



Capital Construction Delays and Cost Overruns

What questions did the audit look at?

- ▶ Did the New York City Department of Design and Construction (DDC) effectively manage capital construction projects to reduce delays and cost overruns?

Why does it matter for New Yorkers?

In order to maintain and improve essential services, New York City relies on large capital construction projects, such as roads, sewers, public buildings, and infrastructure. DDC manages many of these projects, which are funded with billions of taxpayer dollars and are expected to be completed on time and within budget.

The audit found that, overall, 80% of DDC-managed projects were behind schedule, and that cost overruns were commonplace. A review of 18 large-scale projects found that construction costs regularly ballooned, with 12 of these projects experiencing cost increases. Two projects saw costs increase by more than 300%.

While DDC has policies intended to manage risk and oversee projects, these procedures were not consistently followed. Weaknesses in planning and cost-tracking limited the agency's ability to prevent delays and control spending.

When major projects are delayed or exceed their budgets, the impacts are felt citywide. Infrastructure improvements take longer to reach communities and construction disruptions last longer, while cost overruns are passed on to taxpayers. It is crucial that DDC strengthen its oversight of major projects and ensure that City resources are used effectively.

What changes did the agency commit to make following the audit?

- ▶ DDC agreed to implement improvements to its project oversight, including the creation of a dedicated cost management team.
- ▶ DDC agreed to improve its reporting and recordkeeping procedures.
- ▶ DDC agreed to improve the construction schedule prepared the beginning of a project to more accurately reflect the constraints of building in New York City.
- ▶ DDC agreed to work with City Hall to compel private utility companies to provide better documentation and engineering of their systems.

AUDIT FINDINGS



80% of DDC-managed projects were behind schedule, with an average delay of about 3.5 years.



A review of sample projects found costs increased by about \$370 million



DDC does not have a system to adequately track costs in real time or forecast total costs across projects.



Weak oversight and procedural inconsistencies contributed to delays, particularly during planning and design.



Audit Recommendations	Agency Response
<p>1 Create a dedicated project cost management team to track and report on cost overruns in the aggregate, while planning upgrades to Benchmark to enable comprehensive project cost management.</p>	<p>AGREED</p>
<p>2 Report in the MMR the full extent of cost and time overruns, from the first baseline, and establish causation categories to better track and report on the specific causes or time and cost changes, as they occur. This should be done on each individual project and in the aggregate for all projects under DDC's management.</p>	<p>AGREED</p>
<p>3 Improve the construction schedule prepared at project initiation to more accurately reflect the constraints of designing and constructing a public works project in NYC. If it is not possible to project a completion date at project initiation, then DDC should consider not providing a construction completion date until the end of the design phase.</p>	<p>AGREED</p>
<p>4 Work with City Hall to compel the private utility companies to provide better documentation and engineering of their systems ("pre-engineering") during the design phase. Support a permanent or long-term extension of the Joint Bidding Law, which allows City work and utility work to be bid within the same contract.</p>	<p>AGREED</p>
<p>5 Launch Virtual Design and Construction (VDC) practice, including updates to BIM standards.</p>	<p>AGREED</p>
<p>6 Establish record-keeping requirements for project documentation in Benchmark to ensure consistency and facilitate effective project management.</p>	<p>AGREED</p>
<p>7 Continue to implement FEP and report the impact of FEP on projects, and compare to non-FEP project performance to help ensure that risks at the planning stage are mitigated.</p>	<p>AGREED</p>
<p>8 Make use of the funding ear-marked to support pre-construction planning and design by increasing the number of CPSDs used. Consider increasing recommendation of projects for the CPSD study.</p>	<p>AGREED</p>
<p>9 Discuss the use of capital funds versus expense funding with OMB and the incoming administration.</p>	<p>DISAGREED</p>
<p>10 Ensure compliance with Local Law 37 by providing timely updates of the Capital Project Dashboard and ensure that all information needed to meet the stated purpose of the dashboard is included.</p>	<p>AGREED</p>

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