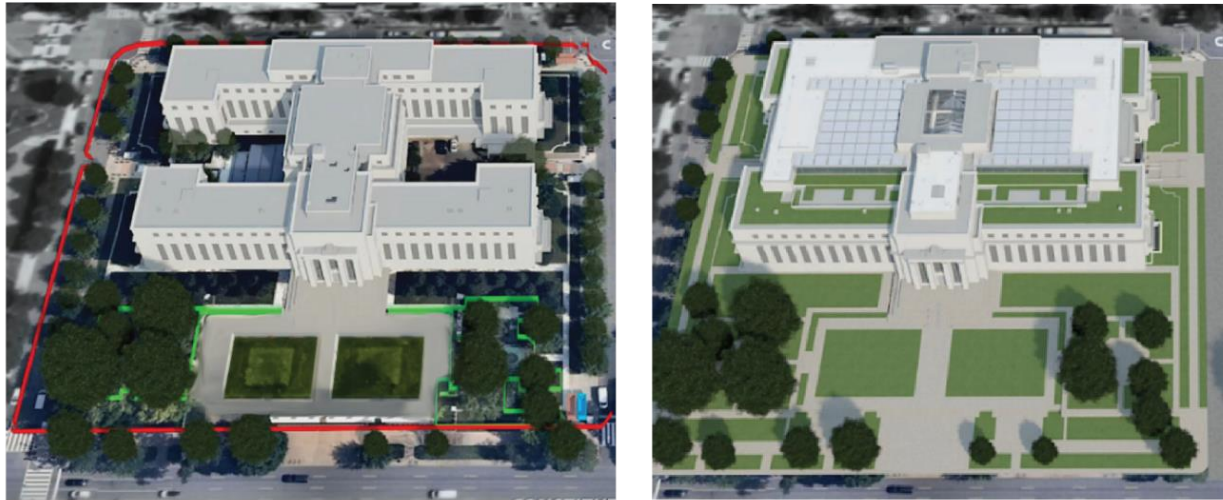
¹⁶ All square footage numbers were provided by Facility Services.

Figure 3. The Eccles-1951 Renovation Project Nearly Triples the Buildings' Original Square Footage



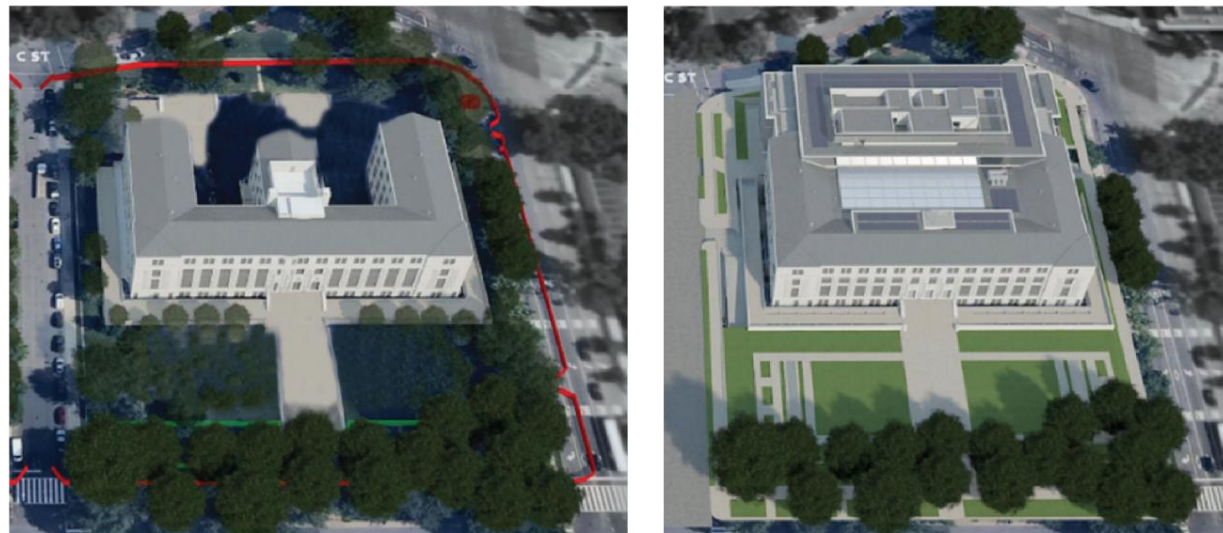
Source: OIG analysis of the scale of the Eccles-1951 renovation based on information provided by the Board.

Figure 4. The Eccles Building Before (Left) and After (Right) Renovation



Source: Board documents.

Figure 5. The 1951 Building Before (Left) and After (Right) Renovation



Source: Board documents.

One of the most notable aspects of the renovation project is the amount of additional underground space created in Eccles and 1951. Before the renovation, the buildings had a combined underground space of 117,253 sq. ft. After the renovation, their combined underground space, including the pedestrian walkway connecting Eccles and 1951 and the parking garage, will be 515,054 sq. ft.—more than quadruple the original amount.¹⁷ Further, because the renovation site is near the Potomac River and affected by a high water table, water

¹⁷ The 515,054 sq. ft. of total underground space is equivalent to almost 9 football fields (a football field is 57,600 sq. ft.).

penetration and soil instability made the excavation efforts required to construct this space complicated and costly (figure 6).¹⁸

Figure 6. Excavation Work for the Eccles Building



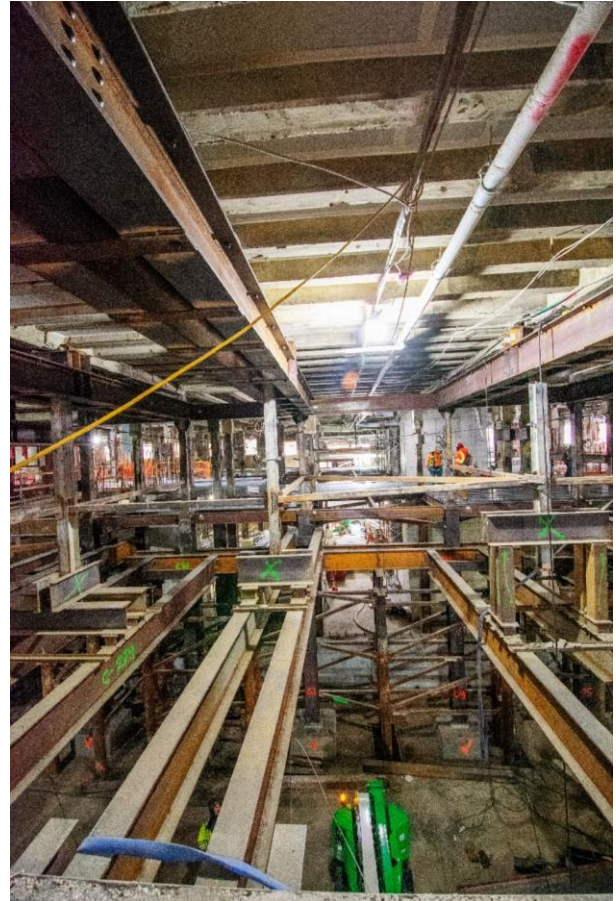
Source: OIG onsite visit in November 2025.

¹⁸ In comparison, the Capitol Visitor Center, completed in 2008, was a three-level underground construction project. It created 580,000 sq. ft. of space below the U.S. Capitol at an estimated cost of \$621 million (or about \$1.167 billion today after adjusting for inflation), according to Congressional Research Service, *The Capitol Visitor Center: History, Development, and Funding*, March 8, 2012. In contrast to the Eccles-1951 site, the Capitol Visitor Center is located farther from the surrounding rivers in Washington, DC, and the water table was not identified as an issue during the excavation. In terms of scale, the underground space beneath Eccles and 1951 is roughly 63 percent of the square footage of the Capitol Visitor Center.

In addition to upgrading and modernizing two historic buildings, the project's subtasks necessary to achieve the overall objectives included

- adding 1,415 tons of steel for temporary support and 1,625 tons of steel for permanent structural support in various sections of Eccles (figure 7)
- conducting significant excavations to increase the total underground space by 397,801 sq. ft. for office space, large conference rooms, a utility plant for both buildings, a new parking garage beneath 1951, a pedestrian walkway that connects Eccles and 1951 and allows for the movement of staff and materials, and a utility tunnel that allows for the connection of utilities between the buildings (figure 8)
- converting the parking garage beneath Eccles into new usable space, including a large auditorium

Figure 7. Underground Steel Reinforcement in Eccles



Source: OIG onsite visit in November 2025.

Figure 8. New Underground Conference Area (Left) and New Utility Plant Beneath 1951 (Right)



Source: OIG onsite visit in November 2025.

Risks and Challenges of Large Construction Projects

Large and complex government construction projects like the Eccles-1951 renovation can present unique and significant risks, including

- long planning horizons
- complex systems
- high leadership turnover because of the project's extended duration
- numerous stakeholders with conflicting interests
- scope changes
- poor-quality information about costs, schedules, benefits, and risks¹⁹

Because of these risks, thorough preplanning should be done before greenlighting a large and complex project. When these risks are not adequately managed, such projects can fail to achieve their objectives or success measures because of (1) underestimated project cost, (2) inadequate preplanning, (3) insufficient cost monitoring, (4) lack of competent construction management, (5) poor communication, or (6) lack of program oversight.

¹⁹ Bent Flyvbjerg, "What You Should Know About Megaprojects and Why: An Overview," *Project Management Journal*, 45(2), 6–19, April 28, 2014.

Several large and complex government construction projects illustrate the risks of significant delays and cost increases (table 1).

Table 1. Large and Complex Government Construction Projects That Experienced Schedule and Budget Issues

Project	Location	Start of construction	Expected completion	Actual completion	Cost increase
Ronald Reagan Building and International Trade Center	Washington, DC	1990	1992	1998	126%
Capitol Visitor Center	Washington, DC	2002	2005	2008	134%
National Museum of African American History and Culture	Washington, DC	2012	2015	2016	80%
Rocky Mountain Regional VA Medical Center	Aurora, Colorado	2012	2014	2018	411% ^a

Source: OIG analysis of large and complex government construction projects based on various sources of public information, such as media fact sheets, news articles, websites associated with large and complex government construction projects, and Congressional Research Service reports.

^a The final actual cost of this project was not available, and the cost increases are based on GAO's initial and final project cost estimates. U.S. Government Accountability Office, *VA Construction: VA's Actions to Address Cost Increases and Schedule Delays at Major Medical-Facility Projects*, GAO-15-332T, January 21, 2015; U.S. Government Accountability Office, *VA Construction: Actions Taken to Improve Denver Medical Center and Other Large Projects' Cost Estimates and Schedules*, GAO-18-329T, January 17, 2018.

These projects faced challenges similar to those of the Eccles-1951 renovation (discussed in more detail below). For example, the Capitol Visitor Center budget increased because other concurrent construction projects limited available contractors; mechanical, electrical, and plumbing (MEP) costs were higher than estimated; the cost of building materials increased significantly; and a specific stone was used to maintain consistency with the historic design of the Capitol.²⁰

²⁰ Congressional Research Service, *The Capitol Visitor Center: History, Development, and Funding*, March 8, 2012.

In addition, the high water table in areas of Washington, DC, can complicate excavation. Construction for the National Museum of African American History and Culture, located less than a mile east of the Eccles-1951 site, also on Constitution Avenue, was 60 percent underground and required a custom excavation system to withstand the pressure of the water table.

As discussed further in the next section, the budget overruns and schedule delays experienced on these large and complex government construction projects are consistent with issues we previously noted during our assessment of the Board's Martin renovation. For example, the Board took 11 years to complete the Martin renovation project, and the total expected cost more than doubled from about \$203 million in 2012 to about \$454 million by 2022.²¹ Since 2014, our reports on the Board's major management challenges have identified planned or ongoing renovation projects as a major management challenge.²²

Challenges Previously Identified in OIG Reviews of Board Renovation Projects

Since 2013, we have issued five reports on the Board's management and contracting practices for its construction and renovation projects.²³ Most of our findings and recommendations relate to the Martin renovation, which had a different scope of work and used a different construction delivery method and contract vehicles. Our prior reports highlight a lack of proper preplanning, unreliable cost estimates, unimplemented cost-control measures, incomplete and insufficient status reporting to Board oversight bodies, and a lack of project governance to facilitate oversight and planning.²⁴ We also reported that the Board established and generally complied

²¹ Office of Inspector General, *Opportunities Exist for the Board to Improve Recordkeeping, Cost Estimation, and Cost Management Processes for the Martin Building Construction and Renovation Project*, [OIG Report 2014-AE-B-007](#), March 31, 2014; Board quarterly dashboard document to senior management.

²² Office of Inspector General, [2025–2026 Major Management Challenges for the Board](#), April 30, 2025.

²³ Office of Inspector General, (1) *Audit Observations on the Board's Planning and Contracting Process for the Martin Building Construction, Renovation, and Relocation of Staff*, [OIG Report 2013-AA-B-007](#), March 29, 2013; (2) *Opportunities Exist for the Board to Improve Recordkeeping, Cost Estimation, and Cost Management Processes for the Martin Building Construction and Renovation Project*, [OIG Report 2014-AE-B-007](#), March 31, 2014; (3) *The Board Can Improve Communication and Documentation Regarding the Martin Building Project*, [OIG Report 2017-FMIC-B-012](#), May 24, 2017; (4) *The Board Can Improve the Management of Its Renovation Projects*, [OIG Report 2021-FMIC-B-004](#), March 10, 2021; and (5) *The Board's Contract Modification Process Related to Renovation Projects Is Generally Effective*, [OIG Report 2022-FMIC-B-002](#), February 2, 2022.

²⁴ In 2018 and 2021, Facility Services conducted an internal, lessons learned review of the Martin renovation with its key contractors involved with design, management, and construction. The lessons learned were narrowly focused and generally related to day-to-day project management and execution, like improving communications among stakeholders to clarify roles and responsibilities and enhancing the Board's and key contractors' site presence to monitor progress.

with a contract modification review process for Martin renovation–related contracts as well as the preconstruction Eccles contract for architectural/engineering services.

The Board took measures to address and resolve all 11 recommendations associated with the three prior reports that contained recommendations. We closed all the recommendations associated with those reports based on our assessment of the measures taken or planned. However, we note in this evaluation the recurrence of several issues that closely resemble our prior audit findings and issues we identified:

- failing to implement a stated cost limitation on the Eccles-1951 renovation as outlined in our 2014 audit report about the Martin renovation
- providing project status reports that did not include meaningful information about the project cost increases or schedule delays, similar to a previous finding highlighting the ineffectiveness of project status reports used for the Martin renovation as reflected in our 2017 audit report
- deciding not to implement project governance and execution measures in a guidance document that was prepared in response to our 2021 Eccles-1951 and Martin renovations report highlighting the importance of “clear and unambiguous authority . . . for [project] decisionmaking”

Lack of Proper Preplanning

In 2013, we reported that numerous significant Board-initiated scope changes, including the addition of a conference center, resulted in a lengthy, more than 2-year delay in completing the design phase of the Martin renovation.²⁵ As a result, the architecture and engineering (A/E) firm submitted claims to cover increased labor costs, and the Board paid \$139,165 in delay claims.

We alerted the Board in our 2013 report about the importance of finalizing specific plans and key decisions before awarding contracts to minimize the risk of additional delays and cost increases during construction. The Board concurred with our observations and said it had initiated actions to minimize the risk of further delays and cost increases. As noted, the Martin renovation was completed in 2022. We did not issue any formal recommendations in this report.

²⁵ Office of Inspector General, *Audit Observations on the Board's Planning and Contracting Process for the Martin Building Construction, Renovation, and Relocation of Staff*, [OIG Report 2013-AA-B-007](#), March 29, 2013.

Unreliable Cost Estimates and Unimplemented Cost-Control Measures

In 2014, we reported that the Board's construction cost estimates during the planning phase for its Martin renovation contained errors and inconsistencies and lacked supporting documentation. In addition, the Board had not established a stated cost limitation, nor did the Board require the A/E firm to submit cost-saving items to help manage costs.²⁶ As a result, the Board missed opportunities to ensure the A/E firm's design fit the Board's budget.

In response to our recommendations, the Board (1) established a stated cost limitation; (2) required the A/E firm to submit cost-saving items for the remaining design process; (3) created procedures for preparing cost estimates required for any future building projects; (4) informed Board advisory committees, such as the Committee on Board Affairs (CBA), and project-level oversight bodies, like the Executive Oversight Group (EOG), of the increased stated cost limitation; and (5) evaluated cost estimates from the independent cost estimator to ensure that the estimates were accurate and conformed with industry standards.

Incomplete and Insufficient Status Reporting to Board Oversight Bodies

In 2017, we reported that the Martin project's briefing materials submitted to the Board's project-level oversight bodies, such as the chief operating officer (COO) and the EOG, did not fully reflect the project's progress. The materials did not reference significant issues like the decision to terminate the Board's A/E firm and select a replacement firm, concerns about the quality of the contractor's deliverables, and escalating delays in project progress. Despite numerous significant construction issues, including extended deliverable dates, the Board project team consistently reported the project as "on track" to project-level oversight bodies.²⁷

In response to our recommendations, the Board (1) modified the EOG charter to reflect a new process for timely communicating information to the EOG members, documenting decisions and meetings summaries, and providing the recap to the EOG members and (2) developed new guidance describing the importance of, and the need for, quality information about project status, including missed milestones, vendor performance concerns, or unsatisfactory deliverables.

²⁶ A stated cost limitation serves as a cost control because, once established, the cost estimate associated with an A/E firm's design cannot exceed this limitation. Office of Inspector General, *Opportunities Exist for the Board to Improve Recordkeeping, Cost Estimation, and Cost Management Processes for the Martin Building Construction and Renovation Project*, [OIG Report 2014-AE-B-007](#), March 31, 2014.

²⁷ Office of Inspector General, *The Board Can Improve Communication and Documentation Regarding the Martin Building Project*, [OIG Report 2017-FMIC-B-012](#), May 24, 2017.

Lack of Project Governance to Facilitate Planning

In 2021, we reported that the Board did not establish project governance to facilitate key planning decisions before awarding the A/E design contract for the Eccles-1951 renovation project. Specifically, the Board did not establish (1) clear roles and responsibilities for its advisory committees and project-level oversight bodies about their involvement in key decisions during project planning or (2) a plan for engaging and communicating with key stakeholders during project planning.²⁸

In response to our recommendations, the Board developed a Project Management Guidance document that included (1) leading practices for establishing a standard framework of key elements of a project plan and (2) practices that support successful project execution and completion. The key elements included creating a business plan to establish the project's foundation, establishing a governance model that defines how the project will be overseen and guided, and developing a project plan that defines every aspect of how the project will move from inception to completion.

Compliance with Guidance for Reviewing and Approving Contract Modifications

In 2022, we reported that the Board generally complied with its contract modification review process for 46 modifications to certain Martin renovation contracts and 2 modifications to the Eccles-1951 preconstruction A/E contract issued from April 1, 2019, to March 31, 2020. Specifically, the Board consulted with a construction administrator and had them develop independent government cost estimates for 30 of the 33 construction contract modifications. The Board established the Long-Term Space Plan—Change Order Responsibility Matrix, which outlines the responsible, approval, concurrence, and inform (RACI) review process for all change order modifications that affect the schedule or cost of a project and generally ensures that the appropriate individuals reviewed and approved them. In addition, during this prior audit, the Board automated the RACI process to mitigate the risk of incomplete or improper approval of the contract modifications.²⁹ This report did not contain any recommendations.

²⁸ Office of Inspector General, *The Board Can Improve the Management of Its Renovation Projects*, [OIG Report 2021-FMIC-B-004](#), March 10, 2021.

²⁹ Office of Inspector General, *The Board's Contract Modification Process Related to Renovation Projects Is Generally Effective*, [OIG Report 2022-FMIC-B-002](#), February 2, 2022. This audit assessed modifications to the construction contract for Martin, the A/E contract for Martin, the construction administrator contract for Martin, and the A/E contract for Eccles-1951. As of November 2021, the date we completed fieldwork for the audit, no construction contract had been awarded for the Eccles-1951 renovation, and the contract modifications on the \$42 million A/E contract totaled \$271,000.

Management and Governance of the Eccles-1951 Renovation Project

Management of the renovation project was handled primarily by the Board's Facility Services section in the Division of Management (MGT), with other Board groups providing support for procurement and contracting.³⁰

Project Management

Facility Services has primary responsibility for managing the day-to-day aspects of the renovation project. The head of Facility Services reported to the MGT director, who reported to the COO.³¹ The COO, who reports to the BOG's administrative governor,³² has responsibility and authority for administrative oversight of the Board's operations and resources.

MGT is responsible for planning, managing, and maintaining building space required by the Board. The Facility Services section within MGT planned and managed the renovation project, including establishing work and project priorities and reporting the project's status to the Board's oversight bodies (further described in the next sections). In addition, MGT's Operations, Planning, and Analysis section provided budget and administrative support to Facility Services.

The Division of Financial Management (DFM), which had overall responsibility for Board budget matters, provided management support to Facility Services for the renovation project. DFM handled the Board's contracting activities and finance function. The Procurement section awards and administers the Board's contracts with construction contractors, A/E firms, construction administrators, and others, and it liaises between Facility Services and contractors. The Financial Planning and Analysis section manages the Board's budget development, analyzes and reports on budget performance, and develops financial forecasts. To facilitate the budget process for multiyear capital projects, divisions must submit project initiatives to Financial Planning and Analysis and obtain the BOG's approval through the Board's capital budget process before initiating a project. The Board's chief financial officer (CFO) was the director of DFM.

The Legal Division, which is required to review contract actions expected to exceed \$200,000 in any contract year, with limited exception, assists the renovation project by reviewing various contracts and contract modifications that meet the dollar threshold. According to a Board

³⁰ On December 28, 2025, the Board combined MGT and the Division of Financial Management into the new Division of Management and Financial Services (MFS). The MFS director is the chief financial officer and reports to the COO.

³¹ Since 2018, there have been three COOs. In April 2025, the MGT division director was promoted to COO. According to a Board official, from April 2025 through December 2025, the newly appointed COO continued to serve as the acting MGT director.

³² The chairman has delegated authority to the Board's administrative officer, called the *administrative governor*, for overseeing the Board's day-to-day operations.

counsel, Legal Division review is to ensure that contract terms meet the Board's *Acquisition* policy and legal requirements.

Project Oversight

The BOG, the CBA, the Investment Review Board (IRB), and several other Board entities and groups oversee aspects of the building renovation. However, the BOG and the CBA have limited roles and decisionmaking responsibility for the Eccles-1951 renovation project. In addition, the CBA and other oversight entities experienced several transitions in key positions and roles since the project began.

The following governance structure has been in place since construction began in July 2022:

- **Board of Governors.** The BOG is responsible for approving the Board's multicyle capital and annual budgets, which include the initial renovation project budget and the subsequent budget modifications, based on MGT's and DFM's budget justification memorandums. Consistent with its authority under the Federal Reserve Act, the BOG has delegated administrative functions to Board staff and therefore did not engage in day-to-day management of the renovation.³³ One of the governors serves as the administrative governor, who is the oversight governor for the COO and chair of the CBA. As described below, the RACI matrix outlines a project-specific role for the administrative governor that is limited to notification expectations and does not include a decisionmaking role.
- **Committee on Board Affairs.** The CBA is a BOG advisory committee consisting of up to three governors. The committee, through its chair (the administrative governor), informs and advises the BOG on matters related to the Board's internal administrative operations, including renovation projects. For the Eccles-1951 renovation project, the committee serves in an advisory capacity and does not have any project-level decisionmaking role. The CBA also oversees the Board's planning and budgetary process and presents the agency's annual budget, including operating and capital budgets, to the BOG for discussion and decision. The Board's administrative governor was both the oversight governor for the COO's roles and responsibilities and served as the CBA chair. Since 2020, the committee membership has changed several times, including two CBA chairs; three governors who departed the CBA in 2022, 2023, and 2025; and four governors who joined the CBA in 2022, 2023, and 2026.
- **Investment Review Board.** The IRB is chaired by the COO and consists of senior Board officers designated by each Board division. It reviews all new, strategically significant projects under consideration for the upcoming budget year that exceed \$1 million in

³³ The Federal Reserve Act authorizes the BOG to delegate any of its functions, other than those pertaining to rulemaking or monetary and credit policies, to members or employees of the Board or to the Federal Reserve Banks. The BOG has delegated many of its functions to staff and the Reserve Banks.

total cost. The IRB seeks to provide consistent, disciplined review and monitoring of these Board projects. Before implementing a project and during its execution, the IRB seeks to strengthen coordination across the Board and promote project success by reviewing the status of a project, including its resources, risks, and schedule. The IRB may also recommend that the Board pause or cancel projects. Facility Services officials informed us that the IRB did not make any formal recommendations during the Eccles-1951 renovation project but did ask questions, such as inquiring about the possible options for increasing the number of bidders on the segments of the contract work.

- **Executive Oversight Group.** The EOG consists of the director of MGT, the CFO, the director of the Division of Information Technology, and two external executives such as Reserve Bank officials. The EOG is an advisory group that provides strategic oversight, advice, and guidance to the building renovation project teams based on the members' collective expertise. According to its charter, the EOG "provides a 'second-set of eyes' and a 'reality check' on the [renovation] projects." The charter goes on to note that the EOG "does not function as an approval or decision-making body. However, recommendations may be developed by EOG consensus to be presented to the Board's executive team."
- **Executive Work Group.** The Executive Work Group (EWG) is chaired by the directors of MGT and DFM, and its members include staff from Facility Services, Procurement, Finance, and the Legal Division. According to Facility Services officials, the Board established the EWG to oversee its long-term strategic space plan. EWG members manage, monitor, and track space plan projects and provide information, details, and recommendations to the project teams when decisions need to occur and options need to be assessed about the progress of the renovation. Starting in April 2020, the COO's periodic status update meetings were combined with the EWG meetings because the meetings consisted of the same stakeholders.

Internal Status Reporting by Facility Services

Facility Services established reporting processes to share updates, primarily about the budget, schedule, and overall progress, with the project oversight bodies and senior Board officials. Facility Services provided quarterly dashboards to the COO/EWG, EOG, and IRB to reflect the status of the renovation budget, schedule, and overall project. The dashboards reported on the budget and schedule using a stoplight method: green for "on track," yellow for "at risk," and red for "critical."

Facility Services also reported high-level updates to the CBA periodically about the project's progress, risks, and milestones. Some of those reports highlighted key recent developments like the progress on excavation and slurry wall installation. Facility Services did not have a preestablished time frame for formally communicating the project status to the BOG beyond

high-level information requesting additional funding on the renovation project as part of the Board's annual operating and capital budget approval process.

Decisionmaking Authority for Construction Changes Affecting Budget or Schedule—The Board's RACI Matrix

For the Martin renovation project, the Board established a RACI matrix to outline the internal elevation and approval process for certain change events that affected schedule and budget. In 2018, the Board adopted a similar, updated matrix for the space plan to cover certain change events for the Eccles-1951 renovation. The Board further updated the matrix in 2020 and 2021. The RACI matrix's internal responsibility, approval, consultation, and notification rights were focused on a narrow set of change events that required elevation to officials from the project manager/contracting officer's representative (COR) to the director of MGT, the COO, the CFO, and the administrative governor.

Under the applicable 2021 matrix, the only decisions requiring elevation by the project management team to senior Board officials involved change events for "Differing Site Conditions," "Design Deficiencies," a "Board Directed Change," or "Directives to Support Intended Scope." Project awards for in-scope work that substantially affected the project costs did not require elevation through the RACI process unless they fell into one of those four categories. MGT officials told us that work within the "intended scope" of the approved budget did not require elevation as a change event.

Our interviews revealed that senior oversight officials placed a considerable amount of faith and confidence in the Facility Services team for project-level decisionmaking and used a trust-based approach to overseeing the project team.³⁴ This oversight approach resulted in the project team having considerable decisionmaking autonomy for project execution decisions not covered by the RACI matrix.

Eccles-1951 Project Delivery Method and Key Contractors

The Board selected a construction manager at risk (CMAR) project delivery method and hired a construction manager as constructor (CMc) for the Eccles-1951 renovation project. The Board selected the CMAR method to address some of the challenges associated with the Martin renovation project's design-bid-build method, such as the design document discrepancies and

³⁴ Facility Services has primary responsibility for managing the day-to-day aspects of the renovation project. MGT's Operations, Planning, and Analysis section provided management support, and DFM provided contracting and financial support. Accordingly, because the project included management support from multiple divisions, we refer to the *project team* through the report.

additional change orders that arose that are less likely to occur under an effectively managed CMAR method given the CMc's involvement in the preconstruction design phase. The CMAR method emphasizes hiring the CMc during the A/E design phase and collaboration between the CMc, the A/E firm, and the building owner to increase efficiency and better manage costs. The CMc serves as the primary contractor, consulting with the A/E firm during design, overseeing subcontractors during construction, and working with the building owner throughout the project. Although not required under the CMAR method, the Board hired a construction manager owner's representative (CMOR) to, among other things, serve as the owner's representative during the design and construction phases and assist in overseeing the CMc.

The CMAR Method, the Hiring of a CMc, and the Guaranteed Maximum Price

The CMAR method aligns the A/E design phase with the CMc's preconstruction services, which are concurrent to enhance coordination and provide a more seamless transition to the construction and construction closeout phases.

- **Design.** In a CMAR method, the building owner retains the CMc during the design phase to provide consultation before construction begins. The CMAR method enables the building owner to obtain construction cost estimates during design, consider alternative design features for budgeting purposes, and obtain the benefits of value engineering.³⁵ This method also allows for certain early construction work, such as demolition and site work, to begin while designs are being finalized, thereby reducing total construction time compared with a design-bid-build model.
- **Construction.** The CMc then transitions into the construction phase. In this phase, the CMc serves as the general contractor and is responsible for managing and completing the construction of the project in accordance with the design drawings. The CMc obtains bid proposals from subcontractors; oversees the subcontractors; handles quality control, safety, inspections, and tests; and manages ongoing value-engineering efforts during the construction phase.³⁶
- **Construction closeout.** Once the CMc has completed the construction phase, the CMc handles construction closeout. During construction closeout, the Board's CMAR contract states that the CMc provides final building drawings, manuals, final project photographs,

³⁵ According to the Board's CMAR contract, the constructability review shall be an independent and structured review of construction documents by relevant professionals with experience and expertise in corresponding review areas to make certain that the work requirements are clear; the documents are coordinated; and the documents assist a contractor in bidding, construction, and project administration to result in reduced impacts to the project.

³⁶ GSA guidance states that value-engineering services include analyzing designed building features, systems, equipment, and material to identify the most cost-effective construction approach without compromising quality or performance.

and warranties to the Board, as well as conducts training of the Board's Facility Services staff for optimal operation and building maintenance.

Critically, to manage costs, the CMc negotiates a guaranteed maximum price (GMP) with the building owner once the design is substantially complete, usually by the time construction begins or shortly after early construction packages are awarded. The GMP is often negotiated and set at the project level, but for large or phased projects, construction can be segmented into bundled price packages for specific purposes and particular scopes of work, with a GMP negotiated and set for those construction segments before they are put out for bid. Such bundled price packages are typically for large segments or phases of work and are usually limited in number.

As the name suggests, the key intent of the CMAR method is to transfer risk from the owner to the CMc, including schedule delays and future cost increases (subject to any contingencies in the GMP agreement), thereby providing the building owner with greater cost certainty and incentivizing the CMc to control costs to stay within the GMP. The greater cost certainty obtained by the owner's ability to negotiate a GMP at or close to the start of construction does not necessarily mean the project's overall cost will be lower as compared to another construction method. That depends on a variety of factors, including any risk premium that the CMc is able to include in the negotiated GMP, the contingencies in the GMP agreement, and the owner's ability to limit design changes or modifications once construction begins. Thus, agreement on a GMP between the owner and the CMc is a central tenet of this construction approach. Once a GMP agreement exists, the CMc is generally responsible for covering any overages if the final project cost exceeds the GMP, with limited exceptions.³⁷ Conversely, if the final project cost is less than the GMP, the CMAR agreement allows for the CMc and the building owner to share in the savings. Unlike a firm-fixed-price contract, in which the contractor agrees to perform the work for a single fixed sum regardless of its actual costs, in a CMAR contract with a GMP, the CMc is generally compensated through a cost-plus arrangement whereby, in addition to paying the CMc the construction costs (up to the GMP), the building owner also pays the CMc a fee that is a percentage of the construction costs but that is capped by the amount of the GMP.³⁸

Although the CMAR method has potentially significant benefits, it also presents risks for the owner and requires greater owner diligence. While the CMc carries construction cost overruns once a GMP is established, the owner remains responsible for design errors, omissions, or changes. This risk can result in unexpected cost increases and schedule delays.

³⁷ For example, the Board's CMAR contract allowed for GMP adjustments to account for certain work changes requested by the owner, including changes in the (1) project documents; (2) method of performance of the work; (3) time or place of performance; (4) Board-furnished facilities, equipment, materials, work, or site; and (5) speed of the construction work.

³⁸ In a firm-fixed-price contract, the buyer pays a set, predetermined price, shifting financial risk to the vendor.

Construction Manager Owner's Representative

To serve as the Board's representative and provide administrative and recordkeeping services during the design and construction phases, the Board hired a separate vendor as its CMOR. A CMOR serves as an owner's trusted advisor and represents the owner's interests throughout the project to help manage construction costs. For example, a CMOR can facilitate value-engineering study workshops to identify the most cost-effective materials to be used without compromising quality. In addition, a CMOR assesses a project's risks and cost performance and supports the review of the CMc's submission of subcontractor price package bid proposals.

The Board retained its CMOR vendor to perform management and review services during the design phase and to provide construction management and inspection services during the construction phase. Services provided by the CMOR included reviewing the price packages submitted by the Board's CMc, providing cost estimates for out-of-scope changes, performing onsite inspection and oversight of demolition and abatement at the 1951 building, and helping the Board oversee construction activities onsite.

Architecture/Engineering Firm

To develop the design for the Eccles-1951 renovation, the Board hired an A/E firm. The A/E firm focused on design of the construction concept, including the layout of the building's MEP system, as part of the design drawings. The design drawings were then used by the CMc to build out the intended project concept.

The A/E firm was responsible for all aspects of the design process:

1. **Concept development.** Review project requirements to understand the Board's project intent and the existing building and site conditions. Completed December 2019.
2. **Schematic.** Study drawings and documents that illustrate the design concepts for the project. Completed July 2020.
3. **Design development.** Prepare drawings that specify project requirements, such as materials and the location of doors and windows. In addition, this phase outlines MEP details. Completed May 2021.
4. **Construction document.** Complete final construction drawings and details to be used by the CMc to obtain bid proposals from subcontractors. The A/E firm completed the construction document designs through five miniphases:
 - a. Early foundation—refers to the initial site preparation, including excavation, selective demolition, and other activities related to slurry wall construction. Completed March 2022.

- b. Core and shell—includes the design details that primarily cover the common spaces (like the conference centers), exterior details, structural framework, and base building MEP systems. Completed April 2022.
- c. Interior fit-out design—includes the design details that primarily cover the office and staff spaces. For example, this can include MEP systems, flooring, ceilings, and partitioning walls. Completed October 2024.
- d. Furniture, fixtures, and equipment (FFE)—provides a comprehensive visual guide that includes dimensions, materials, and finishes for each piece of furniture, fixture, and equipment. This phase ensures that all FFE elements are accurately placed and meet the design intent. Completed January 2025.
- e. Signage and graphics—includes all wayfinding, room, and general signage information. Completed July 2025.

Third-Party Independent Estimator

To provide independent cost estimates, the Board hired a third-party independent estimator. An independent cost estimate provides an owner with an independent opinion on the probable construction and project costs. It is a tool owners can use to evaluate whether contractors' and subcontractors' bids are fair to prevent the owner from overpaying for the project.

The Board's independent estimator was tasked with providing cost estimates at the conceptual development, schematic, and construction document design phases. These additional independent cost estimates supplemented the A/E firm-provided cost estimates described above.

Timeline of Key Eccles-1951 Renovation Project Events

A key inherent risk associated with large and complex projects is the extended duration—how unforeseen and foreseeable developments can arise and affect a project’s budget or schedule. Such risk further emphasizes the need for organizational commitment to hands-on oversight of this type of project.

Key project developments and the Board’s decisions about project management and contract execution—especially involving the CMc—are outlined below.

May 2018: The Board Projects Long-Term Cost Savings from Purchasing 1951 and the BOG Approves the Purchase

In May 2018, Board staff proposed purchasing the 1951 building from the GSA, highlighting the building’s proximity to the Eccles-Martin complex. The proposal included financial forecasts for three options:

1. maintain the current portfolio of owned buildings and continue to lease additional space
2. purchase 1951, renovate it with closed office spaces, and reduce leased space
3. purchase 1951, renovate it with a mix of closed office spaces and open workspaces, and eliminate leased space

The analysis determined that both the second and third options would yield anticipated savings to the Board, with the third option projected to save \$629 million over a 20-year period. According to a Board official, the forecasts excluded the Board’s already-planned Eccles renovation because those costs were viewed as life cycle investments for necessary maintenance of a building—not a new capital investment, like acquiring 1951, that it could choose to forgo. The Board assumed a cost of \$554 million to purchase and renovate 1951.³⁹

In addition, a senior Board official told us about the nonmonetary benefits of purchasing and renovating 1951. The agency’s “one Board campus vision” of having a consolidated campus of

³⁹ A staff member from the Office of the Chief Operating Officer informed us that the \$554 million price was calculated based on a discounted cash flow analysis across the three scenarios. The calculation included the acquisition cost, building improvements, and operating expenses of the 1951 building in perpetuity.

adjacent buildings is meant to provide additional benefits, including increased in-person coordination and collaboration, streamlined building security demands in Board-owned space, and simplified logistics with less need for shuttles between locations.

In May 2018, the BOG approved the purchase of 1951 from the GSA for \$40.8 million. According to a Board official, following the acquisition of 1951, the Board developed a design solicitation for the combined Eccles-1951 renovation and later hired an A/E firm for the design phase of the project as described below.

November 2018: The BOG Adopts a Long-Term Strategic Space Plan

In adopting a 2019 agency budget, the BOG endorsed developing a long-term strategic space plan to support the Board's mission and employees over the coming decades. The space plan had two objectives: (1) locate most Board employees in close proximity to each other, improving the opportunities for collaboration and communication among staff and divisions, and (2) reduce leased-space costs, demonstrating the Board's commitment to fiscal responsibility.

In the 2019 budget, the BOG also approved funding for the renovation services for Eccles and design and renovation services for 1951.

March 2019–November 2020: Facility Services Retains Outside Experts

Architecture/Engineering Firm

In March 2019, the Board awarded a \$41.7 million firm-fixed price contract to an A/E firm to develop the design for the Eccles-1951 renovation project. As stated above, the A/E firm focused on design of the construction concept, which would then be used by the CMc to create the intended project concept.

In addition to providing a fixed price to the A/E firm, the contract includes additional cost controls. First, the contract states that the A/E firm will provide the Board with construction cost estimates at each of the design phases. In addition, the "Value Management" section of the contract has the following provision:

The A/E shall make reasonable efforts to maintain cost controls throughout the development of the Project Documents so that the Work depicted in the final

approved Project Documents for the Project can be constructed and installed within the Board's final approved Stated Cost Limitation.

The stated cost limitation is defined in the contract as "the maximum cost that the Board is willing to incur to complete construction of the Project inclusive of anticipated hard construction costs; fixed furnishings, equipment and infrastructure requirements; design contingency; the Construction Contractor's general conditions, overhead and profit (including bond and insurance costs); and escalation to the midpoint of construction."

Third-Party Independent Estimator

In August 2019, the Board hired a third-party independent estimator to provide construction cost estimates at the conceptual design phase, the schematic design phase, the design development phase, and the construction documents phase.

Construction Manager Owner's Representative

In December 2020, the Board awarded a \$9.6 million fixed-price contract to a CMOR firm to serve as the Board's representative and advisor and to provide administrative and recordkeeping services during the design and construction phases. The Board's solicitation provided that the CMOR was being retained to perform management and review services during the design phase as well as construction management and inspection services during the construction phase.

Similar to the A/E solicitation, the "Value Management" section of the contract has the following provision:

The CMOR shall support the A/E's efforts to maintain cost controls throughout the development of the Project Documents so that the Work depicted in the final approved Project Documents for the Project can be constructed and installed within the Board's final approved Stated Cost Limitation.

November 2019–September 2021: The Board Submits Its Renovation Design Plans to the National Capital Planning Commission for Review

In November 2019, the Board submitted an initial renovation design plan for the Eccles-1951 renovation to the National Capital Planning Commission (NCPC) for review.⁴⁰ After engaging with the NCPC regarding its design plans, the Board submitted a final plan to the NCPC in May 2021. Those design plans referenced numerous design features, including a private elevator and private dining spaces, eight fountains, the replacement of certain damaged original marble, a garden terrace, vegetated roofs, and glass atria and skylights. In September 2021, the NCPC approved the final renovation plan. Appendix B has more details about certain design features.

March 2020: The Project Team Requests COO Approval for a CMAR Delivery Method and Recommends Setting a GMP for the Project

In March 2020, the project team requested approval from the COO to procure preconstruction and general construction services using the CMAR method. The project team recommended that the Board solicit preconstruction services in the second quarter of 2020, set a GMP for full construction services, and negotiate early work separately at a fixed price.

The Board noted in its basis for awarding the CMAR contract that it conducted research from September 2019 through April 2020 “to determine the best delivery approach for project. While the traditional design-bid-build approach was initially selected, it was found that a [CMAR] approach . . . was a better method for this project. . . .”

March 2020–May 2023: The COVID-19 Pandemic and Inflation Affect the Construction Industry

In March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic, which the WHO determined ended in May 2023. During the pandemic, the construction industry faced

⁴⁰ The Board’s Legal Division has concluded that the Board is not subject to the National Capital Planning Act because of the specific authority granted to the Board under paragraphs 3 and 4 of section 10 of the Federal Reserve Act. On frequently asked questions (FAQs) available on the Board’s public website, the Board stated that it decided to voluntarily submit the renovation plans to the NCPC and take steps to address its feedback.

supply chain disruptions and high inflation, which affected costs for and the availability of key inputs like material, labor, and equipment.⁴¹

As detailed below, in March 2022 the Board received an updated estimate from its A/E firm and in August 2022 it received an updated estimate from its independent estimator. Both revised estimates reflected significantly higher anticipated construction costs than did earlier estimates. The A/E firm noted in a March 2022 market memorandum a significant increase in a commonly used proprietary construction cost index, with the average annual escalation rate of 3.8 percent from 2000 to 2021 increasing to 10–20 percent. In a September 2022 presentation to MGT and DFM, Facility Services cited the Producer Price Index (PPI)⁴² for construction inputs to help explain to MGT and DFM management the escalating “double digit year-over-year” increases in input costs such as “steel mill products, plastics, aluminum, copper, brass gypsum, lumber, architectural, and asphalt coating.” In an August 2023 market memorandum to the Board, the A/E firm noted that material pricing and escalation rates were decreasing significantly, the competitive market was settling back to an annual construction escalation of 3–4 percent, and that the construction market would reach a point of normalcy and stabilize by 2024–2025. Similarly, our analysis of the PPI for new office (nonresidential) construction starting from March 2022, the month of the A/E firm’s construction cost estimate, showed that the rate of annual inflation spiked in 2022 and subsequently moderated in 2023, 2024, and 2025.

March–April 2021: The Board Receives Construction Cost Estimates of \$945–\$952 Million

Between March and April 2021, toward the end of the design development phase, Facility Services received independent construction cost estimates ranging from \$945 million to \$952 million from its A/E firm and third-party independent estimator, respectively. According to the project team, the design development submission included additional excavation and the creation of more below-ground workspaces to address changes sought by the NCPC and the Commission of Fine Arts (CFA), and the A/E estimate reflected all major design features. These amounts were updates to the \$908 million and \$919 million estimates the A/E firm and third-party independent estimator provided, respectively, in November 2019 toward the end of the conceptual design phase.

⁴¹ In response to a draft of this report, the Board provided us with a memorandum from two senior economists that stated, “[S]oon after the project began, the coronavirus pandemic began to change economic conditions in radical ways, including reducing the availability of labor, making it more difficult to obtain a range of building materials, and raising demand for new residential construction that competed for labor and materials with commercial construction projects. The price increases caused by these developments were much larger than typical increases in construction costs and were not foreseeable.”

⁴² The PPI is a nationwide inflation measure that tracks the average change in selling prices for certain goods, services, and construction.

May 2021: The Board Issues Its Delayed CMAR Solicitation, Which Does Not Require Bidders to Submit a Project Cost Estimate

The Board issued its solicitation for the CMAR contract in May 2021 and, as we describe below, awarded the contract to its CMc in March 2022. The Board, however, began the solicitation process in November 2020 and Facility Services had intended to award the CMAR contract in early 2021 at the start of the construction documents design phase. The project team told us those plans were delayed because of multiple rounds of amendments to the solicitation to address comments and questions raised by potential CMAR bidders. As a result, the Board was unable to hire the CMc in early 2021 as planned, limiting the CMc's ability to provide input during the design phase, which, as we discuss above, is one of the key benefits of the CMAR method. By April 2022, after the CMc's contract started, the early foundation and core and shell design documents had been completed by the A/E firm, leaving only the interior fit-out design, FFE, and signage and graphics to be finalized.

The Board's solicitation did not require bidders to submit an estimated cost of work for the overall construction project; it only required bidders to provide pricing for certain preconstruction and general conditions work. The project team told us that bidders were not required to provide a project-level cost estimate because the design phase was not sufficiently mature at the time of solicitation. However, as described above, Facility Services had obtained project construction cost estimates of about \$950 million from its third-party independent estimator and A/E firm 2 months earlier in March 2021—after the A/E firm confirmed all major design features in the design development phase.

March–April 2022: The Board Receives an Updated Independent Construction Cost Estimate of \$1.117 Billion and the A/E Firm Completes the Early Foundation and Core and Shell Designs

In March 2022, Facility Services received a detailed, 149-page updated independent cost estimate from the A/E firm as part of the construction documents phase. The Board relied on this estimate to prepare its budget documentation. We used the detailed budget line items in the Board's budget documentation to determine that the total construction cost estimate was \$1.117 billion.⁴³ The A/E firm's report noted that the estimate included costs for certain awarded

⁴³ We used the A/E estimate of \$1.117 billion for our analysis in finding 4, which compares the 2022 A/E construction cost estimate to actual construction costs by cost category.

work, such as general conditions, and for work not yet awarded, such as interior fit-out design. This estimate reflected an increase of \$172 million from the 2021 A/E estimate, which Facility Services told us was because of inflation, raw material prices, and labor costs based on the analysis done by the Board and its project partners.

In addition, in March and April 2022, the A/E firm completed the early foundation and the core and shell design phases.

March 2022: The Board Awards the CMAR Contract; the Board Does Not Obtain a Project Cost Estimate

In March 2022, the Board awarded the CMAR contract for \$1.5 million in preconstruction advisory services after evaluating multiple bidders' technical expertise and price scores for both preconstruction advisory services and general conditions work. The Board did not obtain an estimated cost of work for the renovation project from the CMc; it only obtained from the CMc its \$1.5 million bid for preconstruction advisory services, which was the amount awarded, and its estimate of \$47.8 million for general services work, which was not included in the award amount. According to the contract, the Board expected the CMc to perform preconstruction services and provide expertise to evaluate constructability, construction cost, and value engineering at all phases of the project. The \$1.5 million contract for preconstruction services included a fee of almost \$200,000 to prepare a GMP proposal and a contractor's contingency fund. The agreement further provided for a CMc fee of 2.95 percent of the cost of construction work.

In addition, the Board's CMc contract provided that the Board and the CMc "shall memorialize" a GMP agreement before starting construction. The CMc contract included the following additional provisions that are relevant to this review:

- **Estimates of construction cost**—Required the CMc to provide "periodic detailed construction cost estimates for various portions of work" and to provide "comprehensive cost estimates" at three stages of the design phase.
- **Project GMP**—Instructed the parties to agree on a date for the CMc to submit its project GMP proposal; if a date agreement could not be reached, the Board "shall direct" the CMc to submit its GMP proposal not less than 30 days after the Board determined the design of all principal building systems, fixtures, equipment, layouts, and materials was "substantially complete."
- **Termination of contract**—Allowed the Board to terminate the contract if the Board and CMc were unable to agree on a GMP amount within 90 days of the GMP submission date.

- **GMPs for discrete work**—Authorized the Board, before setting a project GMP, to direct the CMc to submit GMPs for discrete segments of work if the Board determined that “project efficiency and/or cost would benefit” from discrete GMPs.
- **Early construction packages**—Allowed for a firm-fixed price protocol to be used before setting the project GMP for “Early Release Construction Packages,” such as demolition, abatement, or site work, if the Board and CMc determined that doing so would benefit project efficiency or cost; any such packages would be credited against the subsequent GMP amount.⁴⁴
- **Increase in GMP**—Authorized an increase if (1) the Board had not yet completed a project design segment at the time the GMP was set, (2) site conditions were later found to be materially different, or (3) the Board required a change that revised the scope of work.
- **Three-bid requirement**—Directed the CMc to obtain “competitive pricing” from a minimum of three independent sources for work over \$50,000 unless three bids were not available “due to circumstances such as uniqueness of the item, limited sources, or regional shortages,” in which case the CMc is required to provide documentation “to prove limited availability to the satisfaction of the Board.” The contract further directed that subcontractor bids be provided to the Board and that the Board participate in subcontractor selection.
- **Contingency fund**—Created a contingency fund for “defraying unanticipated costs and additional expenses” not covered by the GMP.
- **CMc compensation**—Paid the CMc a fee initially calculated as a percentage of construction work cost but that, upon agreeing to a GMP, would be stated as a fixed amount in the GMP.

Lastly, like the A/E and CMOR contracts, the “Value Management” section of the CMAR contract has the following provision regarding the Board’s stated cost limitation:

The Contractor shall support the A/E’s efforts to maintain cost controls throughout the development of the Project Documents so that the Work depicted in the final approved Project Documents for the Project can be constructed and installed within the Board’s final approved Stated Cost Limitation. Contractor should provide alternative methods based on their construction expertise.

⁴⁴ The Solicitation, Offer, and Award also allowed for conversion from a GMP pricing model to a firm-fixed-price model. At no point did the Board seek to convert to a firm-fixed-price model, although the Board still has the right to do so pursuant to the terms of the contract.

The project team established a stated cost limitation of \$857 million in April 2020 during the conceptual design and shared it with the A/E firm at that time. However, the project team did not inform the CMc or the CMOR of the stated cost limitation and did not manage the project against it.

April 2022: Construction Kickoff Meeting Is Held, and a Project GMP Is Planned to Be Set in Fall 2023 Following Completion of the Interior Fit-Out Design

In April 2022, following the March 2022 award of the CMAR contract, the Board held a project kickoff meeting with the CMc, CMOR, and A/E design team. The meeting materials highlighted the project's status, such as the design schedule, and noted that the early foundation design had been completed and issued, that the core and shell design had been finished earlier that month, and that the interior fit-out design package for the Board's revised design layout was being prepared and was expected to be completed in the summer of 2023.

The meeting materials also highlighted the development plan for the GMP, with the expectation that the final project GMP would be set in the fall of 2023 following the bidding for the interior scope of work. The materials stated that the two early foundations packages were out for bid and that a third package for critical trades would be submitted to the Board by mid-June, with the remaining core and shell pricing submitted by late August. Further, the plan was to begin obtaining pricing estimates for the interior scope of work following issuance of schematic design documents in the third quarter of 2022. Lastly, the meeting materials noted several project challenges, including the complexity and volume of excavation, multiple large skylights, significant historical preservation issues, stringent tolerances during demolition, integration of high-performance MEP systems, sustainability goals, and market volatility.

July 2022–October 2024: Changes to the Board Interior Fit-Out Design Delay Setting a Project GMP

Substantially finalizing the construction design is critical to establishing a reliable GMP under a CMAR contract because it defines the scope of work with enough precision to accurately forecast budget and costs. As previously noted, the A/E firm divided the construction document designs into five phases: (1) early foundation, (2) core and shell, (3) interior fit-out, (4) FFE, and (5) signage and graphics.

The A/E firm completed the early foundation design in March 2022 and the core and shell design in April 2022. However, the interior fit-out design, which typically includes MEP systems,

drywall/framing, interior finishes, amenity spaces, and elevators, was not completed until October 2024—more than a year later than expected. This significantly delayed setting the GMP.

Representatives from the A/E firm told us that the firm’s initial design drawings and estimates between 2019 and 2022 were based on a predominantly open workspace layout.⁴⁵ However, the Board did not commit to that layout and, in January 2023, adjusted the interior fit-out design to a predominantly closed office layout. As a result, the representatives from the A/E firm noted they had to reprogram its interior fit-out and FFE designs by redrawing most interior walls and doors to create new rooms; adding security for the new rooms; revising ceiling plans and heights; and revising mechanical and electrical distribution systems, chilled beams, and diffusers. This redesign process took 21 months, from January 2023 to October 2024. Specifically, the project team noted that in the final layout, Eccles had 69 percent closed offices (as opposed to 46 percent in the initial drawings) and 1951 had 36 percent closed offices (as opposed to 43 percent in the initial drawings), which totals to about 53 percent of closed office space in the project’s final interior fit-out design (as opposed to 45 percent in the initial drawings between the two buildings). The project team explained that the decision to change the layout was based, in part, on the effect of the COVID-19 pandemic. In addition, a Board official explained that the decision was based, in part, on the Board’s assessment of the nature of the work and information handled by affected personnel.

The quarterly dashboards Facility Services provided to the COO and EOG detailed the interior fit-out design delay (table 2).

Table 2. Facility Services Communicated Repeated Interior Fit-Out Design Delays to Board Project Oversight Groups

Quarterly dashboard	Expected interior fit-out design completion
2022 Q3	July 2023
2023 Q2	May 2024
2024 Q1	August 2024
2024 Q3	October 2024

Source: Facility Services quarterly dashboards to the COO and EOG.

⁴⁵ An open workspace layout generally involves the use of workstations or cubicles in open spaces as opposed to individual offices with walls and doors.

The CMOR’s monthly reports to Facility Services noted similar delays in completing the interior fit-out design and corresponding delays in the forecast for setting a GMP (table 3).

Table 3. CMOR Reports Noted Design Delays and Resulting GMP Delays

CMOR monthly report	Expected interior fit-out design completion	Forecasted GMP agreement
July 2022	August 2023	October 2023
January 2023	November 2023	January 2024
August 2023	March 2024	May 2024
December 2023	May 2024	July 2024
July 2024	October 2024	December 2024
December 2024	n.a. ^a	February 2025
July 2025	n.a. ^a	August 2025

Source: CMOR monthly reports.
^a Interior fit-out design was completed in October 2024.

July 2022: Construction Begins Without the Board Obtaining a Project Cost Estimate from the CMc

Construction work on the renovation project began in July 2022. At the time, the Board had not received or sought a construction cost estimate from the CMc. As noted above, the CMc was awarded the CMAR contract based on its bid for preconstruction work and general conditions, and the Board did not require bidders to submit an estimated cost of work for the entire construction project.⁴⁶

Further, while the CMAR contract required the CMc to provide “comprehensive cost estimates” at three stages as part of its preconstruction services, Facility Services did not enforce the requirement and the Board never received any of the three cost estimates. Without these estimates, the Board could not benchmark its budget against the CMc’s estimates before

⁴⁶ GSA guidance provides that a contracting officer should obtain an estimated cost of work during the CMAR solicitation process. GSA 536.71, Construction-Manager-as-Constructor Contracting.

starting construction, compare the CMc estimate to the cost estimate that the Board obtained in March 2022 from the A/E firm to assess the reasonableness of the CMc submission, use the estimate to facilitate discussions and negotiations about the GMP, or identify potential budget overruns early in the project.

As explained above, while the project team established a stated cost limitation of \$857 million during conceptual design and advised the A/E firm of it in April 2020, the project team neither updated the stated cost limitation nor required the A/E firm to design within it. In addition, neither the CMc nor the CMOR were made aware of a stated cost limitation even though the CMAR contract required the CMc to work with the A/E firm so that the construction project could be “constructed and installed within the Board’s final approved Stated Cost Limitation.” As a result, the stated cost limitation was ineffective as a cost-control mechanism. Thus, at the time construction began, the Board had not obtained a cost estimate from the CMc, advised the CMc of a cost or budget limitation, or agreed on a GMP with the CMc.

July 2022–December 2025: The CMc Issues and the Board Awards 69 Price Packages Without a Project GMP or Stated Cost Limitation

As noted above, at the project kickoff in April 2022, the Board and the CMc intended to award three early work packages and set a GMP in the fall of 2023 following fit-out design completion. Those early work packages were each meant to cover a large scope of work, such as the entirety of early foundation and core and shell work. However, in January 2023, the Board asked the A/E firm to revise its interior fit-out design plans to switch from predominantly open to predominantly closed offices, which significantly delayed setting a project GMP.

Rather than set construction costs by negotiating a segment or partial GMP with the CMc for finalized design phases (for example, early foundation and core and shell, both of which had been completed by April 2022), construction costs were set by having the CMc issue for bid and the Board award individual packages to subcontractors that covered smaller scopes of work. Upon completion of each price package, if the final cost was less than the package’s award price, the resulting savings were shared with the Board in accordance with the contract’s cost-savings provision. The CMc stated that it initially proposed bundled packages but shifted to smaller-scope price packages because of prolonged response times from the Board on the initial packages, which included larger scopes of work. The project team told us that the Board proceeded in this fashion to allow construction to proceed while design work was being finalized.

As a result, the CMc issued and the Board awarded 69 price packages totaling \$1.978 billion to subcontractors between July 2022 and December 2025, when the Board formally requested a project GMP from the CMc. These packages included

- 6 price packages worth \$323 million awarded from July 2022, the start of construction, to December 2022, just before the Board requested the interior fit-out redesign
- 39 price packages worth \$1.357 billion awarded from January 2023, when the Board requested the interior fit-out redesign, to October 2024, when the A/E firm finalized the interior fit-out redesign
- 24 price packages worth \$299 million awarded from November 2024, after the A/E firm finalized the interior fit-out redesign, to December 2025, when the Board formally requested a GMP from the CMc

The CMc's GMP proposal in January 2026 included a log showing that the final total costs for the 69 price packages were \$26.6 million below the total award amount of \$1.978 billion (or about 1.3 percent).⁴⁷

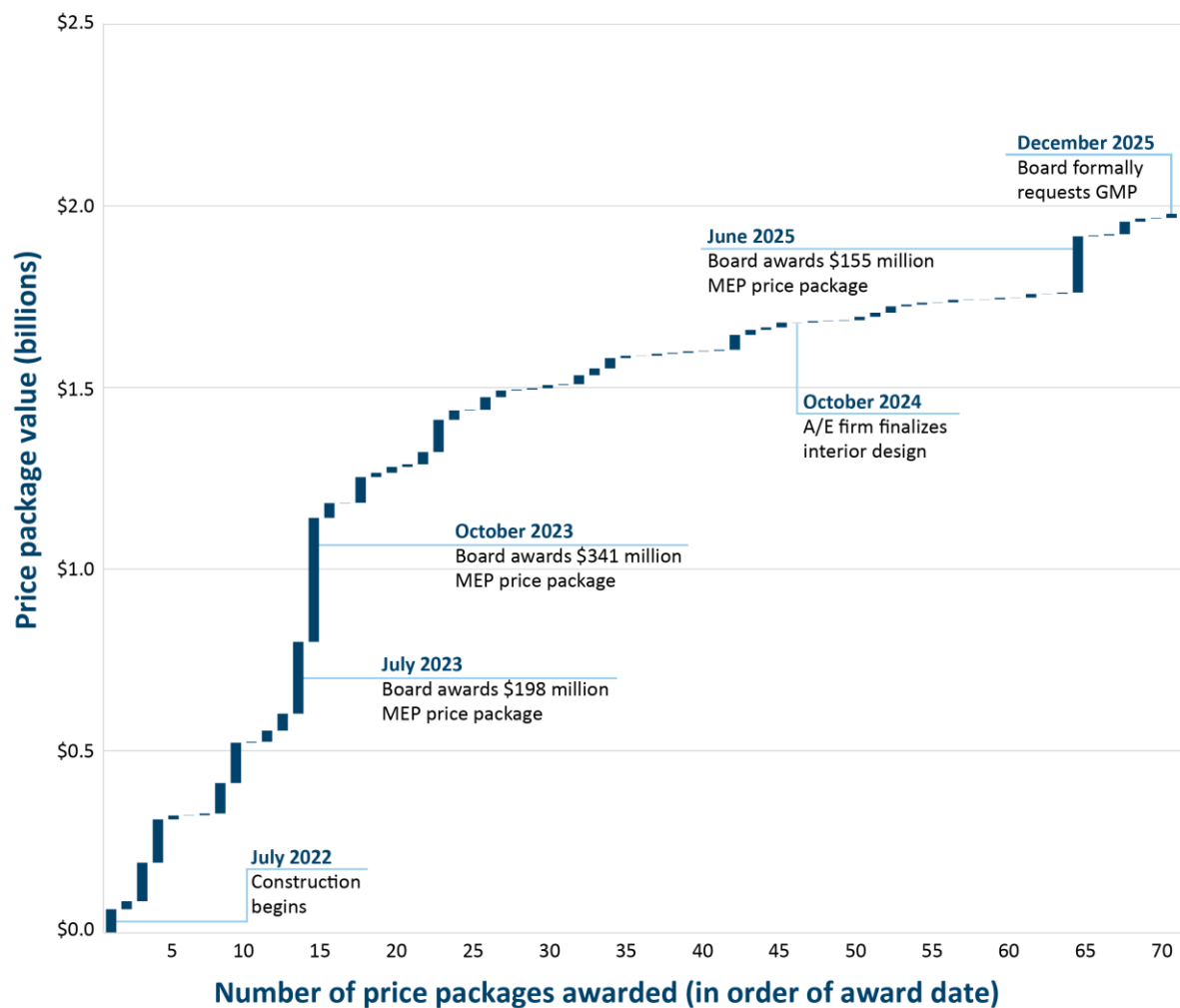
As of January 2026, 15 price packages valued at \$62.9 million remain pending the Board's approval.⁴⁸

Figure 9 reflects the accumulating costs of the 69 awarded price packages in order of award date, with each dark blue bar representing the amount of an individual awarded package.

⁴⁷ Pursuant to the CMAR contract, the Board is entitled to receive \$21.6 million of this amount, while the CMc is entitled to retain \$5 million.

⁴⁸ See appendix C for a list of all 84 individual price packages, including the scope of work in each price package.

Figure 9. Timeline of the Board’s Award of 69 Price Packages Worth \$1.978 Billion Before Formally Requesting a GMP



Source: OIG analysis of Board documents.

September 2022: The Board Updates Its Construction Budget to \$1.161 Billion, and MGT Updates the BOG on the Long-Term Strategic Space Plan

In September 2022, Facility Services arrived at a construction budget of \$1.161 billion. Facility Services calculated this budget by replacing estimated costs in the March 2022 A/E estimate with actual costs awarded at that point in time, including early demolition, preconstruction

services, general conditions, and early foundation.⁴⁹ Facility Services attributed the \$216 million increase from its March 2021 estimate to inflation, raw material prices, and labor costs based on the analysis done by the Board and its project partners.

In addition, MGT provided a briefing to the BOG in September 2022 that included the status of the Eccles-1951 renovation project. The update noted that project costs had increased because of rising construction costs, increased raw material prices, and labor shortages. The report also stated that construction inputs had experienced “double-digit year-over-year increases,” that construction bid pricing had “increased on average 16% over the last two years,” and that material costs increases “far exceed[ed] inflation.”⁵⁰ The BOG also was told that supply chain delays were affecting construction schedules and that the labor market was strained because of the COVID-19 pandemic and increases in construction projects.

July 2023–October 2023: Two MEP Price Packages Totaling \$539 Million Are Awarded That Do Not Receive Three Bids and Are Greater Than the \$178 Million Cost Estimate

The project team told us that, in the absence of a project GMP, they expected that competition among subcontracting bidders would promote fair market pricing for each required service, and noted that the CMAR contract required the CMc to obtain at least three bids for each subcontract solicitation or provide documentation to prove limited availability when three bids were not obtained.

For example, two MEP price packages for core and shell work were awarded in 2023, one in July and one in October. Despite the CMc soliciting seven bidders for each price package, both of the awarded packages received only two bids. The value of these packages totaled \$539 million—more than triple the \$178 million cost estimate the A/E firm provided to Facility Services in March 2022 (see figure 9 above). The CMc provided the Board with its reasons for the limited availability for the MEP packages, as required by the contract, which the Board accepted. However, the Board did not take additional measures to independently

⁴⁹ Facility Services separately received an independent cost estimate from a third-party estimator in August 2022 for the core and shell work. Facility Services relied on the A/E firm’s construction cost estimate because it included estimates for both core and shell and interior fit-out costs, while the third-party estimator had only been required to provide a cost estimate for core and shell work.

⁵⁰ As noted above, in September 2022, a Facility Services presentation to MGT and DFM management referenced the PPI for nonresidential construction inputs to describe the “double digit year-over-year” effect of inflation on the project. As also noted above, the PPI reflected that inflation moderated after the start of construction in July 2022.

validate the proposed costs by leveraging the CMOR's expertise, particularly for these MEP packages that significantly exceeded the estimates and did not receive three bids. Specifically, the Board did not provide the CMOR with detailed bid information or advise the CMOR that the proposed awards for those two price packages were more than triple the A/E firm's March 2022 estimate; the Board also did not ask the CMOR to perform independent cost estimates. As a result, the CMOR's recommendations that the Board award these packages were based on limited information.

October 2023: MEP Cost Increases Require the Board to Use Contingency Funds So Construction Can Continue; MGT Says It Expects to Request a Further Budget Increase

By October 2023, as a result of the two MEP price packages described above substantially exceeding prior budget estimates, the amount of unobligated construction funds in the Eccles-1951 renovation project's budget fell below the Board's estimated costs for the remaining construction price packages. Specifically, of the \$1.161 billion that had been budgeted by the BOG for the renovation, \$877 million had already been obligated, leaving \$284 million for the remainder of the construction project.

To increase the available construction funds to account for the anticipated remaining construction costs, in October 2023, the director of MGT approved a request from MGT staff to reallocate \$458 million in project contingency funds to the Eccles-1951 construction budget. Of that \$458 million, \$175 million was reallocated from the Eccles-1951 construction contingency fund, while the remaining \$283 million was reallocated from the Board's schedule and contingency risk reserves account.⁵¹

The MGT staff request stated that staff was seeking to understand the reason for the continued cost pressures but noted that "to avoid further cost increases and delays to the project we must proceed based on the pricing received from the CMc." MGT staff went on to state that it expected to request additional funding from the BOG for the project in its 2025 budget request to the BOG and that it expected a GMP from the CMc in 2025.

⁵¹ As part of the capital projects, the Board has the following categories of contingencies: (1) project contingency funds, which are specific to individual projects, and (2) schedule and contingency risk reserves, which are program risk contingency funds for all multicycle year capital projects and can be moved among various capital projects based on need.

2024 Quarterly Dashboards to the COO, EWG, IRB, and EOG Indicate Project Budget Is “At Risk” Because of Cost Increases; Budget Returns to “On Track” After \$493 Million Budget Increase

In its quarterly dashboards to the COO, EWG, IRB, and EOG in 2024, Facility Services reported that the Board’s total budget for the renovation project, which at the time had increased to \$1.888 billion, was “at risk” because of the substantial construction cost increases. As described below, in December 2024, the BOG approved a \$493 million increase to the project budget through the reallocation of funds from the Martin and NYA projects, bringing the total budget for the Eccles-1951 project to \$2.381 billion. Following this budget increase, the quarterly dashboards for the COO, EWG, IRB, and EOG reflected that the budget was “on track.”

July 2024: CMc Notifies the Board in Writing That the Board’s Numerous Construction Modifications Could Delay the Project and Increase Costs

In July 2024, the CMc issued a notice of impact to the Board regarding construction modifications that “have the potential to cause impacts to the project’s overall cost and schedule.” The CMc highlighted that the many design changes and ongoing coordination issues from the Board were limiting the CMc’s and subcontractors’ abilities to complete necessary work within a reasonable time frame and to achieve milestones necessary to plan, prepare, and execute work as scheduled. The CMc noted that the magnitude and timing of design conflicts and changes meant that their full effect on the project’s cost and schedule could not be determined. Among the examples provided by the CMc concerned the chiller room, used in connection with the HVAC system, with the notice raising the following issue:

Chillers, identified in Contract Documents and approved submittals, along with associated piping and systems were unable to be coordinated per the design. The Design Team changed the chiller model basis of design after detailed coordination efforts could not resolve conflicts. The resulting coordination of smaller chillers and reconfigured room layout spanned 6 months, exercised a vast amount of resources, and prolonged [the CMc’s] ability to achieve a working model throughout the entire 1951 Building level C4 mechanical space.

As we describe below, the CMc referenced this notice in its GMP submission in January 2026 in detailing some of the reasons for the increase in project duration and cost.

September 2024: MGT Provides Project Update to the BOG and Advises That Pricing Packages Have Been Competitively Bid and That Existing Funding Is Insufficient Because of MEP Costs

In September 2024, MGT provided a briefing to the BOG that included the status of the Eccles-1951 renovation project. The presentation noted the continuing cost pressures for the MEP packages, which exceeded cost estimates by \$342 million, and that staff and “project partners are looking to further manage these continued cost pressures.” It further stated that “[p]ricing packages are competitively bid across sub-contractors by the [CMc].”

The presentation indicated that the existing budget was insufficient to cover the cost of the remaining construction work and recommended reallocating \$493 million in funds that had been budgeted for the NYA renovation. In December 2024, the BOG approved a \$493 million transfer request.

January 2025: Design Phase Is Substantially Complete but the Board Does Not Request a GMP Proposal and Continues to Approve Individual Price Packages

In January 2025, the Board determined that the design phase was substantially complete following the A/E firm’s completion of the FFE design. However, the Board did not formally request a GMP proposal from the CMc as provided for in the CMAR contract until 11 months later, in December 2025, and the CMOR’s monthly reports in 2025 continued to push back the expected execution date for the GMP agreement. Without a project GMP, Facility Services and Procurement continued to have the CMc bid out individual price packages. From January 2025 to December 2025, the CMc put out for bid and Procurement awarded 20 price packages with a total value of \$284 million.

Among the price packages awarded in 2025 were two additional MEP packages totaling \$155 million. One of those packages received the required three bids and had an award amount of \$70 million. The CMc segmented the other price package into two trade packages. Despite the CMc soliciting five bidders, one trade package received two bids and had an award amount of \$80 million. The other trade package received only one bid, despite the CMc also soliciting five bidders, and had an award amount of \$5 million. These packages totaling \$155 million had been estimated by the A/E firm in 2022 to have a total cost of \$28 million, meaning that the final

cost exceeded the independent cost estimate by 454 percent. As noted above, Facility Services did not use its CMOR to independently validate the costs.

December 2025–January 2026: The Board Formally Requests, and the CMc Provides, a Proposed GMP

On October 1, 2025, Board staff emailed the CMc asking the CMc to “move forward with submitting a Final GMP proposal.” The CMc had still not submitted a GMP proposal at the time we met with senior Board officials in November 2025, when we discussed the lack of a project GMP and the potential benefit for the Board to reach agreement on an overall project GMP to impose a cost ceiling for the remainder of the project.⁵² At the time of those discussions, we understood that 78 price packages had been proposed, and 67 of those had already been awarded.

On December 30, 2025, the Board formally requested that the CMc submit its project GMP proposal.

In January 2026, the CMc submitted to the Board its GMP proposal of \$2.135 billion, which includes \$2.078 billion in awarded construction costs alongside its overall construction estimated cost of work, which included an additional 6 price packages for a total of 84 price packages. This proposal included allowances and contingencies for work that could not be sufficiently defined in estimating the overall cost of the work. As of December 2025, the Board has awarded 69 of those 84 price packages; the 15 outstanding price packages have a proposed cost of \$62.9 million. The GMP proposal included a CMc fee equal to 2.95 percent of the total cost of all construction work.

In its GMP proposal, the CMc detailed the reasons for certain cost increases and schedule delays and cited the notice of impact that it sent the Board in July 2024 that detailed how the Board’s management of the project affected construction cost and timing. Among the issues cited by the CMc were Building Information Modeling (BIM) delays. As outlined in the CMc’s submission, “BIM is the process of utilizing intelligent 3D modeling software to organize the design of complex Mechanical, Electrical, Plumbing, and Fire protection systems (MEPFP) into a coordinated, installable, and functional system within the architectural, structural, and performance constraints necessary to meet the design intent.” The submission noted that the BIM effort was scheduled to be substantially completed in October 2024 but that the schedule was extended until October 2025 for 1951 and still had not been completed for Eccles. According to the CMc, this delay was caused by coordination issues, continual changes to the

⁵² In response to a draft of this report, the CMc told us that from October 2025 to January 2026, the CMc and the Board engaged in an ongoing, iterative process to develop and refine the final GMP proposal.

basis of design (BOD), major MEP design conflicts, modifications to the scope of work, and continual issuance of design bulletins.

As of the date of this report—4 years after construction began, 18 months after the Board determined design was substantially complete, and after awarding more than \$2 billion of work to the CMc—the Board still has not finalized the GMP. Board officials explained they are currently negotiating with the CMc to determine the final GMP and establish a cost ceiling for the project.

March 2026: MFS Provides a GMP Overview and Project Status Update to the CFO and Certain Staff

In March 2026, shortly after the CMc submitted its proposed GMP, MFS prepared a briefing on the project's status as well as the proposed GMP. An MFS representative explained that the CFO and certain staff attended the briefing. At the outset of the briefing, MFS described what a GMP is, including that it "Sets ceiling for the Overall Cost of the Contract" and that the "Contractor assumes greater risk for overall project scope." MFS explained that "To date, GMP has been awarded in incremental pricing packages." MFS provided details of the CMc's GMP proposal, including that the amount requested was \$2.135 billion; that the CMc was seeking a schedule extension for substantial completion from June 24, 2027, to December 31, 2027; and that there are additional packages to be awarded.

May 2026: The CMc Advises Facility Services That Its Requested Cost Adjustment for General Conditions Is Because of Evolving Designs, Scope Growth, Extended Duration, and Increased Complexity

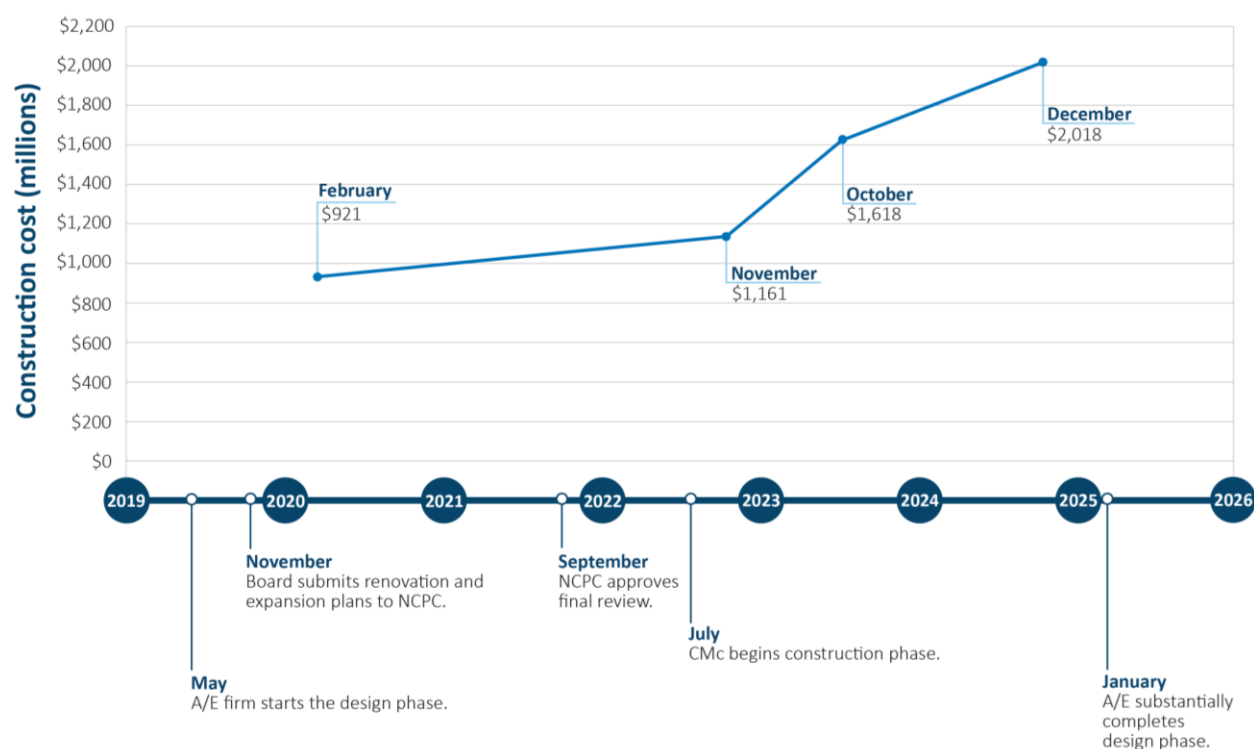
In a May 2026 submission to Facility Services, the CMc detailed its reasons for including in the GMP an increase of \$35.4 million in general conditions costs. The submission explained that the increase was because of incomplete and evolving designs issued throughout construction, substantial changes to the scope of work resulting from design modifications, increased project complexity caused by unforeseen site conditions, hazardous materials, and expanded requirements.

As we detail in the next section, the Board's internal budgets for the renovation project increased substantially from 2019 to 2026.

Budgets for the Eccles-1951 Renovation Project

The Eccles-1951 renovation project's design began in the second quarter of 2019 and, as of the date of this report, it remains in the construction phase. In 2020, before the COVID pandemic, the Board estimated that the project would be completed at a total cost of \$1.317 billion, with the construction phase ending by the second quarter of 2024. However, the budget and date of completion have been revised several times since then, as detailed below. As of August 2026, the project had a BOG-approved budget of \$2.381 billion, with the construction phase ending by December 2027.⁵³ The construction costs rose from \$921 million in February 2020 to \$2.018 billion in December 2024 (figure 10).

Figure 10. The Eccles-1951 Renovation Project Construction Budget More Than Doubled in 5 Years



Source: OIG analysis of Board documents.

⁵³ The total Eccles-1951 renovation project budget included the construction budget, acquisition of the 1951 building, contingencies, and other project-related expenditures. The total project budget is part of the BOG-approved multicyle capital budget, which increased from \$1.378 billion in 2020 to \$2.455 billion in 2024.

Below, we describe the Board's approach to creating the initial budget and subsequent increases to the project's budget as the design evolved throughout the project's life cycle.

2020 Budget: \$1.317 Billion, Including \$921 Million Construction Budget

In November 2019, toward the end of the A/E firm's conceptual design phase, Facility Services received independent cost estimates for construction costs from its third-party independent estimator and the project's A/E firm. Facility Services required the A/E firm and the third-party independent estimator to provide three construction estimates, which ranged from \$908 million to \$919 million. According to a project team member, Facility Services ultimately used the third-party independent estimator's cost estimate of \$919 million as its construction cost estimate because Facility Services believed it was the most reliable estimate. Facility Services identified an upward adjustment to the independent cost estimate of \$2.3 million for cost escalation, which resulted in an estimated construction budget of \$921 million.

In February 2020, the BOG approved a total project budget of \$1.317 billion as part of its 2020 annual multicycle capital project budget that included construction contingency funds.

2021 Budget: \$1.317 Billion, Including \$945–\$952 Million Construction Estimates

Between March and April 2021, toward the end of the design development phase, Facility Services received updated cost estimates from its third-party independent estimator and A/E firm. According to the project team, the design development submission included additional excavation and the creation of more below-ground workspaces to address changes sought by the NCPC and the CFA, and the A/E estimate reflected all major design features. To comply with the Height of Buildings Act of 1910, which generally limits the height of buildings on Washington, DC, commercial streets to 130 feet, a project team member told us the Board modified the initial design plans to excavate further to create additional office spaces, a parking garage, and mechanical equipment, and the A/E firm and third-party estimator updated cost estimates to reflect the additional excavation. Estimates ranged from \$945 million to \$952 million. The A/E firm's construction cost estimate was \$23.5 million more than the 2020 estimate. However, no additional funding was approved by the BOG for the 2021 annual multicycle project budget to cover these increased construction costs.

2023 Budget: \$1.606 Billion, Including \$1.161 Billion Construction Budget

In September 2022, Facility Services determined a construction budget of \$1.161 billion, an increase of \$216 million from the 2021 construction cost estimate. In November 2022, following the updated estimate, the BOG approved an almost \$300 million increase in the project's total budget, from \$1.317 billion in 2020 to \$1.606 billion in 2023, as part of the Board's 2023 multicycle capital project budget.⁵⁴ In addition to the 26 percent increase in the construction budget, the contingency account also increased by 61 percent. Board staff told us that the amount in the contingency fund was determined based on day-to-day project costs and potential project delays. As noted above, 2 months later, in January 2023, Facility Services substantially changed the interior fit-out design plans, delaying the setting of a GMP.

2023 Budget Adjustment: \$1.888 Billion, Including \$1.618 Billion Construction Budget

As noted above, because of increased construction costs largely resulting from the two MEP price packages awarded in July and October, the director of MGT approved the reallocation of \$458 million in October 2023 from multicycle capital projects contingency funds to the Eccles-1951 construction budget in order for the project to have sufficient funding to allow construction to continue. This reallocation resulted in an increase in the project budget from \$1.606 billion to \$1.888 billion and in the construction budget from \$1.161 billion to \$1.618 billion. Specifically, \$175 million was transferred from the Eccles-1951 construction contingency fund, while the remaining \$283 million was transferred from the Board's schedule and contingency risk reserves account.⁵⁵ No additional funding was requested from, or approved by, the BOG as part of the 2024 annual multicycle project budget.

The memorandum from Facility Services to the director of MGT requesting the contingency reallocation advised that Facility Services expected to seek additional funding from the BOG for the renovation project in its 2025 budget request. It further stated that it expected to receive from the CMc an estimate of interior fit-out design costs before the 2025 budget request and that it expected to receive a GMP proposal from the CMc in 2025.

⁵⁴ By this time, several of the construction costs were based on actuals because early demolition, preconstruction, general conditions costs, and two early foundation packages had been bid out and awarded.

⁵⁵ The Board created two contingency funds to support its ongoing capital projects: (1) project contingency funds, which are contingency funds specific to individual projects, and (2) schedule and contingency risk reserves, which are program risk contingency funds for all multicycle year capital projects that can be moved among various capital projects as needed.

2025 Budget: \$2.381 Billion, Including \$2.018 Billion Construction Budget

In December 2024, as part of the Board's 2025 multicycle capital project budget, the BOG approved a \$400 million increase to the construction budget to cover future obligations based on estimates and projections, bringing the project's total budget to \$2.381 billion and the construction budget to \$2.018 billion. Facility Services identified continued cost increases caused by core and shell price packages and continued cost pressures on MEP trades. To cover this construction cost increase, the BOG approved the reallocation of \$61.6 million in funds from the completed Martin renovation project and \$510.4 million in funds from the previously approved NYA renovation project to fully offset the budget increase for the Eccles-1951 renovation project. As a result of the reallocation, the Board will not proceed with a full renovation of NYA as planned. The project team told us that instead, the Board plans to undergo repair and maintenance projects to sustain building occupancy and operations, starting with a facility condition assessment, followed by plans for repair and maintenance in 2026.

Finding 1: Cost-Management Provisions in the CMAR Contract Were Not Used Effectively, Limiting Risk Transfer to the CMc and Exposing the Board to Higher Costs

Overview

The Board selected the CMAR delivery method for the Eccles-1951 renovation project given its goals and objectives for the project and its lessons learned from the Martin renovation's design-bid-build approach. However, the Board did not effectively use the cost-management and risk-transfer benefits included in its CMAR contract.

When implemented successfully, a CMAR contract has key benefits for a project owner like the Board. First, hiring a CMc during the A/E design phase to provide preconstruction services and initial construction cost estimates helps the owner early in the project to assess realistic, reasonable overall costs; evaluate the cost of design options and select a design option that fits within those projected overall costs; establish an accurate project budget; and adhere to that budget. Second, agreeing to a GMP with the CMc at or near the outset of construction, following substantial design completion, sets a cost ceiling for the project. The GMP provides an owner with greater cost certainty because most project cost and schedule risks—such as cost increases caused by inflation and construction delays unrelated to owner modifications—shift from the owner to the CMc as long as the project's scope does not change. Establishing a GMP does not necessarily mean the project's overall cost will be lower compared to a different construction method. That depends on a variety of factors, including any risk premium in the negotiated GMP, the contingencies in the GMP agreement, and the owner's ability to limit design changes or modifications once construction begins.

We were concerned to find that, in connection with a multibillion-dollar contract, the Board did not ask its CMc for a construction cost estimate or a GMP until December 2025—about 3.5 years after construction began and after the Board had already awarded more than \$2 billion. Specifically, the Board did not take advantage of several key opportunities to request a cost estimate from the CMc: (1) before the Board awarded the CMAR contract, which would have been consistent with leading practices; (2) during the A/E firm's design phase, when the CMAR contract provided for three project-level cost estimates from the CMc, with the third to be used for the GMP; (3) at the start of construction, as provided for in the CMAR contract; or (4) in

January 2025, when the Board determined that the design phase was substantially complete, as provided for in the CMAR contract. Even though such estimates from the CMc would have been nonbinding, they nonetheless would have allowed the Board to assess the reasonableness of the CMc's estimates as compared to the independent estimates that the Board had obtained and helped the Board make informed decisions throughout the project about contract awards, cost considerations, and budget management.

With no project-level estimate from the CMc and no project-level GMP, the Board awarded segments of the work through individual, limited-scope price packages. Awarding these packages without a cost ceiling provided by a project-level GMP caused the CMAR contract to resemble a riskier cost-reimbursable contract in which the Board had no cost certainty, had not limited its exposure to shifting market conditions like inflation, and had not incentivized the CMc to control costs. Issuing the price packages in this manner also likely limited the number of subcontractor bids received, lost economies of scale, and made it more difficult for the Board to track costs.

We also found that the Board did not advise the CMc of the Board's stated cost limitation at any point in time, even though the Board's CMAR contract expected that the CMc would help the Board maintain cost controls by providing the A/E firm with its expertise to ensure the renovation project's design plans could be completed within the stated cost limitation. In our 2014 audit report on the Martin renovation, we noted that the Board failed to implement available cost-control measures like a stated cost limitation.⁵⁶ In response to our recommendation, the Board set a cost ceiling on the Martin project. However, the Board did not implement these lessons learned for the Eccles-1951 renovation.

The First Project-Level Construction Cost Estimate Was Obtained from the CMc Nearly 4 Years After the Contract Was Awarded

According to GSA guidance for CMAR contracts, requests for proposal should only be issued when a project design has been sufficiently developed to allow bidders to estimate the cost of construction work, which promotes competitive pricing. During the solicitation process for the CMAR contract, the Board did not require the general contractors that were bidding on the project to submit an estimated cost of work for the entire project. Therefore, the price evaluation team did not evaluate or award the CMAR contract based on competition at the

⁵⁶ Office of Inspector General, *Opportunities Exist for the Board to Improve Recordkeeping, Cost Estimation, and Cost Management Processes for the Martin Building Construction and Renovation Project*, [OIG Report 2014-AE-B-007](#), March 31, 2014.

overall project price level for what has become a multibillion-dollar project.⁵⁷ Instead, the technical and price evaluation teams evaluated the CMAR bids on the CMc's technical expertise and price for \$1.5 million in preconstruction services and \$47.8 million for general conditions. The Board then awarded the contract for \$1.5 million in preconstruction services only and subsequently modified that contract to more than \$2 billion for the full renovation without receiving or evaluating a total project estimate.

The project team told us that they believed the project design was too immature to require bidders to submit an estimated cost of work at the time of the solicitation for the CMAR contract. Despite this explanation, we note that the Board had already received detailed, independent cost estimates from both its third-party estimator and A/E firm based on the design development phase. The relative maturity of the design did not preclude the Board from obtaining detailed cost estimates from its third-party independent estimator and A/E firm, which the project team told us were used to make significant project planning decisions, including budget requests to the BOG for the renovation project. Seeking estimates from the third-party estimator and A/E firm was consistent with leading practices and the A/E contract, respectively. However, doing so is not a substitute for obtaining construction cost estimates from the contractors bidding to perform the CMc work. Obtaining those estimates, even recognizing they would be nonbinding, would have allowed the Board to better assess the price competition among bidders and to evaluate the prior estimates it obtained and used for budgeting purposes.

Further, once an owner awards a CMAR contract, the CMc should collaborate with an A/E firm during the design phase to agree on a final estimated cost of work to have a solid basis for negotiating a GMP. Consistent with leading practices, the Board's CMAR contract requires the CMc to provide preconstruction estimates. Specifically, it requires three detailed cost estimates as the building designs evolved—one at 75 percent of construction document completion, a second at 100 percent of construction document completion, and a third that would be used for the GMP. However, despite these contractual provisions, the project team did not request the CMc to provide any of the three project-level construction estimates.⁵⁸

The project team stated that they did not request cost estimates from the CMc during preconstruction because they had already received independent cost estimates from the third-party independent estimator and A/E firm and were able to rely on those estimates for budget and planning purposes. The Board awarded the CMAR contract in March 2022, which the project team stated was about a year later than they had planned. By the time the CMc was onboarded and held its kickoff meeting in April 2022, the A/E firm had completed the early foundation and core and shell designs; Facility Services officials told us that, to prevent further delays, the CMc began soliciting bids on those early price packages. The construction phase began 3 months

⁵⁷ The elements that were competed as part of the solicitation process included preconstruction services, general conditions, various markups, the fees on changes, and the daily overhead rates.

⁵⁸ The only estimate Facility Services received from the CMc was in March 2024 on the interior fit-out design. Facility Services stated that they requested the estimate after the core and shell MEP price packages were much higher than anticipated.

later in July 2022. In addition, an MGT official stated that, at the time of the CMAR contract award, they did not believe they had enough time for the CMc to provide its construction cost estimate ahead of the BOG budget submission, which was due 3 months later. Instead, they used the A/E firm's March 2022 estimate for their budget request.

However, by September 2022, Facility Services was aware that the actual awarded costs for the early packages had substantially exceeded the A/E's March 2022 estimates for those packages. A presentation for a quarterly budget discussion in September 2022, which the project team explained was between MGT and DFM, stated that the recently awarded early foundation packages exceeded the March 2022 A/E estimate by over 150 percent and that the Board was working with the A/E firm to understand the variance. The presentation further stated that the A/E estimates were "a draft and are subject to change. Particularly until the [CMc] issues a [GMP] expected in 2023." Despite Facility Services' awareness of the substantial difference between the A/E estimate and the actual awarded amounts for these early packages, they chose not to obtain an estimate from the CMc. A Facility Services official told us that they did not require the CMc to provide estimates because the independent estimates they received proved not to be reliable and that the project team believed bidding price packages would provide more accurate market pricing on segments of the work.

Regardless of whether a cost estimate could have been obtained in time to use for Facility Services' 2023 budget request, we believe that the Board, before making any purchase, should obtain a cost estimate from its contractor. That did not occur here. In addition, while obtaining estimates from third parties is a leading practice, it is not a substitute for also obtaining estimates from the CMc responsible for managing the construction. Obtaining the CMc's estimate at the time of contract award and during the preconstruction phase would have given the Board visibility into the CMc's estimated cost of work as compared to its recent third-party estimates and would have been a useful tool in assessing the likely cost of the project. Moreover, it would have allowed the Board to assess the reasonableness of the CMc's estimate at the outset of construction, and, if the Board considered the estimate unreasonable, the Board could have engaged in cost discussions with the CMc or sought cost proposals from other contractors. Lastly, given that the early construction work contemplated by the CMAR contract was already underway and being bid out, it is unclear how seeking progressive cost estimates from the CMc during the construction document design phase would have materially delayed the construction project.

Because Facility Services did not require the CMc to provide project cost estimates during the contract solicitation period, the preconstruction phase, or at the outset of construction, the project team missed multiple opportunities to receive information that would have allowed them to make informed cost decisions as the project progressed and to better manage costs and the project's overall budget. First, the project team did not require bidders to provide overall project costs in their offers; rather, the project team awarded the CMAR contract for \$1.5 million in preconstruction services—a contract that has subsequently been modified over the past 4 years to total more than \$2 billion. Second, once the contract was awarded, the project team did not collaborate with the CMc on cost estimation, which is one of the key

benefits of a CMAR contract. Receiving iterative cost estimates from the CMc as the design matured, as provided for in the contract, could have given the Board insight into the CMc's projected costs at progressive points in time, including estimates for individual line items. This insight could have helped the project team identify cost-saving opportunities and make informed decisions about which aspects of the project scope to pursue or forgo. Third, progressive estimates from the CMc would have provided data points for the project team to leverage in negotiating a cost ceiling through a project-level GMP, another critical component of a CMAR contract's cost-containment and risk-transfer benefits.

Ultimately, the project team did not have a full and complete understanding of the CMc's view on project costs, including the individual line items that built to the total cost, until they received the GMP proposal from the CMc in January 2026. As a result, the Board was limited in its ability to develop reliable cost management and containment measures for the project.

The Lack of a GMP or Other Cost Controls Limited Risk Transfer to the CMc, Including for Cost Increases

One tenet of the CMAR project delivery method is that the CMc collaborates with the A/E firm and the owner on constructability, cost-savings alternatives through value engineering, and an estimation of the cost of work. These steps build to setting a cost ceiling through a GMP. By putting cost controls in place early in the construction process, the owner is able to transfer risk to the CMc, a key benefit of the CMAR delivery method. The Board's CMAR contract sought to do so by referencing a Board-approved stated cost limitation and including the following provision:

The Contractor shall support the A/E's efforts to maintain cost controls throughout the development of the Project Documents so that the Work depicted in the final approved Project Documents for the Project can be constructed and installed within the Board's final approved Stated Cost Limitation. Contractor should provide alternative methods based on their construction expertise.

This provision is consistent with GSA guidance that a project owner should require its A/E firm to design a project so that the construction costs will not exceed the stated cost limitation.

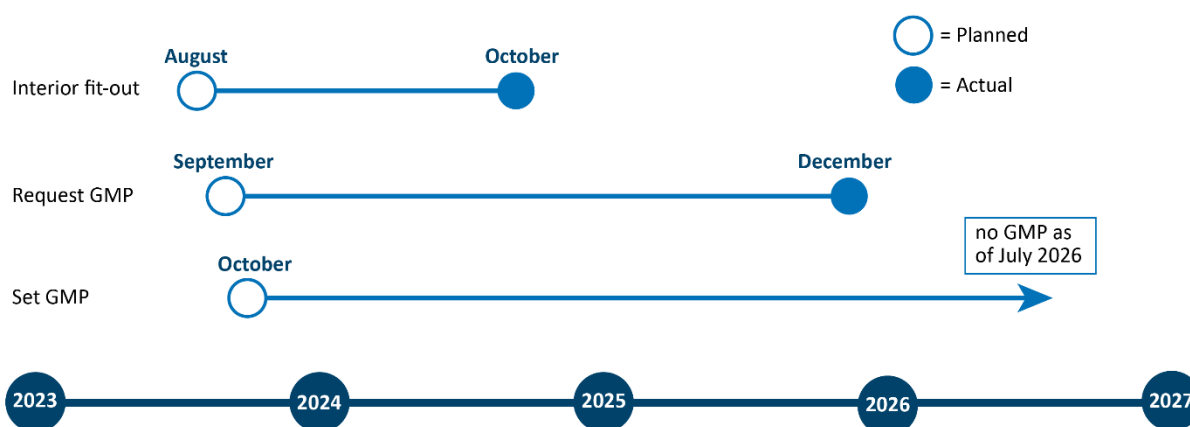
While the project team established a stated cost limitation of \$857 million during conceptual design and advised the A/E firm of it in April 2020, the project team neither updated the stated cost limitation nor required the A/E firm to design within it. In addition, neither the CMc nor the CMOR were made aware of a stated cost limitation despite the CMAR contract provision quoted above requiring the CMc to work with the A/E firm so that the construction project could be

“constructed and installed within the Board’s final approved Stated Cost Limitation.” As a result, the stated cost limitation was ineffective as a cost-control mechanism.

In addition to not advising the CMc (and CMOR) of its stated cost limitation, Board officials explained they had not established a cost ceiling through a GMP as of July 2026—4 years after construction began and after more than \$2 billion in construction costs have been awarded. GSA guidance states that, in the case of a CMAR contract, a project GMP should be established before starting the construction phase of a project. Likewise, leading practices state that a project GMP should be established once a design phase has been substantially completed.⁵⁹ A GMP then serves as a project budget constraint for a CMc to manage its progress and generally transfers to the CMc the risk of ensuring that it executes all work within this agreed-upon cost ceiling, with limited exceptions (as the GMP may be increased to account for change orders or other adjustments for which the owner is responsible under the contract). Consistent with leading practices, the CMAR contract allows the Board to set a GMP (1) before construction or (2) on an agreed-upon date and, in the absence of agreement, the Board can request a GMP proposal no less than 30 days after the design is substantially complete.

The project team and CMc representatives told us that the plan to set a GMP in fall 2023 was contingent on substantial completion of the design, which did not occur within that time frame. Beginning in January 2023, the Board requested changes to the interior fit-out design that substantially delayed completion of this design miniphase. As noted above, the Board decided in January 2023 to change the interior fit-out design in the two buildings from predominantly open workspace to predominantly closed office space. This redesign process took 21 months, from January 2023 to October 2024 (figure 11).

Figure 11. The Board’s January 2023 Interior Fit-Out Design Changes Significantly Delayed Setting a GMP



Source: OIG analysis of Board documents and CMOR reports.

⁵⁹ The Associated General Contractors of America and National Association of State Facilities Administrators, *Construction Management At Risk Benefits, Criteria, and Justification Criteria*, June 2020.

The project team and CMc representatives stated that a project-level GMP would not have been feasible without substantial completion of the design phase to inform the estimated cost of work. According to a CMc representative, the design “needed to be completed” before a GMP could be established. The CMc representative further stated that, had the Board sought to finalize a GMP as initially planned in the fall of 2023, before the Board-requested design changes were substantially complete, the CMc would have had to price in unknown risks and “maybe would have proposed [a GMP] around \$3 billion at the time because of all of the uncertainties.”⁶⁰ The project team and a Board official similarly told us that they believed pursuing a GMP before the substantial completion of design would have resulted in an inflated GMP proposal from the CMc, and the Board did not initiate discussions about a GMP until October 2025.

Even if the significant design changes by the Board in January 2023 made it unfeasible to set a GMP for the project in fall 2023, that did not prevent the Board from obtaining an estimate from the CMc.⁶¹ Moreover, the Board had steps available to it, beyond setting a GMP for the project, to allow for greater cost control and transfer of risk to the CMc. For example, it could have set a GMP for the first two design miniphases that had been completed, as well as bundled subsequent work into larger packages as designs were completed and negotiated a GMP for those packages. These steps would have transferred risk to the CMc on those larger portions of work while the later design stages were finalized. That did not occur. Instead, the Board had the CMc issue smaller price packages for subcontractor bidding, without having segmented GMPs, without providing the CMc with a stated cost limitation, and without obtaining a cost estimate from the CMc. For example, the three bundled early work packages as contemplated by the CMAR contract and the CMc kickoff documents were divided into six price packages and awarded for \$323 million by the end of 2022. Moreover, those six price packages did not cover the full intended scope of the three bundled packages, for which the Board had a March 2022 price estimate from the A/E firm. As a result, in addition to failing to negotiate a segment GMP for these price packages before their issuance for bidding, the Board could not readily compare the \$323 million in award costs to the March 2022 independent estimate because of the way the six price packages were bundled. The CMc told us that it had proposed bundled packages but shifted to proposing price packages with a singular or minimal scope because of Board staff’s prolonged review process. A Facility Services official told us that it decided to begin awarding discrete segments to speed up the process and allow the CMc to continue with the work that was ready and not hold up a larger package based on other work segments.

Moreover, even when the A/E firm substantially completed its design in January 2025, the Board did not request a GMP proposal at that time, as permitted by the CMAR contract. The project

⁶⁰ After reviewing a draft of our report, the CMc noted that this statement was in response to a hypothetical question about whether the contract value could have been established in 2022. The CMc further noted that an earlier GMP likely would have been higher, potentially significantly so, because the design was incomplete and market conditions remained uncertain.

⁶¹ Had the CMc provided an estimate that was significantly higher than the Board’s \$1.161 construction budget and the A/E firm’s March 2022 estimate of \$1.117 billion, it would have allowed the Board to, among other things, better assess its construction plans and whether to seek estimates from other contractors.

team explained that they were waiting on the price packages to be finalized to set a GMP. From January 2025 to December 2025, the Board awarded 20 price packages valued at \$284 million. We were told by CMc representatives that they planned to set the project GMP through the award of price packages, currently numbering 84, and did not intend to set a GMP until those bids were obtained.

On October 1, 2025, Facility Services sent the CMc an email asking the CMc to “move forward with submitting a Final GMP proposal.” The CMc did not provide a formal GMP proposal in response to that request and, on December 30, 2025, the Board submitted a formal request to the CMc for a GMP proposal following a November 2025 meeting with our office that included a discussion about the potential benefits of a GMP. The CMc provided a GMP proposal to the Board in January 2026. By that time, the Board had already awarded more than \$2 billion and exceeded the most recent construction budget, which will require Facility Services to access its project contingency funds.

Additionally, the CMc’s compensation structure in the CMAR contract—2.95 percent of the cost of construction work, capped only by the GMP—combined with Facility Services and Procurement’s decision to award 69 price packages before requesting a GMP or establishing a stated cost limitation, placed no material cost-control incentives or constraints on the CMc. The project team told us they believed the Board received the benefit of the GMP because budget and schedule risks were transferred to the CMc for each of the 69 price packages once they were awarded, with all incremental price package GMPs aggregating to establish the overall project-level GMP. While the accumulation of these price packages established the overall cost of the project, it did not result in the Board receiving the key benefits of setting a project-level GMP before or shortly after construction work began—namely, obtaining greater cost certainty and incentivizing the CMc to control costs. The absence of an upper limit or project-level cap for the 69 packages provided the Board with no certainty over its construction costs at any point over the past 4 years. Further, by failing to set a project GMP, the CMc received as compensation under the CMAR contract 2.95 percent of the cost of work, without any upper limit or cap. As a result, the cost-control incentives that result from a well-managed CMAR contract and the setting of a GMP were not present.

Awarding Dozens of Limited-Scope Price Packages Created Cost-Containment Risks

As mentioned previously, the Board’s CMAR contract allows the Board to award segments of work before finalizing the project-level GMP; these price packages would eventually be credited against the GMP. The segmenting of some construction in individual tasks can lead to efficiencies and is therefore permitted under the contract. We understand that a traditional approach to segmenting a GMP involves breaking down a project by certain macrophases of work to be performed. An example of that was the Board and CMc’s intended approach of establishing three larger, bundled early price packages to begin work while the design and GMP

were finalized. Despite this plan to bundle the three early packages, the Board ultimately segmented virtually all the construction work across 84 individual price packages. We found that this approach was atypical and introduced at least three additional cost-containment challenges.

- **Limited subcontractor bidding.** To promote competition, the CMAR contract expects that the CMc will obtain at least three bids on each price package or provide documentation to prove limited availability when three bids were not obtained. The project team told us that bidding segments of the work through individual price packages would provide fair and competitive pricing because of the required minimum of three bids.⁶² However, even though the CMc solicited more than three bids for the prices packages we reviewed, it did not consistently receive the minimum three bids on certain significant price packages. Notably, three of the four MEP price packages that totaled \$624 million—30 percent of all construction work awarded through December 2025—did not receive three bids. Two of these packages received two comparable bids, while the third was segmented into two trade packages, one of which received two bids and the other of which received one bid.⁶³ The project team told us that they did not receive the three bids expected by the contract because of market conditions and labor shortages in the Washington, DC, area at the time. We also were told by the Board that, in the absence of three bids, the CMc provided documentation to the Board as required by the contract “to prove limited availability to the satisfaction of the Board.”

Our research and consultation with our SME identified several more reasons that could account for the limited number of subcontractor bids received for the MEP and other price packages. First, the time-consuming bid process disincentivizes subcontractors from bidding for a price package that involves a small, segmented amount of work, particularly if they were an unsuccessful bidder on an earlier price package. Second, incumbent subcontractors have an advantage because of their onsite knowledge of the scope of work and their ability to tailor their bid and expectations for additional work packages. This process not only advantages an incumbent subcontractor’s bid but also can dissuade outside subcontractors from trying to unseat incumbent subcontractors for a small price package. Third, a CMc prefers to limit the number of subcontractors onsite because having more subcontractors creates project management inefficiencies, including requiring multiple subcontractors to agree on a clear definition of the scope and timing of work to avoid overlapping issues between them.

- **Lost economies of scale.** Our research and consultation with our SME identified that the limited scope of each price package likely resulted in lost economies of scale. Had the

⁶² The project team stated that, as part of the decision to defer a project-level GMP, they consulted with a GSA construction project team that used a similar approach of relying on the subcontractor bidding process for segments of work rather than establishing a project-level GMP because of uncertainties in the construction market.

⁶³ In response to a draft of this report, the CMc told us, “The bidding process implemented on the project was rigorous and competitive and reflective of the market forces encountered throughout the course of the project. The size, scope, and complexity of the project and its duration limited the pool of qualified and responsible bidders.”

Board awarded larger scope price packages, it could have reduced overall costs through bulk purchasing. Moreover, awarding additional price packages to an incumbent subcontractor is essentially a modification to the subcontractor's agreement, and modifications typically carry premium pricing as compared to an initial agreement.

- **Increased difficulty tracking costs.** A CMAR method requires heightened cost oversight by the building owner, which must carefully track subcontractor bidding and associated costs. In the project team's March 2020 presentation proposing the CMAR method, they highlighted the need for concerted oversight and review for budget and cost tracking. Our research and consultation with our SME identified that issuing dozens of price packages in an incremental fashion makes it increasingly challenging to determine what has already been awarded, what is outstanding, and what gaps or overlaps exist. It also increases the potential to include general conditions costs at both the prime and subcontractor level that may not be as apparent on the surface. In finding 2, we describe the limited steps that Facility Services took to monitor costs in individual subcontracts.

Awarding Price Packages Without Establishing a GMP Resembled a Higher-Risk Cost-Plus Reimbursement Contract Rather Than a CMAR Contract

The Board's approach of awarding dozens of limited-scope price packages without setting a GMP or stated cost limitation functionally transformed the CMAR contract into a higher-risk cost-plus reimbursement contract. A cost-plus reimbursement contract involves the owner paying the contractor for all construction project expenses plus an agreed-upon fee. According to leading practices, under a cost-plus reimbursement contract, risk is "all but eliminated" for the contractor.⁶⁴ The cost-plus reimbursement approach results in an owner absorbing the risks of cost increases and schedule delays. Moreover, without a maximum cost clause or other incentive arrangement in the contractor's agreement, the contractor has little incentive to control costs. GAO reported that, in general, cost-plus reimbursement contracts are high risk for a government entity because of the potential for escalating costs.⁶⁵

In this case, the CMc issued and the Board awarded 69 price packages for \$1.978 billion before the Board formally requested a GMP in December 2025, resulting in the Board absorbing almost

⁶⁴ Lynn Pearcey, "The Ins and Outs of Cost-Plus Reimbursement Contracts," American Institute of Architects, February 17, 2023.

⁶⁵ U.S. Government Accountability Office, *Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used*, GAO-09-921, September 2009.

all project cost and schedule risks throughout the project, except in the limited circumstance of risks that arose postaward. This pay-as-you-go approach effectively undermined the key risk-transfer and cost-containment benefit of a CMAR contract, particularly for a construction project that had already spanned more than 4 years. As would be expected in a cost-reimbursement contract, proceeding without a GMP did not provide the Board with greater cost certainty, left the Board vulnerable to changing market conditions during the multiyear construction, and created little incentive for the CMc to control costs.

- **Little cost certainty.** The Board has had little cost certainty throughout the renovation project, including as of the date of this report. The Board did not receive a GMP proposal from the CMc until January 2026, about 3.5 years after construction began and after more than \$2 billion had been awarded. Six months later, as of July 2026, the Board and the CMc still had not agreed on the GMP. Further, the CMc informed us that some additional aspects of the work are not included in its GMP proposal. For example, we found that signage and graphics, which includes wayfinding, room, and general signage information, were not part of the GMP proposal. Accordingly, given the outstanding work packages and lack of agreement on the GMP, the Board still does not have certainty on the expected final cost of the renovation project.
- **Vulnerability to market conditions.** The Board remains vulnerable to changing market conditions, including inflation, until it sets the GMP. Risk transfer is a key benefit of a GMP. Establishing a cost ceiling early can help limit an owner's exposure to market conditions throughout the remainder of the project. While a GMP does not limit an owner's exposure to cost increases associated with owner-initiated changes or unforeseen site conditions or other contingencies, risks of inflation and other market conditions generally transfer to the CMc upon agreement of a GMP. Failing to set a timely GMP, in part because of the Board's design changes and delays, left the Board vulnerable throughout the project to market conditions, like inflation and the rising cost of labor and materials, that the Board identified as contributing to cost increases.
- **Little incentive for the CMc to control costs.** The absence of a GMP or stated cost limitation meant that the CMc has not been incentivized to control costs. Pursuant to the CMAR contract, because a GMP has not been set, the Board is responsible for paying the construction costs plus a fee to the contractor without an upper limit or cap. The CMAR contract provides that the CMc initially receive a 2.95 percent fee on the cost of construction work performed but that, upon agreeing to a GMP, the fee becomes a fixed, agreed-upon amount in the GMP. Setting a GMP therefore would have created multiple cost-control incentives for the CMc. First, the CMc would have endeavored to prevent costs from exceeding the GMP because, with limited exceptions, costs that exceed the GMP are borne by the CMc. Those limited circumstances include owner-initiated design changes or other adjustments covered by the owner. Second, the CMc would have endeavored to keep costs below the GMP because the CMAR contract provides that, if

the final construction cost is below the GMP, the CMc receives a portion of the savings.⁶⁶ Third, had a GMP been put in place, the CMc's fee would have been capped, rather than being based on the total construction cost. Without a GMP, the Board continues to pay a 2.95 percent fee to the CMc for additional work costs.

We found that awarding price packages without a project-level GMP, combined with the 2.95 percent fee, may result in the Board's CMAR contract functioning more like a cost-plus-a-percentage-of-cost (CPPC) contract, which is a particularly risky form of cost-reimbursement contract.⁶⁷ A CPPC is an arrangement whereby the contractor is paid its costs of performance plus a specified percentage of those costs as an allowance for profit.⁶⁸ This cost-reimbursement method does not tend to promote efficiency because the contractor's profit increases in direct proportion to the amount it spends in performing the contract.⁶⁹ According to GSA guidance for CMAR contracts, fees may be a percentage of an estimated cost of work when their proposal is submitted, but shall be converted to a fixed amount before executing the GMP. In this case, because the Board has not set a GMP and the CMc fee has not converted to a fixed fee as provided for in the contract, the amount the CMc received has been increasing along with increased costs. The CMc's GMP proposal seeks a fee of 2.95 percent of the estimated total cost of construction work.

We reported similar concerns in 2014 about the Board not establishing a stated cost limitation during the Martin renovation project, as was provided for in the A/E contract. In response to our recommendations, the Board established a stated cost limitation with the A/E firm for the Martin project.⁷⁰ However, as noted above, the Board did not set a cost ceiling through a stated cost limitation or a GMP for the Eccles-1951 renovation project, and again remained exposed to the risks of escalating costs.

⁶⁶ The CMAR contract provides that, if the final cost of the project is less than the GMP, the CMc receives 25 percent of the savings up to a maximum of \$5 million (except for the first \$500,000 in savings, which belongs exclusively to the Board). The Board told us that, in the absence of a GMP, there has been an assessment upon completion of each price package to determine whether the final cost was less than the package's award price. The CMc's GMP proposal in January 2026 included a log showing that the Board has saved \$21.6 million and the CMc will receive \$5 million.

⁶⁷ The *Federal Acquisition Regulation* (FAR), which the Board is not subject to, allows for multiple cost-reimbursement options, including a cost-plus-fixed-fee option, but it prohibits CPPC contracts. FAR 16.3 and FAR 16.102(c).

⁶⁸ GAO uses the following criteria to determine whether a contract is a CPPC: (1) payment is at a predetermined percentage rate, (2) the predetermined rate is applied to actual performance costs, (3) the contractor's entitlement is uncertain at the time of contracting, and (4) the contractor's entitlement increases commensurately with increased performance costs. Department of Commerce—Advice on Cost-Plus-a Percentage-of-Cost System of Contracting, B-252378 (Comp. Gen. Sept. 21, 1993), available at <https://www.gao.gov/products/b-252378>.

⁶⁹ 2 Government Contracts: Law, Admin. & Proc. (MB) § 19.90 (2026).

⁷⁰ Office of Inspector General, *Opportunities Exist for the Board to Improve Recordkeeping, Cost Estimation, and Cost Management Processes for the Martin Building Construction and Renovation Project*, [OIG Report 2014-AE-B-007](#), March 31, 2014.

Finding 2: The CMOR Was Not Used Effectively to Monitor a Project Budget and Control Costs

Overview

A key consideration of a CMAR project delivery method is that it requires heightened cost oversight, particularly because of subcontractor bidding and the associated cost tracking. In their March 2020 presentation proposing the CMAR method, the project team highlighted the need for concerted oversight and review for budget and cost tracking. Leading practices indicate that a CMOR acts as the owner's trusted advisor throughout the project, with a key role in budget monitoring and control.⁷¹ This role includes working closely with an owner to establish a realistic budget, evaluate proposed changes, and identify potential cost-saving opportunities. The CMOR's role in budget monitoring and control is even more critical when the owner has not agreed with the CMc on a GMP and the CMc has not been provided with an upper limit or project-level cap on construction costs.

Instead of effectively using the CMOR's expertise, the Board relied primarily on the project team, the CMc, and the competitive bidding process to control costs. In fact, the Board limited the CMOR's ability to perform key cost-monitoring and cost-control functions. Specifically, the Board did not

- provide the CMOR with a project budget or a stated cost limitation to monitor costs against a budget
- provide the CMOR with detailed price package bid information necessary to independently validate the proposed costs for each price package
- ask the CMOR to provide independent cost estimates or cost comparisons for the four MEP packages that significantly exceeded the March 2022 A/E cost estimate, three of which did not receive three bids
- request value-engineering services to identify cost-saving opportunities

Facility Services and senior Board officials told us that they never intended for the CMOR to monitor performance against a budget because they considered budget monitoring to be the Board's responsibility. In addition, Facility Services did not provide detailed cost breakdowns for

⁷¹ American Institute of Architects, "What Are the Benefits of an Owner's Representative on Your Construction Project?" July 10, 2023.

each price package to the CMOR. Both the project team and a CMOR representative said that they relied primarily on the competitive bidding process to obtain market pricing. Further, the project team told us that they did not require independent estimates or cost comparisons from the CMOR for the four MEP price packages that significantly exceeded the March 2022 A/E cost estimate, three of which did not receive three bids, because Facility Services considered these packages to be within the original scope of work. According to the Board, the CMOR contract only requires cost-estimating services for out-of-scope work. This approach resulted in nearly all the construction work (over 95 percent), including the four MEP price packages, being treated as in-scope work that did not require independent cost estimates or cost comparisons from the CMOR. Lastly, although value-engineering services are outlined in the contract as one of its responsibilities, the CMOR stated that it did not provide those services because Facility Services did not request them.

These decisions diminished the benefits of having a CMOR and limited the CMOR's ability as the Board's trusted advisor to independently monitor, evaluate, and control project costs. As a result, the Board missed a series of opportunities to maximize the cost-monitoring and cost-control benefits of its CMOR relationship.

The CMOR Was Not Provided with a Stated Cost Limitation or a Project Budget for Cost Monitoring

In its March 2020 presentation proposing the CMAR method, the project team highlighted the need for concerted oversight and review for budget and cost tracking. Leading practices indicate that a CMOR can add significant value by working closely with the owner to establish and monitor costs against a realistic budget.⁷² In executing its CMOR contract, the Board sought and received agreement that the "CMOR shall assist the Board in ensuring that project scope, schedule, budget, quality, and other requirements of the Project are fully satisfied." In addition, the CMOR contract required the CMOR to support the A/E firm's efforts to maintain cost controls throughout the project so that the final design could be constructed and installed within the Board's final approved stated cost limitation.

Facility Services did not provide a stated cost limitation or a project budget for the CMOR to monitor the project's actual costs against. Despite including a contract provision for monitoring a project budget, the project team told us that they never intended for the CMOR to track performance against a budget because budget monitoring was a Board responsibility. While Facility Services set a stated cost limitation of \$857 million during conceptual design in 2020, CMOR and CMc representatives were unaware of that stated cost limitation. Therefore, they could not work together toward the stated cost limitation.

⁷² American Institute of Architects, "What Are the Benefits of an Owner's Representative on Your Construction Project?" July 10, 2023.

The CMOR told us that, instead of monitoring project costs against a stated cost limitation or a project budget, it assessed cost performance solely by tracking the cost of the work awarded for construction through the individual price packages against the funds available for the contract. As a result, the CMOR's monthly project status reports to Facility Services always showed the project budget as being "on track" despite the escalating costs, because the incurred costs never exceeded the funds available for the contract.⁷³ In other words, the CMOR's project status monitoring reports were measured against individual budget benchmarks that the Board continually increased over the course of the project to cover the price package awards, rather than against a fixed project budget.

Detailed Bid Information Was Not Provided to the CMOR to Validate Costs

One of the key benefits of the CMAR delivery method is its open-book approach, which promotes transparency by providing an owner with access to subcontractor bids and supporting cost details to facilitate the review and validation of proposed construction costs. Board Procurement recommended using a CMAR delivery method in February 2020 because it allows for active owner involvement with the open-book subcontractor negotiations. As the owner's trusted advisor, the CMOR plays a key role in budget monitoring and control, and one of the ways it can add significant value is by evaluating proposed changes.

The CMOR contract requires the CMOR to support the bidding and negotiation phase of the project, including support related to bids from potential contractors for the early work and bids from potential subcontractors to the CMc. However, the Board did not provide the CMOR with all the necessary information to support the bidding and negotiation phase of the project. Specifically, the Board did not provide

- detailed cost breakdowns that make up the subcontractor cost of work for each price package to evaluate the proposed cost
- construction cost estimates to evaluate the differences between the estimates and proposed costs

CMOR representatives explained that the CMc's subcontractor bids were generally submitted as sealed, lump sum proposals and did not include detailed cost breakdowns. As a result, the CMOR's review of most price packages was limited to assessing the adequacy of the competition process, allowances, general conditions, and the application of markups. CMOR representatives told us that, based on these activities, the CMOR recommended whether the Board should proceed with contracting activities. Although the Board told us that the CMOR

⁷³ Each month, the CMOR sent a monthly project report to Facility Services that included a status chart showing the status of five categories, including *cost* and *schedule*.

reviewed, evaluated, and recommended issuing every package, without detailed bid information or knowledge of the A/E firm's March 2022 estimate, the CMOR was limited in its ability to independently validate the proposed costs. A Board official told us that they primarily relied on subcontractor bidding competition to determine price reasonableness for each of the price packages, which they believed was consistent with the *Federal Acquisition Regulation* (FAR) best practice. A Board official told us that the contracting officer is responsible for determining price reasonableness and that the CMOR's review and recommendation was only one tool available to help with its determination.

The CMOR Was Not Asked to Independently Validate the MEP Price Packages That Exceeded the March 2022 Estimate by Almost \$500 Million

As noted above, the four MEP price packages awarded in 2023 and 2025 totaled about \$694 million, exceeding the March 2022 A/E cost estimate by \$488 million (or 237 percent), and three of the four price packages did not receive three bids. The CMc provided the Board with its reasons for the limited availability of bidders for the MEP packages that did not receive three bids, and the CMOR recommended awarding these packages. However, as we noted above, the CMOR's recommendations were based on limited information because the Board did not provide the CMOR with detailed bid information or the A/E firm's March 2022 estimate so that the CMOR could evaluate the differences between the estimates and the proposed costs. Further, the Board did not request the CMOR to provide an independent cost estimate to validate the proposed costs despite the significant increases over the March 2022 estimate and the receipt of fewer than three bids.

When we asked the project team why they did not request an independent cost estimate for the MEP price packages, they stated that they did not do so because they believed an independent cost estimate would have been untimely and costly to obtain. The project team told us that the three MEP price packages that did not have the required number of bids had long lead times and that they held extensive discussions with the CMc about creating additional competition to satisfy the three-bid requirement, but that there were schedule tradeoffs associated with trying to secure additional bids, so they preferred to keep the project moving. The project team also stated that they ultimately decided they received sufficient information from the CMc to determine price reasonableness after reviewing comments on the individual bids; having multiple conversations with the CMc to address concerns about costs and competition; and receiving additional information, such as the CMc's benchmarking analysis. Although the project team took some additional steps to verify costs, the CMOR representative told us that the Board did not provide it with either detailed cost breakdowns of price packages so it could evaluate the proposed costs or prior construction cost estimates so it could evaluate the differences between the estimates and proposed costs. By not obtaining independent estimates to analyze

pricing or requesting the CMOR to reconcile the subcontract amount with the 2022 independent estimate, the Board missed a valuable opportunity to manage costs.

The CMOR's contract requires the CMOR, at the Board's request, to perform independent estimates for effects on cost or time pertaining to work to be added, deleted, or modified in any change order. In addition, the contract requires the CMOR to prepare a detailed cost comparison of pricing proposals received and, if applicable, an evaluation of costs compared with the government estimate. According to the project team, these provisions of the CMOR contract only applied to out-of-scope work. The MEP price packages were not considered to be out of scope—despite the cost exceeding the estimate by \$488 million and the limited number of bids for three of the packages—because they were included in the original scope of work and were not the result of change orders or other modifications. As a result, the project team did not request that the CMOR provide independent estimates or prepare a detailed cost comparison of pricing proposals received for the MEP packages.

We found that Facility Services and Procurement awarded dozens of price packages through modifications, but they did not consider most of these modifications to be out of scope because they were part of the original scope of work. Based on this approach, the project team treated about \$98 million worth of the work (less than 5 percent) awarded through modifications as out of scope and about \$2 billion (over 95 percent) as in scope.

We believe that the CMOR, as the Board's trusted representative, could have provided significant assistance to the Board by assessing the reasonableness of the MEP price packages and determining why they significantly exceeded the March 2022 A/E cost estimate. This information could have helped the CMOR identify the contributing factors for the increased costs and evaluate why the proposed costs differed so significantly from the March 2022 A/E cost estimate, given the limited number of bids for three of the four packages.

The CMOR Was Not Asked to Perform Value-Engineering Services to Identify Cost-Saving Opportunities

Leading practices indicate that involving a CMOR can add significant value for cost control by identifying cost-saving opportunities.⁷⁴ GSA guidance states that value-engineering services include analyzing designed building features, systems, equipment, and material to identify the most cost-effective construction approach without compromising quality or performance. The CMOR contract includes a provision for CMOR services to facilitate value-engineering workshops and prepare reports during both the design and construction phases.

⁷⁴ American Institute of Architects, "What Are the Benefits of an Owner's Representative on Your Construction Project?" July 10, 2023.

A CMOR representative stated that this service would entail the CMOR using subcontractors with expertise to review and assess the project designs to find alternatives to help minimize costs. However, the CMOR representative explained that the CMOR did not provide these services because Facility Services did not require it to facilitate and report on value-engineering workshops throughout the project. As a result, the Board missed an opportunity to utilize a contract provision that may have identified cost-saving approaches to the renovation project.

Finding 3: Internal Project Governance and Oversight Was Insufficient to Manage a Project of This Magnitude and Complexity

Overview

The Board's governance and oversight framework was insufficient to manage the Eccles-1951 renovation project given the significant risks associated with its size and scope. We found it concerning that a project of this magnitude and complexity (1) did not clearly allocate oversight responsibility for managing the cost and schedule and (2) did not have formally established success measures to monitor its progress and priorities, including for cost and schedule, and to guide overall project execution and decisionmaking. As discussed in the report, rather than have a cost ceiling and manage to it, the Board has increased the budget as costs escalated. Without a cost ceiling, senior officials and oversight entities lacked a true measure of this critical performance metric. A Facility Services official told us about an informal internal success measure that focused on schedule and is referenced in the CMAR solicitation: that construction be completed in 57 months. This informal focus on the construction schedule, which will not be met based on current projections, appeared to be Facility Services' top priority and dictated the outcome for many key project execution decisions, including those affecting costs.

Various internal oversight entities like the EOG, EWG, and IRB, each of which included senior Board officials, were not provided with clear roles, responsibilities, and expectations for overseeing cost and budget—two fundamental performance metrics for any construction project—or other significant project decisions. Further, key officials with decisionmaking authority appeared to have a limited awareness of the complexities associated with managing a CMAR contract. This governance problem did not result from a lack of oversight entities, but from the lack of clear responsibility and expectations among them. Decisionmaking roles and responsibilities remained concentrated in the project team, and many oversight officials appeared largely deferential to the project team. Multiple interviewees told us that they had no intention of micromanaging the project team and that they were confident in the project team's expertise.

An additional governance concern we identified was the limited requirement for senior leadership to review key decisions affecting budget or scope. The project's RACI matrix served as the controlling governance document for escalation and higher level decisionmaking for significant change events. However, the matrix did not require elevating contract execution decisions or project decisions for work within the intended scope of the project. Because Facility

Services established construction costs through individual price packages rather than a project-level GMP, nearly all the project's most significant decisions, in terms of cost increases, fell outside the RACI matrix's narrow scope and coverage on change events. Among decisions that were not required to be elevated to senior leadership, because they were not covered by the RACI matrix, were to

- proceed with the MEP contracts even though they were hundreds of million dollars more than the price estimates used to set the project's budget
- forgo the use of CMOR services to provide independent cost estimates for price packages whose final bids substantially exceeded prior cost estimates if Facility Services considered the price packages to be in scope
- defer the formal request for a GMP proposal until December 2025, even though the CMAR contract provided for a GMP once design was substantially completed in January 2025
- not seek a project cost estimate from the CMc before beginning construction, as provided for in the CMAR contract, or at any time before December 2025
- not inform the CMc and CMOR of a stated cost limitation, as provided for in their respective contracts, or use that stated cost limitation as a cost ceiling and success measure for the project
- approve price packages that did not receive at least three bids

The information that Facility Services did provide to oversight entities came in the form of status updates that almost always indicated that the project budget and schedule were "on track"⁷⁵ despite the more than \$1 billion increase in construction costs and the multiple schedule delays. Rather than reporting progress against the project's original expected costs and schedule, the cost and schedule benchmarks were updated 13 times during our scope period (3 budget and 10 schedule updates) to reflect the most recent BOG-approved budget and the latest estimated construction completion date. Without fixed cost and schedule metrics, oversight entities lacked meaningful measures against which they could assess the project's status and success. In response to a recommendation we made in 2017 involving the Martin renovation, the Board implemented guidelines for providing quality information that included guidelines for green, yellow, and red status assessments for budget and schedule reporting. However, the shifting reference points limited the effectiveness of this reporting.

⁷⁵ Thirty-six of 40 project budget or schedule assessments were described as being "on track" during our scope period. In 2024, 4 consecutive budget assessments were described as "at risk" because there were insufficient funds remaining in the budget to complete the project. The assessments returned to "on track" when \$572 million planned for the NYA renovation was reallocated for the Eccles-1951 renovation during the BOG 2025 budget cycle.

No Project-Level Cost Limitation Was Established to Measure the Project's Success

Project assurance—an independent and objective evaluation of a project's health, performance, and strategic alignment—requires devising metrics that provide ongoing visibility into cost and schedule by measuring any deviations against initial baselines.⁷⁶ However, the highly complex Eccles-1951 renovation project proceeded without a defined set of detailed, key performance measures and metrics to guide execution and decisionmaking.

The Board did not establish a project cost metric as a spending limit and therefore lacked a cap to measure the project's overall budget performance. While the BOG approved the initial budget of \$1.317 billion in 2020, Board officials told us that it was always understood that this was not the final budget and that it would increase. At no point from 2020 to 2025, as the project budget nearly doubled to more than \$2.381 billion with the BOG's approval, did the Board or the project team identify a total spending limit. This failure to establish an expected total project cost and spending limit allowed a pay-as-you-go approach to develop.

As explained in findings 1 and 2, Facility Services moved forward with construction in July 2022 without sharing a stated cost limitation with the CMc to guide it in keeping construction costs within a certain limit, despite the CMAR contract's expectation that the CMc would help the Board ensure the project's design plans could be completed within the stated cost limitation. Similarly, the CMOR was not provided with a stated cost limitation to help the Board track costs against proposed work packages. Further, as explained in finding 1, the Board did not formally request a GMP proposal, or any cost estimate, from the CMc to inform a project budget until December 2025, and the Board had yet to agree on a GMP to establish a cost ceiling for the project as of July 2026.

Rather than establish a project-level cost limitation, the project team is establishing the total cost of the project through a bidding process for smaller segments of the work—currently totaling 84 price packages. As a result of this project pricing approach, the Board's BOG-approved renovation budget did not serve as a fixed, forward-looking amount to be used as a success measure. Rather, the budget is being calculated based on the March 2022 estimate plus the actual costs of price packages awarded—with Facility Services seeking budget increases or reserve transfer approval when price package awards exceeded earlier cost estimates in an amount that leaves insufficient funds in the budget to pay for the remaining price packages.

A Facility Services official told us about an informal internal success measure referenced in the CMAR contract: that construction be completed in 57 months. This narrow focus on construction schedule, which will not be met based on current projections, has seemingly been the top priority in the absence of any documented performance measures related to cost containment

⁷⁶ S. S. Alie, "Project Governance: #1 Critical Success Factor," presented at PMI Global Congress 2015—North America, Orlando, Florida, October 10, 2015.

or budget control. Keeping the project moving appeared to be the guiding principle that dictated the outcome for many key project execution decisions, such as forgoing services from key vendors, deferring or forgoing key cost-containment measures, and moving forward with price packages that did not receive three bids or that substantially exceeded cost expectations without reissuing or seeking an independent cost estimate.

Responsibilities of Board Oversight Entities Were Not Clearly Defined

Leading practices indicate that projects of this scale and complexity require active monitoring and oversight from planning through completion. Leading practices also indicate that governance processes should be tailored to a project's complexity and risks, among other factors. Further, academic literature states that an effective oversight committee can be crucial for implementing project governance by establishing goals and using success measures, assessing actual performance against goals and objectives, approving a project management plan, and monitoring the project for alignment with the project charter.⁷⁷ While the Board had numerous oversight entities for the Eccles-1951 renovation project, including the EOG, EWG, and IRB, none were explicitly responsible for ensuring that this project was being managed to meet established project success measures. The Board, in its 2021 project management guidance, which was implemented to resolve a prior audit recommendation related to planning for the Eccles-1951 renovation, emphasized the need for all projects to have "clear and unambiguous authority . . . for [project] decisionmaking."

Consistent with its authority under the Federal Reserve Act, the BOG has delegated most of its administrative functions to Board staff and therefore did not engage in day-to-day management of the renovation project.⁷⁸ Indeed, we would expect the BOG to delegate the day-to-day management of a large construction project. The BOG's project responsibilities were limited to approving the purchase of 1951, the long-term strategic space plan, and the annual renovation budgets. The CBA, which is a BOG advisory body, served in an advisory role for the renovation project and did not have any project-level decisionmaking responsibility. MGT meetings with the CBA were high-level information sessions that provided periodic updates about the renovation project's status. The administrative governor, who chairs the CBA, plays a key role in preparing the annual budget for the BOG's consideration and has an awareness of certain change events when escalated in the RACI matrix. However, the administrative governor's advisory role was limited by the narrow set of circumstances that triggered the RACI matrix's escalation requirements, as described below.

⁷⁷ S. S. Alie, "Project Governance: #1 Critical Success Factor."

⁷⁸ The Federal Reserve Act authorizes the BOG to delegate any of its functions, subject to a few limited exceptions, to members or employees of the Board or to the Federal Reserve Banks. 12 USC 248(k). Pursuant to this provision, the BOG has delegated many of its functions to staff and the Reserve Banks.

None of the remaining oversight entities—the EOG, EWG, or IRB—were explicitly responsible for monitoring project-level progress to help ensure that the project remained within a set budget limit and on schedule. We noted that the EOG charter limited its advisory role to serving as a “second-set of eyes” with no approval or decisionmaking responsibilities and that the EWG lacked any charter. The EOG and the EWG appeared to serve similar purposes in monitoring the implementation of the Board’s space plan, have similar core members, and have similar advisory responsibilities. Facility Services officials informed us that the IRB also had a limited role—it provided feedback about methods for getting bids on price packages but had not made any project-specific recommendations. Senior officials serving on these oversight bodies told us they placed considerable trust in, and reliance on, the project team’s expertise. Given that trust-based approach, many of those interviewees had limited familiarity with key project developments and material project execution decisions. Further, as outlined in more detail below, the status reports provided to those oversight groups should have reflected more objectivity in assessing the project’s progress.

The RACI Matrix and Trust-Based Oversight Approach Concentrated Decisionmaking Responsibility with Facility Services

In 2018, 2020, and 2021, the COO approved updates to the RACI change order and change event responsibility matrix.⁷⁹ In each instance, the revised matrix further limited what was considered a change order decision that the project team was required to elevate to certain senior Board officials.⁸⁰ As was noted in the 2020 and 2021 updates, the changes were “designed to enable the project management team to respond quickly and efficiently in order to deliver the project as intended, provided sufficient contingencies are available.”

Outside four change event categories, the matrix did not require elevating project decisions for work within the intended scope of the project, such as authorizing the award of the MEP packages even though they exceeded prior estimates by hundreds of millions of dollars, did not receive three bids, and put the project substantially over budget. The project team confirmed that the RACI matrix guidance did not apply to the approval of price packages for work within the intended scope of the project. Because Facility Services established construction costs through 84 individual price packages rather than through a GMP for the project, the contract

⁷⁹ A *change order* is a legal change to the contract that is approved and signed by the contracting officer. A *change event* is a change or set of changes in the work resulting in one or more change orders to the contract.

⁸⁰ A RACI memorandum update in April 2021 described these change event categories as (1) site conditions that materially differ from those listed in contract documents; (2) design deficiencies in the construction drawings or specifications that, if followed by contractors, will require replacement or correction; (3) Board-directed changes to the project scope to meet new organizational requirements or accommodate customer requests that were not stated as part of the project’s original requirement; and (4) additional work or a modification required to support the intended project scope that is neither a differing site condition nor a design deficiency.

modifications that resulted from accepting each of those price packages were considered within the scope of work and not a change order event triggering escalation and senior stakeholder input. Under this framework, about \$2 billion of the \$2.1 billion of construction work awarded as of December 2025—95 percent of the total construction cost—did not fall within the RACI matrix guidelines for escalation and senior stakeholder input even as the project's costs grew to more than \$1 billion above the initial budget.

In response to a draft of our report, the Board stated that Facility Services briefed senior staff on the award of the MEP price packages and pointed to the COO and EOG quarterly project dashboards for support. However, these dashboards do not include the costs associated with the price packages. Further, meeting minutes for the July 2023 meeting with the COO and EWG reflect only that attendees were told that one MEP price package had been awarded already, without evidence that a discussion took place about the cost associated with the award, the justification for issuing the award given the limited number of bids and its substantially higher cost than the prior independent estimate, or the effect that the award would have on the project budget. Similarly, meeting minutes for the November 2023 meeting with the COO and EWG do not reflect any discussion of the costs associated with the two MEP price packages that had been awarded in July and October 2023 or that those price packages exceeded the independent government estimate by over \$360 million. MGT staff referenced the costs associated with these two MEP price packages in an October 2023 memorandum to the director of MGT. However, that memorandum did not request the director's approval to award the two MEP price packages; rather, the memorandum requested the director's approval to reallocate \$458 million in contingency funds (which the director granted) because of the unexpectedly high cost of the MEP packages and in order to have sufficient funds to pay for the renovation project's remaining price packages.

Multiple interviewees mentioned that they did not want to micromanage the project team or second-guess their project execution decisionmaking. This trust-based oversight approach gave the project team considerable decisionmaking latitude for items outside the limited scope of the RACI matrix, including price package award decisions that ultimately obligated hundreds of millions more dollars in construction costs than had been anticipated.

In our view, a governance structure should have been in place that elevated to senior Board officials, at a minimum, the review of significant decisions, such as deviating from important cost-management controls in the CMAR contract and approving price packages that exceeded earlier estimates by hundreds of millions of dollars and created corresponding, significant increases to the project's budget. Such review would have occurred if the Board established RACI criteria that included fixed dollar or percentage increase thresholds for all contract modifications rather than just for limited categories of change orders or change events.

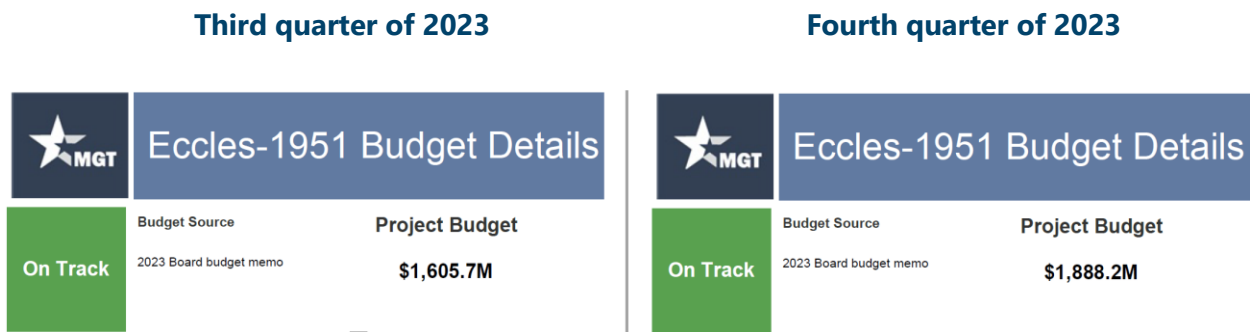
Quarterly Dashboards Consistently Stated the Project Was “On Track” but Did Not Use Fixed Reference Points for Budget and Schedule

Lacking meaningful metrics and clear responsibilities, Board oversight entities like the EOG, EWG, and IRB and the COO received quarterly project dashboard updates from Facility Services. However, Facility Services continually reported the overall project status as “on track” despite cost increases and schedule delays. These assessments were not meaningful benchmarks because Facility Services reported against moving targets—the repeatedly updated BOG-approved budget and construction schedule, which changed 3 times and 10 times, respectively, during our scope period—rather than the project’s original expected costs and schedule. As noted, neither the Board nor the project team identified a total spending limit to provide a clear measure for the project’s success.

In October 2023, MGT approved a reallocation of \$458 million in contingency funds because of MEP cost pressures. This reallocation occurred outside the Board’s annual budget-approval process and did not require the BOG’s approval. Despite the reallocation, which was approved by the BOG during the 2025 budget process, the Facility Services quarterly budget dashboards showed that the project budget remained “on track” for both the third quarter of 2023, before the reallocation, and the fourth quarter of 2023, when the reallocation occurred (figure 12).⁸¹ These assessments were technically accurate based on Facility Services reporting methodology because the project budget had not been exceeded. Nevertheless, the fourth quarter 2023 “on track” assessment did not reflect the project’s escalating budget risks given (1) the increasing costs that resulted from the \$539 million in MEP price package awards in the third and fourth quarters of 2023, (2) the numerous price packages that had not yet been awarded, (3) the use of other available means to fund the escalating costs outside the annual budget process, (4) the fact that those funding measures decreased the project’s contingency fund and completely depleted the renovation program’s schedule and contingency fund, and (5) that those measures had been used to supplement the project’s budget by more than \$280 million in the fourth quarter of 2023.

⁸¹ In the construction project reporting guidance, green “on track” status for budget purposes means “no material or unapproved variances” and “meeting budget commitments.” Yellow “at risk” status means “at risk of overrunning budget.” Red “critical” assessments signify an “overrun that potentially requires an additional layer of approval.”

Figure 12. Facility Services Reported the Budget as “On Track” After the Budget Was Increased to Account for Unexpected MEP Cost Increases



Source: Facility Services dashboard reports to the COO for the third and fourth quarters of 2023.

For the budget assessment, the only instances over the past 6 years when the dashboards showed anything other than “on track” were the four consecutive quarters of 2024. During that period, Facility Services reported the budget status as “at risk” because of insufficient funding before NYA renovation funds were repurposed to the Eccles-1951 renovation during the BOG 2025 budget cycle approval. However, even then, the overall project status remained “on track,” and, once the BOG approved the new project budget in the 2025 budget process, Facility Services revised the budget status to “on track.”

Facility Services also continually reported the project schedule status as “on track” even though the completion date for the project had been revised 10 times (table 4).⁸²

Table 4. Facility Services Reported the Overall Project Status as “On Track” Even as the Budget Increased and the Completion Date Was Delayed

Year	Schedule	Budget	Overall	Completion date	Project budget (billions)
Q1 2020	N/A	N/A	On Track	Q4 2024	\$1.317
Q2 2020	N/A	N/A	On Track	Q3 2026	\$1.317
Q3 2020	On Track	On Track	On Track	9/4/2026	\$1.317
Q4 2020	On Track	On Track	On Track	9/4/2026	\$1.317

⁸² The project completion date follows construction completion and marks the end of move-in and project closeout phases.

Year	Schedule	Budget	Overall	Completion date	Project budget (billions)
Q1 2021	On Track	On Track	On Track	9/4/2026	\$1.317
Q2 2021	On Track	On Track	On Track	10/1/2026	\$1.317
Q3 2021	On Track	On Track	On Track	1/14/2027	\$1.317
Q4 2021	On Track	On Track	On Track	2/1/2027	\$1.317
Q1 2022	On Track	On Track	On Track	5/14/2027	\$1.317
Q2 2022	On Track	On Track	On Track	5/14/2027	\$1.317
Q3 2022	On Track	On Track	On Track	6/23/2027	\$1.317
Q4 2022	On Track	On Track	On Track	6/23/2027	\$1.317
Q1 2023	On Track	On Track	On Track	7/21/2027	\$1.606
Q2 2023	On Track	On Track	On Track	7/21/2027	\$1.606
Q3 2023	On Track	On Track	On Track	7/21/2027	\$1.606
Q4 2023	On Track	On Track	On Track	6/23/2027	\$1.888
Q1 2024	On Track	At Risk	On Track	6/23/2027	\$1.888
Q2 2024	On Track	At Risk	On Track	6/23/2027	\$1.888
Q3 2024	On Track	At Risk	On Track	8/18/2027	\$1.888
Q4 2024	On Track	At Risk	On Track	8/18/2027	\$1.888

Year	Schedule	Budget	Overall	Completion date	Project budget (billions)
Q1 2025	On Track	On Track	On Track	8/18/2027	\$2.381
Q2 2025	On Track	On Track	On Track	2/2/2028	\$2.381

Source: OIG analysis of Facility Services quarterly dashboards.

The information elevated to the EOG, EWG, and IRB in these periodic assessments was based on shifting reference points, not the original project budget or estimated completion date. This absence of fixed, original cost and schedule metrics meant that these reports did not provide meaningful information to the oversight bodies about the project cost increases or schedule delays.

GAO's *Standards for Internal Control in the Federal Government* states that quality information is current, complete, accurate, and timely. GAO also states that management should internally communicate the necessary quality information to achieve objectives, make informed decisions, and evaluate performance in achieving key objectives and addressing risks. Further, GAO notes that an oversight body that obtains quality information that flows up the reporting lines from management can provide constructive criticism to management and, where appropriate, make oversight decisions to ensure that goals are met. As previously mentioned, academic literature states that project assurance comes from devising metrics that provide visibility into project performance, including monitoring deviations in cost and schedule, by measuring performance against the initial baseline scope, budget, time, and resources.⁸³

In 2017, our oversight of the Martin renovation project found similar issues about the lack of quality information reported to the COO and EOG, because written briefing materials did not disclose adverse project developments. We noted that having early knowledge of potentially unfavorable information can help leadership provide the project team with timely input. We recommended that the Board assess the information needs of the COO and EOG and develop and implement revised guidance to ensure that the project team provided this information timely. The Board issued new guidance for capital construction reports that defined "quality information" and included specific criteria for reporting green, yellow, and red statuses. Despite this guidance and prior focus on providing quality information, Facility Services' shifting reference point reporting approach for the Eccles-1951 renovation resulted in "on track" assessments even as actual project results reflected escalating costs and schedule delays.

⁸³ S. S. Alie, "Project Governance: #1 Critical Success Factor."

Finding 4: Numerous Factors Like Inflation, Limited Subcontractor Bidding, Significant Design Changes, and Challenging Site Conditions Contributed to Construction Cost Increases

Overview

The Board has awarded, as of January 2026, \$2.078 billion for construction on the 1951-Eccles renovation project—\$960 million more than the March 2022 A/E firm’s estimate of \$1.117 billion. Among the factors contributing to this nearly twofold increase were inflation, limited subcontractor bidding, substantial Board interior fit-out design changes, and challenging site conditions.⁸⁴

As detailed in our first three findings, the effect of some of these factors on construction costs and subcontractor pricing could have been mitigated by more effective project management and contract execution decisions. The Board did not use available cost-management measures, such as advising the CMc of the stated cost limitation and managing to it, entering into a GMP when design was substantially complete, limiting the number of design changes and modifications, setting segment-level GMPs and issuing consolidated price packages covering construction phases or multiple activities rather than smaller scope price packages, providing the CMOR with the A/E’s firm’s March 2022 estimate and detailed bid documentation and having the CMOR evaluate price packages that substantially exceeded prior cost estimates, reissuing price packages when three bids were not obtained, and setting appropriate cost and schedule success metrics.

A clear example of the consequences of ineffective project management involved the effect of the Board’s significant interior fit-out design change—from predominantly open workspaces to predominately closed offices—after construction had already begun. This change (1) significantly delayed the A/E’s completion of interior fit-out design plans; (2) prevented the GMP from potentially being set in fall 2023, as the Board had initially planned; (3) increased construction costs, as detailed in the CMc’s May 2026 submission to the Board; and (4) delayed

⁸⁴ In budget approval memorandums and in FAQs on its public website, the Board generally attributed the cost increases to significant increases in materials and labor costs; cost pressures in MEP trades; design changes resulting from consultations with the NCPD and the CFA that required further excavation; and unforeseen site conditions like more asbestos than anticipated, contaminated soil, and a higher-than-expected water table.

construction, as also detailed in the CMC's May 2026 submission. As a result, substantial design completion did not occur until January 2025, roughly 18 months later than was expected at construction kickoff. This delay not only limited the Board's ability to negotiate a timely GMP and thereby transfer future cost increase risks to the CMC, but also extended the project's duration and its exposure to inflationary pressures.

To understand the specific contributing factors that caused the construction cost increases, shortly after we initiated this evaluation in July 2025, we requested detailed budget line-item cost breakdowns for the initial 2020 budget and each subsequent budget increase. However, the Board could not provide the specific data requested because of the limitations described below. In the absence of line-item cost breakdowns, we analyzed macro categories of data provided by the Board associated with the awarded price packages against initial estimates to identify specific increases. We determined that MEP costs were the largest construction element contributing to the cost increases. Total MEP costs increased from the A/E estimate of \$206 million in 2022 to \$694 million as awarded by June 2025—a 237 percent increase of \$488 million. This increase represented 51 percent of the \$960 million construction cost increase.

In January 2026, the Board received detailed construction cost line-item breakdowns of the awarded price packages as part of the CMC's GMP proposal. We reviewed the proposal and it allowed us to compare at a line-item level the estimates to the actual award amounts as of January 2026. As detailed below, seven cost categories accounted for \$799 million, or 83 percent, of the \$960 million overall construction cost increase. For example, plumbing and HVAC increased by \$239 million, electrical increased by \$161 million, and earthwork increased by \$109 million.

Interviews revealed that the Board attributed most of the project cost increases, including the specific MEP cost increases, to inflation. In a March 2022 market memorandum, the Board's A/E firm noted within the past year that "construction costs for government buildings were up 13.2% year over year in January 2022." Among other issues affecting the construction market, the A/E firm attributed "record setting cost and schedule risks" to a "supply-chain crisis, extreme material price escalations, and skilled labor shortages." In August 2023, another market memorandum from the A/E firm noted that the competitive market was settling back to an annual construction escalation ranging from 3 percent to 4 percent, and the construction market would reach a point of normalcy and stabilize by 2024–2025.

In considering the effect of inflation on construction cost increases, we compared the MEP cost increases to the increase in inflation during the same time period. As noted above, the cost of the two core and shell MEP packages grew 203 percent from \$178 million as estimated in March 2022 to \$539 million as awarded in July and October 2023. According to U.S. Bureau of Labor Statistics PPI data, during that same time period, inflation for new construction activity on

a nationwide basis averaged about 16 percent.⁸⁵ Similarly, costs for the two interior fit-out MEP packages increased 454 percent, from \$28 million as estimated in March 2022 to \$155 million as awarded in June 2025—far surpassing the 19 percent increase in the PPI for that same period. Further, the seven construction cost categories that make up \$799 million of the overall construction cost increase had a percentage increase ranging from 88 percent to 588 percent, far greater than the 24 percent increase in the PPI during March 1, 2022–January 1, 2026. We note that every construction project is distinct and that many factors, such as a project’s location, affect how the project is impacted by inflationary factors. With regard to the MEP package estimates to actual amounts awarded, the variance from the PPI inflationary baseline exceeded 150 percent, suggesting that, while inflation was a cause of the price increases faced by the Board, so were the other issues identified in this report.⁸⁶

Lastly, we assessed the potential cost increases associated with certain design features, such as the building’s marble, water features, and garden terrace, all of which were part of the initial design documents that supported the initial \$1.317 billion project budget approved by the BOG in February 2020. We determined that these design features did not materially contribute to subsequent construction cost increases.

Seven Cost Categories Accounted for 83 Percent of the Construction Costs Increase

To understand the factors contributing to the construction cost increases, in August 2025, we requested detailed construction cost estimate breakdowns on a budget line-item basis for the initial 2020 budget and subsequent budget increases. However, Facility Services was unable to provide that information because the estimate formats evolved over the course of the project and, as noted in finding 1, Facility Services did not request detailed preconstruction project estimates that would have contained this information from the CMc. As a result of this lack of data, we had to rely on the macrolevel categories associated with individual price packages and contract award documentation that connected to the Board’s annual budget line items. Based on this information, we determined that the MEP awards were the largest contributing factor to construction cost increases. MEP costs more than tripled from \$206 million as estimated in March 2022 to \$694 million as awarded by June 2025.

⁸⁵ Facility Services referenced the PPI index in its September 2022 presentation to MGT and DFM that discussed the effect of inflation on the increased construction costs.

⁸⁶ In response to a draft of this report, the Board told us, “the report frequently compares cost increases of the Eccles/1951 project with the PPI for construction of new office buildings, as well as several other PPIs and other price indexes. While we agree that the PPI is a good measure of general changes in new office construction costs, using this measure—or any general index of construction costs—to evaluate cost increases for any specific project can be misleading. These indexes are designed to capture average cost increases across a range of different types of construction projects in different locations, and the cost increases facing any given project can diverge materially from the average.”

In January 2026, the Board received the CMc’s GMP proposal, which documented the cost of the construction work in a price table with a line-item breakdown of cost elements, separating subcontractor costs from CMc indirect costs. This proposal was the first time we were able to review a detailed line-item breakdown of the project cost increases because the Board did not have this detailed information from the CMc before January 2026. The GMP proposal included about \$2.078 billion in construction costs already awarded through December 2025. We noted that the cost of construction work already awarded is \$60 million higher than the \$2.018 billion construction budget approved by the BOG in December 2024 as part of the multicycle capital budget approval.

Overall, from July 2022 (when construction started) to December 2025, the Board awarded a total of 69 price packages and change orders at a cost of \$2.078 billion. In March 2022, the A/E firm estimated the cost of these packages at \$1.117 billion. The seven cost categories outlined in table 5 account for about 83 percent of this \$960 million construction cost increase.

Table 5. Seven Cost Categories with the Highest Dollar Amount Increases Accounted for 83 Percent of Construction Cost Increases

Line item	Cost		Increase	
	2022 estimate (millions)	Actual (millions)	Amount (millions)	Percentage
Plumbing and HVAC	\$107	\$346	\$239	223%
Electrical	\$91	\$252	\$161	177%
Earthwork	\$49	\$158	\$109	222%
Wood, plastics, and composites	\$16	\$110	\$94	588%
Metals	\$32	\$104	\$72	225%
Masonry	\$41	\$108	\$67	163%
Concrete	\$65	\$122	\$57	88%
Total	\$401	\$1,200	\$799	199%

Source: OIG analysis of A/E firm’s March 2022 cost estimate and CMc’s January 2026 GMP proposal.

We found it noteworthy that, within this period,

- almost half the overall increase was driven by two subcomponents of MEP: (1) plumbing and HVAC and (2) electrical
- plumbing and HVAC, electrical, and earthwork each increased by more than \$100 million

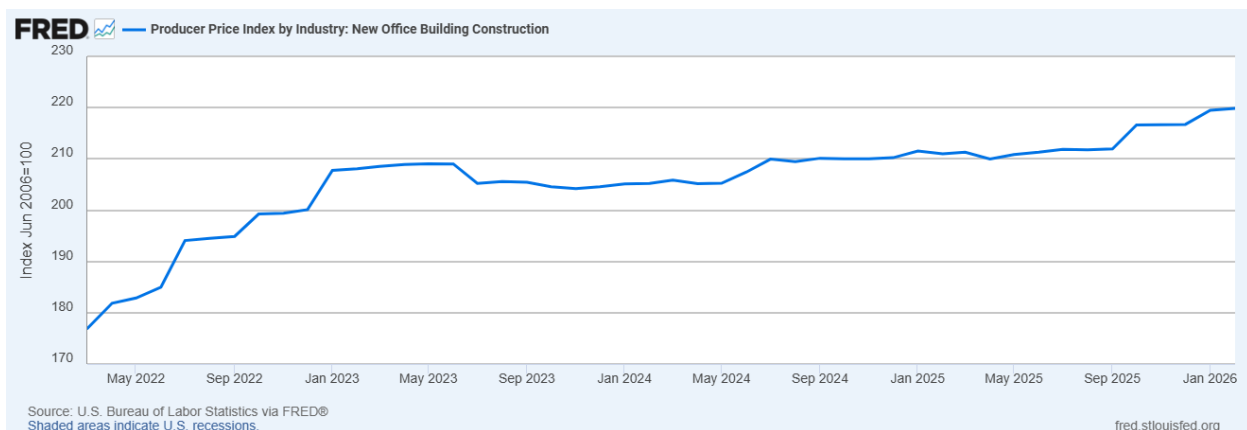
We also found that the percentage increase for each of the seven construction cost categories outlined in table 5 (ranging from 88 percent to 588 percent) was far greater than the percentage increase in the inflation indexes we reviewed. Using the beginning index value for March 1, 2022, the month of the A/E firm's estimate, and the ending index value for January 1, 2026, the inflation rate over that period using PPI for new office building construction was 24 percent, as reflected in figure 13 below.

We also performed a more granular comparison by breaking down the 69 price packages by award year and total cost per year:

- In 2022, 6 price packages were awarded totaling \$322,516,660
- In 2023, 14 price packages were awarded totaling \$966,252,061
- In 2024, 29 price packages were awarded totaling \$405,727,158
- In 2025, 20 price packages were awarded totaling \$283,902,601

As these figures reflect, nearly \$1.3 billion (or 63 percent) of the total \$2.078 billion in construction costs had been awarded by the end of 2023, therefore limiting the compounding effect of inflation on the overall construction cost. In addition to the dollar value of the price package awards declining in 2024 and 2025, inflation moderated, as outlined in figure 13, further mitigating the compounding effect of inflation.

Figure 13. Producer Price Index: New Office Building Construction, March 1, 2022–January 1, 2026



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: New Office Building Construction.

MEP Cost Increases Illustrate the Effect of Project Management and Contract Execution Decisions

As mentioned above, higher-than-expected MEP costs were the most significant contributing factor to the Eccles-1951 construction cost increases. The Board’s four MEP price packages, two issued in 2023 for the core and shell and two issued in 2025 for interior fit-out, totaled \$694 million. These MEP costs exceeded the A/E firm’s March 2022 estimates by \$488 million, or 237 percent.

The Board received only two subcontractor bids for each of the two core and shell packages awarded in 2023.⁸⁷ The Board awarded the two packages, one in July 2023 and one in October 2023, for a total of \$539 million. This total was \$362 million more than the A/E firm’s March 2022 estimate of \$178 million (table 6).

Table 6. MEP Core and Shell Estimated vs. Actual Costs

A/E firm estimate, 2022 (millions)	Actual award, 2023 (millions)	Difference (millions)
\$178	\$539	\$362

Source: OIG analysis of Board documents.

Note: Numbers do not total because of rounding.

In October 2023, a week before the Board awarded the second core and shell MEP package, MGT staff, citing MEP cost pressures, requested and the director of MGT approved \$458 million in contingency funds to be reallocated to the construction budget.

As detailed in finding 2, although Facility Services believed that price reasonableness would be achieved through market competition, the Board received fewer than three bids for these two core and shell MEP packages. In addition, the proposed costs for these packages significantly exceeded the March 2022 estimates. Despite these circumstances, Facility Services did not take any additional steps to validate the price reasonableness of the subcontractors’ bids, such as requesting the CMOR provide independent cost estimates or evaluate the substantial differences between the March 2022 A/E cost estimate and the subcontractor bids. Additionally, as described in findings 2 and 3, because Facility Services considered these price packages to be in scope—despite receiving only two bids and exceeding the March 2022 estimates by \$362 million, or 203 percent—the decision to award these price packages was not required to be elevated to senior leadership.

⁸⁷ The CMc solicited seven bidders for each of the core and shell MEP packages that received fewer than three bids.

For the two interior fit-out MEP packages, in March 2024, Facility Services obtained an estimate from the CMc of \$91 million. However, the Board did not use the CMc’s estimate to negotiate a segmented GMP with the CMc on the interior fit-out phase of work. Instead, Facility Services and Procurement continued the practice of awarding incremental price packages based on subcontractor pricing.

In June 2025, the Board awarded these interior fit-out MEP price packages for \$155 million—\$127 million more than the A/E firm’s March 2022 estimate and \$64 million more than the CMc’s March 2024 estimate. Timely establishing the GMP or a segment-level GMP may have mitigated some of that \$64 million increase. See table 7 for the comparison between interior fit-out MEP estimates and the awarded price packages.

Table 7. MEP Interior Fit-Out Estimates vs. Actual Costs

A/E firm’s estimate, 2022 (millions)	CMc’s estimate, 2024 (millions)	Actual award, 2025 (millions)	Difference from 2022 estimate (millions)	Difference from 2024 estimate (millions)
\$28	\$91	\$155	\$127	\$64

Source: OIG analysis of Board documents.

Note: Numbers do not total because of rounding.

Like the core and shell MEP price packages, one of the two interior fit-out MEP price packages did not receive three subcontractor bids. That interior fit-out package had been segmented into two trade packages for bidding; one of the segmented price packages received two bids and the other received only one bid.⁸⁸ Despite receiving fewer than three bids and the significantly higher price than estimated by both the A/E firm in March 2022 and the CMc in March 2024, Facility Services did not ask the CMOR to independently validate the subcontractors’ estimated cost of work. The other interior fit-out MEP price package, which did receive three bids, was awarded for \$70 million, a 338 percent increase from the A/E firm’s \$16 million estimate in March 2022 and a more than 50 percent increase from the CMc’s \$45 million estimate in March 2024. Despite the significantly higher price than estimated by both the A/E firm and the CMc, Facility Services did not provide the CMOR with detailed bid information to validate proposed

⁸⁸ The CMc solicited five bidders for the trade package that received only one bid.

costs for the price packages and did not ask the CMOR to provide independent cost estimates or evaluate the substantial difference between the cost estimates and the subcontractor bids.

When combined, the four MEP price packages awarded totaled \$694 million—\$488 million more than the A/E firm’s March 2022 estimate (table 8).

Table 8. Total MEP Estimated vs. Actual Costs

A/E firm’s estimate, 2022 (millions)	Actual award, 2023 and 2025 (millions)	Difference (millions)
\$206	\$694	\$488

Source: OIG analysis of Board documents.

Facility Services told us that it believed inflation was a major contributing factor for the significant MEP cost increases. As noted, the Board had received market memorandums from its A/E firm in March 2022 and August 2023. The March 2022 market memorandum referenced a significant increase in a commonly used proprietary construction cost index, with the average annual escalation rate increasing from an average of 3.8 percent between 2000 and 2021 to 10–20 percent at the time of the memorandum. The memorandum anticipated a cost escalation rate of 6–8 percent in 2022, followed by 5–7 percent in 2023, 4–6 percent in 2024, and 3–5 percent in 2025.⁸⁹ Five months later, in its August 2023 market memorandum to the Board, the A/E firm noted that material pricing and escalation rates were decreasing significantly, the competitive market was settling back to an annual construction escalation of 3–4 percent, and the construction market would reach a point of normalcy and stabilize by 2024–2025.⁹⁰

To assess the effect of inflation on the MEP awards, we used the PPI for new office building construction (and noted that Facility Services referenced the PPI in its September 2022 presentation to MGT and DFM discussing inflation). As reflected above in figure 13, and consistent with the A/E firm’s market analysis that was presented to the Board, inflation increased significantly in 2022 and early 2023 before moderating substantially in mid-2023. Our review found that inflation as measured by the PPI increased 16 percent from March 2022 to October 2023, during which time the two core and shell MEP packages were awarded, and by

⁸⁹ Escalation rates are a forward-looking tool used to project percentage increases in material, labor, and equipment costs over time from inflation and market shifts.

⁹⁰ The A/E firm’s market memorandum noted that the escalation does not consider project schedule delay impacts, material delays, or lack of competition in the market, but is solely applicable to the expected material and labor cost increases.

19 percent from March 2022 to June 2025, the month in which the two interior fit-out MEP packages were awarded.⁹¹

By comparison, the cost of the two core and shell MEP packages awarded in July and October 2023 were 203 percent higher than the A/E firm's March 2022 estimate, and the cost of the two interior fit-out MEP packages awarded in June 2025 were 454 percent higher than the A/E firm's March 2022 estimate. Thus, while inflation clearly contributed to the increases in MEP costs, we also found a substantial difference between the data on inflation rates and the actual increase in these MEP packages.

We asked the Board for its assessment of the effect of inflation on the renovation project. The Board did not provide us with an analysis or data accounting for the substantial variance between the inflation rate and the increase in price package award costs. Instead, the Board provided us with an assessment from two of its senior economists, who noted that while they "agree that the PPI is a good measure of general changes in new office construction costs, using this measure—or any general index of construction costs—to evaluate cost increases for any specific project can be misleading. These indexes are designed to capture average cost increases across a range of different types of construction projects in different locations, and the cost increases facing any given project can diverge materially from the average."

We agree that many factors, such as a project's location and local market conditions, affect the impact of inflation. However, with regard to the MEP packages, the variance from the PPI inflationary baseline exceeded 150 percent, suggesting that while inflation was a factor in the cost increase, other issues identified in this report also contributed to the MEP cost increases. For example, representatives from the A/E firm said that the Board's decision to alter the interior fit-out design from a predominantly open workspace plan to a predominantly closed office plan in January 2023 resulted in an increase in the MEP costs caused by the redesign of almost all aspects of the interior fit-out design and portions of the core and shell design. We asked a CMc representative about the substantial increase in MEP costs, but they stated they could not account for the increase because the Board did not provide the CMc with the A/E firm's construction cost estimates.

In addition to the interior fit-out design changes affecting MEP costs, the project team did not use available services and cost-management measures that would have helped them assess price reasonableness for subcontractor bids that greatly exceeded cost estimates. The Board could have taken numerous actions to mitigate some of the significant cost increases, including some actions available under the CMAR contract, such as

- requiring cost estimates from the CMc before construction as an additional data point for comparison, as required by the CMAR contract

⁹¹ Inflation as measured by the PPI for mechanical and electrical contractors increased by 14 percent from March 2022 to October 2023 and 16 percent from March 2022 to June 2025.

- sharing a stated cost limitation with the CMc, as required by the CMAR contract
- fully assessing the potential cost implications of key design changes
- awarding larger work packages, as is contemplated in the CMAR contract, instead of incremental price packages based on singular scopes of work, to promote subcontractor competition
- using its CMOR to independently validate subcontractor costs when they substantially exceeded estimates or when three bids were not obtained
- timely establishing a project or segment-level GMP as a cost ceiling to mitigate cost increases caused by inflation and limited subcontractor bidding

The Board also could have developed a governance structure for the renovation project that identified clear escalation protocols to senior Board officials for price packages that significantly exceeded estimates or affected the ability of the project to stay within, or close to, initial budget estimates. Such escalation protocols could have required elevating cost increases above certain preestablished dollar or percentage thresholds to a designated oversight body for review and approval.

On frequently asked questions (FAQs) available on the Board's public website as of July 2026, the Board attributed cost increases to (1) changes to original building designs as a result of consultation with review agencies; (2) differences between original estimates and actual costs of materials, equipment, and labor; and (3) unforeseen conditions like more asbestos than anticipated, contaminated soil, and a higher-than-expected water table. While we agree that each of these factors contributed to the overall cost increases, these factors do not account for the effect of key project management and contract execution decisions that were additional contributing factors and that effectively transformed the CMAR contract to a cost-plus reimbursement contract with a pay-as-you-go approach.

Certain Design Features Did Not Materially Contribute to the Construction Cost Increases

Before the BOG approved the initial renovation budget of \$1.317 billion in February 2020, the Board voluntarily submitted its design plans to the NCPC for review and approval in 2019. These initial design plans included certain design features that have been highlighted and questioned by members of Congress and other external stakeholders. Although the Board made some changes to these design features, including increasing the amount of marble used in response to CFA comments about the preferred use of marble versus glass for certain facade locations and removing water features to limit the potential for public criticism, we did not find that these

design features materially contributed to the substantial construction cost increases.⁹² In addition to being included in the BOD that supported the initial \$1.317 billion budget, these design features were included in the Board's revised plan approved by the NCPC in September 2021, before the 2023 and 2025 approved budget increases.

The Board stated that it did not have budget and actual cost amounts for most of the individual design features listed below because they are part of broader budget categories and awarded trade packages, so it could not quantify exact estimated costs associated with each feature. However, our review of the CMC's GMP proposal submission identified actual costs related to some design features, which we have included below. While we lacked the information necessary to track the specific increases that occurred for each of the design features, we have included additional detailed cost information to show the material difference between the substantial construction cost increases outlined in table 5 above and the costs involved with some of these design features. See appendix B for additional details on the design features. (Note that beehives were not part of the Eccles-1951 design plan.⁹³) The approved design plan included

- **Private elevator.** The BOD refers to this elevator as the "chairman's elevator," and the design documents submitted to the NCPC refer to it as a "private elevator." The elevator provides access from the garage on the concourse level to the floor with the chairman's and Board members' offices but also serves other floors. Board officials told us that the elevator is not a private elevator and will be available for staff use, but that the floor with the governors' offices will have personal identity verification (PIV)-controlled access for security purposes.
- **Private dining spaces.** The BOD refers to these dining spaces as "conference rooms," and the design documents submitted to the NCPC refer to them as "private dining spaces." The BOD discusses using the area near the conference rooms as an alternative option for food service. Board officials told us that these conference rooms will not be restricted for private use and are multiuse, including for mealtime meetings for Board staff, not only for governors.
- **Water features.** The design documents included plans to restore the four historic water fountains for Eccles and add four new water fountains for 1951, including three exterior water fountains. The Board removed the four new water fountains from the 1951 design plans in June 2025, a month before publishing FAQs in July 2025 on its public website. A Facility Services official told us that these four planned water features were removed because of the potential for external stakeholders to raise concerns about them. However, a Facility Services official stated that the removal of the four planned water

⁹² The Board's Legal Division has concluded that the Board is not required to submit its project plans or designs to the CFA for its advice and comment because of the specific authority granted to the Board under paragraphs 3 and 4 of section 10 of the Federal Reserve Act.

⁹³ The Martin and NYA buildings previously had two rooftop beehives as part of the Board's sustainability efforts. We did not identify any documents during our evaluation showing plans for beehives as part of the Eccles-1951 renovation.

features is unlikely to result in significant cost savings because additional work, such as landscaping, will need to be completed to replace the fountains. The CMc's GMP proposal has a total water features cost of \$3.4 million.

- **Marble.** The design documents included restoring marble historic to Eccles and 1951. The project team explained that new marble was added to replace unsalvageable sections of marble.⁹⁴ In response to initial design plan comments from some CFA members about maintaining the historic design of the buildings, the Board used marble in some areas where glass was originally planned. The CMc's GMP proposal has a total masonry cost of \$107.9 million, which includes this marble restoration cost as one aspect within the larger consolidated masonry category consisting of other related costs.
- **Garden terrace.** The area defined as a garden terrace in the design documents included a portion of the south lawn of the 1951 building. The project team explained that this area was highlighted for two reasons: (1) there are small planter boxes original to the 1951 terrace construction that originally held herbs and (2) the south lawn of 1951 is the roof of the newly constructed garage.
- **Vegetated roofs.** The project team explained that the vegetated roofs are intended to reduce energy usage, reduce stormwater runoff, and prolong the life of the roof system and are encouraged by the GSA and used by other federal buildings. The project team estimated that the vegetated roofs cost \$615,000.
- **Glass atria.** A glass atrium will enclose the courtyards of the Eccles building, and a glass-enclosed atrium will be included in the 1951 building. The CMc's GMP proposal for "Eccles Atria Scaffold" and "1951 Atria Scaffold," which are components of the glass atria, has a total cost of \$6 million.
- **Skylights.** The existing skylight over the Center Wing/Grand Stair of the Eccles building is being restored. The CMc's GMP proposal has a total cost for "skylight" of \$27.6 million.

⁹⁴ The project team told us that they used 87 percent restored marble and 13 percent new marble.

Conclusion and Recommendations

We undertook this evaluation to assess the Board's oversight of the Eccles-1951 renovation project and the construction costs associated with it, which have more than doubled from \$921 million in the Board's February 2020 renovation budget to \$2.018 billion in the Board's 2024 renovation budget (its most recently revised budget). Our review found that the Board has not effectively managed and executed its CMAR contract and repeatedly deviated from its cost-management provisions. While the Board selected the CMAR delivery method in an attempt to address lessons learned from the Martin building renovation's budget overruns and schedule delays, we found that many of the issues detailed in this report are similar to those that we identified in our prior reports concerning the Martin renovation.

In particular, we determined that the Board did not take numerous actions available to it that could have better controlled costs and mitigated some of the significant construction cost increases. For example,

- The CMAR solicitation did not require bidders to submit an estimated cost of work for the project. The CMAR contract was awarded to the CMc for \$1.5 million in preconstruction work and has been modified by the Board over the past 4 years to its current value of more than \$2 billion.
- The CMc was not asked to provide a project cost estimate until December 2025, despite the CMAR contract requiring the CMc to provide three detailed cost estimates as the building design evolved. By December 2025, more than \$2 billion in construction fees had already been awarded.
- The CMc and CMOR told us they were unaware of the Board's \$857 million stated cost limitation (the maximum amount an owner is willing to spend on construction), even though the Board set a stated cost limitation of \$857 million in April 2020 and the CMAR contract required the CMc to support the A/E firm's effort to ensure the project could be constructed within the stated cost limitation.
- A project-level GMP was not timely negotiated with the CMc as provided for in the CMAR contract, even when the Board determined that project design was substantially complete in January 2025. As a result, as of July 2026, 4 years after construction began, the Board still had not transferred material risk to the CMc, obtained cost certainty, or established a cost ceiling to mitigate additional cost increases.
- The Board did not adhere to its design schedule and instead allowed for numerous design changes and modifications, resulting in significant delays in the submission of the GMP proposal that was initially planned for fall 2023, prolonged exposure to external cost drivers like inflation, increased costs resulting from construction redesigns, and an extended construction schedule.

- The Board did not award, in the absence of a GMP, larger segment-level price packages, as is typical in a CMAR contract, but instead divided the work into 84 smaller, limited-scope price packages. This approach resulted in limited risk being transferred to the CMc, may have limited the number of subcontractor bidders, and lost economies of scale. It also did not incentivize the CMc to control costs or limit the CMc's fee amount.
- The Board did not use its CMOR (the owner's trusted representative) to assess subcontractor costs when they substantially exceeded estimates or when fewer than three bids were received.

The Board also did not implement a sufficient governance structure commensurate with the risks associated with managing a complex, extended-duration construction project. We found that the project's governance did not establish and monitor key budget and schedule success measures or benchmarks, provide clear roles and responsibilities to internal oversight entities for overseeing the project's cost and budget, or identify clear protocols for escalating to senior Board officials potential awards of price packages that significantly exceeded cost estimates—some by more than \$100 million—or hindered the project's ability to stay within initial budget estimates. Given the Board's future multiyear initiatives, including a planned information technology modernization effort, the need for an improved governance framework continues to be highly relevant for the agency to avoid similar management challenges during future significant capital projects with extended implementation schedules.

In its own assessment, the Board identified numerous external factors that contributed to the cost increases, such as inflation, competing demands in the construction industry, unforeseen site conditions, and excavation challenges that added complexity to what was already a massively complicated construction project. Our evaluation found that these external factors contributed to the cost increases and that inflation was clearly a factor in the cost increases. However, we noted that the cost of the two shell and core MEP packages more than tripled from the \$178 million estimate in March 2022 to the \$539 million award in July and October 2023. During that same period, from March 2022 to October 2023, inflation for new construction activity averaged only about 16 percent. Similarly, costs for the two interior fit-out MEP packages increased 454 percent from \$28 million as estimated in March 2022 to \$155 million as awarded in June 2025—far surpassing the 19 percent increase in the PPI for that same period. Further, the seven construction cost categories that make up \$799 million of the overall construction cost increase had a percentage increase ranging from 88 percent to 588 percent, far greater than the 24 percent increase in the PPI during March 1, 2022–January 1, 2026. With regard to the MEP packages, the variance from the PPI inflationary baseline exceeded 150 percent, suggesting that while inflation was a factor in the cost increase, other issues identified in this report also contributed to the MEP cost increases.

Lastly, we assessed the potential cost increases associated with certain design features, such as the building's water features, garden terrace, and marble. We determined that these design features did not materially contribute to subsequent construction cost increases.

While our report outlines numerous deficiencies in the management of the renovation project, resulting in our recommended corrective actions, we did not find reasonable grounds to believe that a violation of federal criminal law had occurred and did not identify violations of Board policy warranting an administrative misconduct finding.

To address the deficiencies we identified, we recommend that the Board chairman or a designee

1. Negotiate a GMP for the project or determine what steps the Board can take to ensure the best value in finalizing completion of the renovation project.
2. Establish a project cost and schedule success metric for expected completion of the renovation project.
3. Set a CMc fee, as provided for in the CMAR contract.
4. Enhance the existing governance structure for the Eccles-1951 renovation project to provide clear lines of responsibility, authority, and accountability for overseeing the project's performance and completion by
 - a. delegating responsibility to an oversight body for monitoring the cost and schedule success measures established in response to recommendation 2 through the completion of the project.
 - b. establishing clear lines of reporting for that oversight body's monitoring effort, including the types of information that need to be reported to the BOG and CBA throughout the remainder of the project.
5. Exercise the "Audit" clause in the construction contract and validate all awarded costs, including but not limited to construction costs, allowances, contingencies, CMc fee, and cost savings.
6. Reconcile all CMAR and CMOR contract requirements to services received and assess the Board's ability to seek reimbursement for any services that the Board paid for but did not receive.
7. Implement a standardized framework and agency policy for planning and overseeing future significant initiatives that
 - a. details the agency's expectations for developing a budget, establishing a stated cost limitation based on estimates covering the complete scope of work, setting key performance metrics, establishing accountability for budget and program management, and defining oversight and governance structure.
 - b. includes a RACI or escalation matrix that provides for appropriate senior-level review for decisions, regardless of whether they are in-scope modifications or

changes, that will significantly increase cost, likely result in material scheduling delays, or forgo cost-containment or cost-control measures.

- c. develops criteria establishing the types of initiatives that warrant use of an oversight committee, including whether the initiative is outside the Board's core regulatory and policy competencies, and other project characteristics that elevate execution risk.
- d. documents an oversight committee's responsibilities, including for establishing performance metrics and monitoring project performance, including cost and schedule, against those measures and metrics.
- e. requires that oversight committee membership includes senior Board or Federal Reserve System officials who do not have project management responsibilities.

Agency Response and Our Evaluation

In response to our official draft report, the chairman concurred with the findings and recommendations and conveyed the Board's commitment to addressing the items outlined in our recommendations. The agency's formal response to the report is included in its entirety in appendix D.

The actions described by the chairman appear to be responsive to our recommendations. We will follow up with the Board quarterly to ensure that the recommendations are fully addressed.

Appendix A: Scope and Methodology

Our objective was to assess the Board's oversight of its Eccles-1951 building renovation project, including the associated costs. Our scope included a focus on the key factors contributing to the cost estimate increases, including assessing whether certain design features contributed materially to those increases. The time period of our review encompassed activities related to the Board's development of the Eccles-1951 project budget in budget years 2020–2025. We also focused on key project developments from 2018 to May 2026.

We engaged a SME to provide construction industry technical expertise and assess our analyses in support of our objective and conclusions. When necessary, we relied on the SME's technical feedback and analyses to inform our conclusions. We also conducted a site visit with the SME to observe and assess project status and progress.

To accomplish our objective, we

- Interviewed certain Board members, officials, and staff to (1) understand how the Board developed and managed its initial and successive renovation budgets, (2) ask them about the construction cost increases, (3) inquire about their management and oversight of the CMc, and (4) gather their perspectives on the significant factors that contributed to the Eccles-1951 budget increases. In addition, we interviewed CBA participants to (1) gain their perspectives on the information presented during the CBA meetings and (2) determine the nature of the committee's oversight role for this renovation project.
- Interviewed representatives of the Board's CMc, CMOR, and A/E firm to understand (1) the nature of the services they provided; (2) their explanations for the cost increases; and (3) the Board's expectations for their services, including how the Board used the CMOR to contain and control costs and assist the Board regarding key project activities.
- Reviewed the CMAR, CMOR, and A/E contract files maintained by the Board to review bid submissions and to identify (1) contract costs, (2) contract terms and requirements, and (3) any associated cost controls.
- Reviewed the independent cost estimate reports prepared for Facility Services, as well as the project progress reports prepared by Facility Services and the monthly project progress reports prepared by the CMOR.
- Reviewed the CMc's GMP proposal submitted to the Board in January 2026 to identify the main categories of cost increases.
- Reviewed and analyzed relevant budget materials provided to the COO and the BOG, such as Board budget memorandums, to determine the contributing factors that led to the budget increases.

- Selected four MEP price packages that made up a significant portion of the overall cost increases for a detailed review to determine the cause of those increases.
- Assessed the information reported to the Board's oversight bodies by reviewing the CBA meeting minutes and presentation materials, BOG briefing materials, and the dashboard reports circulated to project oversight groups like the EOG, EWG, and IRB. We also reviewed the CMOR's monthly reports on the project's status.
- Reviewed our prior work related to Board renovation projects to obtain additional background information on our previous findings regarding the Board's challenges in managing the Martin renovation and other projects.
- Reviewed relevant federal guidance and reports from the GAO and the GSA; various construction industry sources; and academic literature from the American Institute of Architects, Associated General Contractors of America, National Association of State Facilities Administrators, Society of Construction Law, the Project Management Institute, and the *Project Management Journal* to identify leading practices and academic literature for (1) establishing governance processes for large, complex projects and communicating information to oversight bodies; (2) using the CMAR delivery method and the associated benefits, including establishing a GMP; and (3) using a CMOR for cost-containment purposes. We evaluated whether the Board's practices aligned with leading practices.
- Reviewed Congressional Research Service reports, news articles, and other available information to identify large capital projects in Washington, DC, that experienced schedule delays and cost overruns.
- Reviewed relevant Board policy, procedures, and guidance, including the *Acquisition* policy; *Boardwide Capital Procedures*; Long-Term Space Plan—Change Order Responsibility Matrix; charters for the CBA, IRB, and EOG; and associated supporting documentation to understand (1) the policy for acquiring goods and services, (2) the budget approval processes, and (3) key stakeholder roles and responsibilities.
- Reviewed and analyzed Board budget materials to determine the initial approved Eccles-1951 budget and identify which contracts (for example, CMAR, CMOR, and A/E) were included in the initial budget to determine the baseline budget.
- Reviewed and analyzed relevant documentation, including the BOD, the initial plan submitted to the NCPC in November 2019 for the Eccles-1951 renovation project before the initial budget approval, and the final plan submitted to the NCPC in May 2021, to determine whether certain design features questioned by Congress and other external stakeholders were part of the initial design or added after approval of the initial budget and, if so, whether those features materially contributed to the Eccles-1951 renovation cost increases. In addition, we reviewed and analyzed CFA meeting minutes to understand the CFA's feedback on the Board's design related to certain design features.

- Reviewed congressional testimony regarding the renovation project and correspondence between the Board and members of Congress regarding the construction.
- Reviewed and analyzed the Board's FAQs posted on its public website regarding the Eccles-1951 renovation project to gain the Board's perspective on (1) certain design features highlighted by Congress and other external stakeholders and (2) the main reasons cited by the Board for cost increases over the course of the project.
- Shared a draft of this report with certain key vendors to allow them to provide feedback on factual accuracy.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. We conducted this work from July 2025 to September 2026.

Appendix B: Certain Design Features

This appendix provides an overview of certain design features noted in this report. All eight features were included in plans submitted to the NCPC in November 2019 (the initial plan) and May 2021 (the final plan).

Table B-1. Certain Design Features

Feature	Description
Private elevator	The elevator was a part of the design of the Eccles building before the renovation project, and the BOD refers to it as the “chairman’s elevator.” The elevator provides access from the garage on the concourse level to the floor with the chairman’s and Board members’ offices but also serves other floors. Board officials explained that the elevator is incorrectly referred to as a “private elevator” in the design documents submitted to the NCPC. Board officials explained that the elevator will be available for staff use, but the governors’ floor will be PIV-controlled for security purposes, with access restricted to authorized personnel.
Private dining spaces	The dining spaces were part of the design of the Eccles building before the renovation project and are referred to as “conference rooms” in the BOD. The BOD discusses using the area near the conference rooms as an alternative option for food service. Board officials explained that these conference rooms are incorrectly referred to as “private dining spaces” in the design documents submitted to the NCPC because the rooms were historically used as dining rooms. Further, the officials explained that these conference rooms are not private and are multiuse, including for mealtime meetings.
Water features	The plans submitted to the NCPC included eight water fountains (four for Eccles and four for 1951). The Board in its FAQs on the Eccles-1951 project stated that the four water fountains for the Eccles building were original to the building and the four water fountains for the 1951 building were new additions. The Board removed the four new water fountains for the 1951 building from the design plans in June 2025, a month before the Board published FAQs in July 2025 on its public website. A Facility Services official explained that these water features were removed from the design because of the potential of external stakeholders, such as Congress and the media, raising concerns about the design. However, a Facility Services official explained that the removal of these water features is unlikely to

Feature	Description
	result in significant cost savings because additional work, such as landscaping, will need to be completed to replace that space.
Marble	Marble is historic to the Eccles and 1951 buildings. The project team explained that they used 87 percent restored marble and 13 percent new marble. The project team noted that some damaged marble had to be replaced and that, in some select locations, marble was added to maintain the historic design of the buildings in response to feedback from some CFA members. The Board used marble in some areas where glass was originally planned because some CFA members were concerned that the use of glass would make the buildings appear commercial rather than civic and would not align with the design of other buildings near the National Mall.
Garden terrace	The garden terrace is historic to the 1951 building. The project team explained that the area includes small planter boxes original to the 1951 terrace construction and the south lawn of 1951 is the roof of a newly constructed garage.
Vegetated roofs	The project team explained that the vegetated roofs are a leading practice to reduce energy usage, reduce stormwater runoff, and prolong the life of a roof system. In addition, the project team stated that there are many government facilities in Washington, DC, that have green roofs. The GSA has a webpage supporting its green roof program.
Glass atria	The glass atria will enclose the courtyards of the Eccles building. In addition, a glass-enclosed atrium will be included in the 1951 building.
Skylights	The skylights are a part of the glass atria that will enclose the courtyards of the Eccles building. The existing skylight over the Center Wing/Grand Stair will be restored. In addition, a skylight is a part of the glass-enclosed atrium of the 1951 building.

Source: OIG analysis.

Appendix C: List of All 84 Price Packages for Construction Work

This appendix provides a list of all 84 price packages that make up the construction work as described in this report. MEP price packages are highlighted.⁹⁵

Table D-1. Price Packages Awarded as of December 31, 2025

Price package	Approval date	Description	Value
1	7/7/2022	Enabling Activities/Mobilization	\$63,632,204
2	9/13/2022	Instrumentation/Photography/Bldg Demo/Stone & Roof Salvage/195	\$21,864,760
3	10/31/2022	Slurry Wall/Jet Grouting/Bracing/Excavation & Dewatering	\$106,430,397
4	11/4/2022	1951 Demo & Abatement/1951 Struct Concrete/Eccles SOE	\$118,907,919
5	12/7/2022	Historic Salvage & Protection/Historic Lighting	\$10,655,655
6A	11/9/2023	Curtain Wall	\$71,031,669
6B	7/14/2023	Skylight	\$31,012,759
7	12/7/2022	Furniture Salvage	\$1,025,725

⁹⁵ Some price packages were grouped together by the Board. Price packages 12A and 12C are counted as one price package; similarly, price packages 69A and 69B are counted as one price package for the purpose of counting the total number of price packages per the Board.

Price package	Approval date	Description	Value
8	2/27/2023	Eccles Struct Demo/Excavation/Micropiles	\$83,780,698
9	2/1/2023	Soil Characterization/Eccles Lawn Stone Salvage/Eccles MEP Make Saf	\$4,603,454
10	4/11/2023	Eccles Concrete, Ext Stone & Dewatering	\$111,026,758
11	10/13/2023	MEP: Mechanical/Plumbing	\$341,475,706
12A	5/5/2023	Eccles/1951 Structural Steel	\$38,738,522
12B	11/9/2023	Misc. Metals	\$11,761,405
12C	10/13/2023	Insurance and Mark-Up Adjustment	\$1,611,332
13	4/11/2023	Elevator Salvage and Eccles Temp Insulation	\$2,578,945
14	7/14/2023	IT/AV/Security/Water Features	\$46,580,798
15	7/14/2023	MEP: Electrical	\$197,659,074
16	10/13/2023	Steam Tunnel Demolition	\$868,569
17	n.a.	Voided	n.a.
18	11/9/2023	Glass/Fall Protection	\$16,360,982
19	1/11/2024	Blast/Ballistic Windows	\$33,476,339

Price package	Approval date	Description	Value
20	11/9/2023	Spray Fireproofing/Perimeter Security	\$7,161,390
21	1/11/2024	1951 Ext Stone/Eccles & 1951 Int Stone	\$89,001,057
22	7/2/2024	General Requirements	\$8,584,164
23	10/9/2024	Elevators	\$40,865,111
24	1/11/2024	Ornamental Metals	\$25,624,695
25	1/11/2024	Foam Insulation	\$1,708,343
26	1/11/2024	Drywall	\$34,920,385
27	1/11/2024	Waterproofing	\$18,125,783
28	1/11/2024	Vapor Barrier/HCT Structural Foam/Joint Sealants and FS	\$2,763,833
29	1/11/2024	Food Service Equipment	\$3,699,747
30	7/2/2024	Specialty Doors	\$2,501,837
31	7/2/2024	Roofing	\$24,369,367
32	7/2/2024	Masonry	\$18,980,142
33	7/2/2024	Window Restoration	\$28,193,916
34	7/2/2024	Doors/Frames/Hardware	\$6,637,163

Price package	Approval date	Description	Value
35	10/9/2024	Millwork	\$13,828,641
36	7/2/2024	Dock and Waste Equipment	\$354,666
37	7/2/2024	Site Utilities	\$5,260,292
38	7/2/2024	Tile	\$2,660,382
39	7/2/2024	Carpet/Resilient, Access Flooring, Terrazzo	\$3,900,652
40	7/2/2024	Resinous Flooring	\$1,448,032
41	7/2/2024	Window Shades	\$3,009,839
42	1/22/2025	Rough Carpentry	\$11,543,129
43	10/9/2024	Atrium Scaffolding	\$6,767,813
44	2/14/2025	Restoration—Wood & Plaster	\$5,133,631
45	n.a.	Voided	n.a.
46	4/23/2025	Site Concrete/Asphalt/Striping	\$6,843,777
47	6/12/2025	Historic Wood Restoration	\$4,058,097
48	10/9/2024	1951 Clay Tile Roof	\$13,354,875
49	12/19/2024	Painting Wallcoverings	\$3,622,082

Price package	Approval date	Description	Value
50	12/19/2024	Traffic Coatings	\$1,191,625
51	12/19/2024	Hydraulic Cement Underlayment	\$1,581,787
53	4/23/2025	Fixed Audience Seating	\$1,008,831
54	2/14/2025	Auditorium Doors	\$864,946
55	1/22/2025	Interior Glass	\$17,295,484
56	6/12/2025	Louvers	\$626,948
57	12/19/2024	Landscaping	\$9,045,442
58	10/9/2024	Wheelchair Lifts	\$249,148
59	1/22/2025	Structural Fill over C1 Level	\$4,918,616
60	4/23/2025	Fireplaces	\$547,189
62	6/30/2025	Expansion Joint Covers	\$718,358
64	6/30/2025	Subslab Repair & Asphalt	\$3,130,611
68	6/12/2025	Demountable Partions—High Density Mobile Shelving	\$10,033,497
69A	6/30/2025	MEP: TI Electric	\$84,999,206
69B	6/30/2025	MEP: TI Mechanical/Plumbing	\$69,953,171

Price package	Approval date	Description	Value
70	12/22/2025	Miscellaneous Metals & Draperies	\$1,901,259
71	6/30/2025	Doors/Frames/Hardware	\$2,299,311
72	6/30/2025	TI Ornamental Metals	\$3,410,751
73	10/17/2025	Glass Markerboards, Fabric Panels & Resinous Flooring	\$8,613,822
74	9/19/2025	TI—Drywall	\$34,696,647
75	12/22/2025	TI—Millwork	\$11,305,320
Total			\$1,978,398,480^a

Source: OIG analysis of Board and CMc documents.

^a Excludes preconstruction services awarded in March 2022 totaling \$1,491,543.

Table D-2. Price Packages Pending Submission or Board Approval as of December 31, 2025⁹⁶

Price package	Description	Value
52	Signage and Graphic	\$5,788,744
61	Polished Concrete	\$233,580
63	Final Cleaning	\$1,256,389
65	C&S Unit Pavers	\$2,606,336

⁹⁶ These price packages may be subject to change.

Price package	Description	Value
66	Pavement Markings and Road Signage	\$538,377
67	C&S Illuminated Rails and Bollards	\$730,062
76	FF&E Custom tables	\$842,586
77	Furniture	\$1,298,753
78	FF&E Area Rugs	\$2,417,914
79	Open Line Furniture	\$10,126,610
80	Closed Line Furniture	\$27,806,389
81	LEED IAQ & WELL Testing	\$102,036
82	Historic furniture restoration	\$2,445,920
83	TI Rough Carpentry	\$6,581,839
84	TI Residential Appliances	\$116,408
Total		\$62,891,943

Source: OIG analysis of Board and CMc documents.

Appendix D: Agency Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

KEVIN WARSH
CHAIRMAN

September 29, 2026

Mr. Michael Horowitz
Inspector General
Board of Governors of the Federal Reserve System
20th and Constitution Ave. NW
Washington, DC 20551

Inspector General Horowitz:

I have received your report on the renovation of the Federal Reserve's Eccles and East Buildings, and I'm grateful for your thorough and rigorous evaluation of the project. We strongly agree on the necessity of completing the work in the most efficient and transparent way possible.

Soon after being sworn in as Chairman, I was briefed on the renovations and learned of the ongoing challenges that have hindered their progress. That was my introduction to this five-year-old construction project, and I have gained further understanding of the circumstances from you and your team in our periodic meetings.

In early August, I also sought the advice of Administrator Edward C. Forst of the General Services Administration. Not only does Administrator Forst lead the agency responsible for managing federal workplaces; he also has considerable private-sector experience in large-scale construction. I've known him for some years and have confidence in his expertise.

Administrator Forst and his GSA team have made substantial progress in their examination of the project. They fully understand the issues of governance, management, scheduling, cost controls, and other problems described in your report. And now that you have completed your own review and presented your recommendations, I have asked GSA to work with the Federal Reserve in the task of finally bringing the renovations to a speedy and successful completion.

Effective immediately, GSA will serve as the Project Executive, reporting to the Board of Governors and to me as its Chairman. Working together, we will ensure that the balance of the project is managed to the highest standards and is finished promptly. I am determined that all of the recommendations in your report be carried out in a systematic way that drives the work forward and keeps the parties accountable. To that end, I have directed a series of actions to be taken at the Federal Reserve.

We will engage an independent auditor to verify the accuracy and compliance of all awarded costs to date.

The Federal Reserve will promptly complete negotiations for a Guaranteed Maximum Price for the project. Even at this late stage, such controls are advisable in our effort to make wise use of public funds. GSA can help us make certain that taxpayers are getting the best terms and the best value.

Board staff in coordination with the Project Executive will establish fixed metrics for the project's budget and schedule, to ensure that all remaining costs are set, solid numbers understood by all. If any arm of government should be showing vigilance in cost control, it is the nation's central bank – and this will be the practice going forward.

Together with Administrator Forst's team, the Federal Reserve will also lead a review of project contracts, determine the value of any services not received, and pursue appropriate remedies. As necessary, we will seek reimbursement or project credits for any work paid for but not performed.

Finally, as you advise, the Federal Reserve will set clear internal controls and standards for budgeting, performance, and oversight for the future, so that no issues of this kind will be repeated. There are important lessons to be learned, and those lessons, combined with your conclusions and with recommendations from GSA, will have permanent value for our successors on the Board of Governors.

I took up the position of Chairman with deep pride in the Federal Reserve, and in the dedicated and talented public servants who fill our ranks. With the changes we are putting in place, we will deliver a superior result for this project and add to our strengths as an institution. Here, as in every other office of government, we owe the American people a prudent and conscientious use of public funds. We take that obligation seriously at the Federal Reserve, and your report and recommendations are timely and most welcome.

Please convey my thanks to your whole team for their diligence and excellent work.

Sincerely,

A handwritten signature in dark ink, consisting of the letters 'R', 'W', and 'L' in a stylized, cursive-like font.

Abbreviations

A/E	architecture and engineering
BIM	Building Information Modeling
Board	Board of Governors of the Federal Reserve System
BOD	basis of design
BOG	Board of Governors
CBA	Committee on Board Affairs
CFA	Commission of Fine Arts
CFO	chief financial officer
CMAR	construction manager at risk
CMc	construction manager as constructor
CMOR	construction manager owner's representative
COO	chief operating officer
COR	contracting officer's representative
CPPC	cost-plus-a-percentage-of-cost
DFM	Division of Financial Management
EOG	Executive Oversight Group
EWG	Executive Work Group
FAQs	frequently asked questions
FAR	<i>Federal Acquisition Regulation</i>
FFE	furniture, fixtures, and equipment
GAO	U.S. Government Accountability Office
GMP	guaranteed maximum price
GSA	U.S. General Services Administration
HVAC	heating, ventilation, and air conditioning
IRB	Investment Review Board
MEP	mechanical, electrical, and plumbing
MFS	Division of Management and Financial Services
MGT	Division of Management

NCPC	National Capital Planning Commission
NYA	New York Avenue
PIV	personal identity verification
PPI	Producer Price Index
RACI	responsible, approval, concurrence, and inform
SME	subject matter expert
sq. ft.	square feet
WHO	World Health Organization



Hotline

Report fraud, waste, abuse, and mismanagement involving the programs and operations of the Board or the CFPB.

oig.federalreserve.gov/hotline

OIG Hotline

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Mail Center I-2322
Washington, DC 20551

1-800-827-3340

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Board of Governors of the Federal Reserve System
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