FROM THE GROUND UP: ASSESSING ONGOING DELAYS IN VA MAJOR CONSTRUCTION

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

TUESDAY, MARCH 27, 2012

Serial No. 112–52

Printed for the use of the Committee on Veterans' Affairs

U.S. GOVERNMENT PRINTING OFFICE

73–773 WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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FROM THE GROUND UP: ASSESSING ONGOING DELAYS IN VA MAJOR CONSTRUCTION

Tuesday, March 27, 2012

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The Committee met, pursuant to notice, at 10:30 a.m., in Room 334, Cannon House Office Building, Hon. Jeff Miller [Chairman of the Committee] presiding.

Present: Representatives Miller, Bilirakis, Roe, Stutzman, Johnson, Denham, Runyan, Brown, Reyes, Michaud, McNerney, Donnelly, and Walz.

Also Present: Representatives Mica, Adams, and Webster.

OPENING STATEMENT OF CHAIRMAN JEFF MILLER

The CHAIRMAN. The Committee will come to order.

Good morning, everybody. Welcome to today's Full Committee hearing From the Ground Up: Assessing Ongoing Delays in the VA Major Construction Projects.

Before we would begin today's hearing, I would ask unanimous consent that our colleagues from Florida, Mr. Mica, Ms. Adams, and Mr. Webster, be allowed to sit at the dais and participate in today's proceedings. Seeing no objection, so ordered.

I would also like to ask unanimous consent that a statement from Dr. Boustany from Louisiana, our colleague, be entered into the record. Hearing no objection, so ordered.

[THE PREPARED STATEMENT OF CHARLES BOUSTANY, JR. APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you all for joining us. And I know everybody has a busy schedule this morning. We will be going in and out. I appreciate you being here at the drop of the gavel.

We are here today to examine the status of ongoing Department of Veterans Affairs major construction projects and leases and to assess the management and oversight issues which have led to significant setbacks in recent projects.

The fiscal year 2013 budget for VA shows that four major medical facility projects in Denver, Las Vegas, New Orleans, and Orlando have each experienced significant cost increases and schedule delays from their original congressional authorization.

Although all of these projects were authorized between fiscal years 2004 and 2006, none are open for business today.

Additionally, there are 55 major medical facility leases that have been authorized in recent years with a total startup cost of $442 million.

However, only five of those facilities are now open. Thirty-eight are behind schedule with 14 of these falling three or more years behind their intended opening date.

As the VA health care system has grown, it appears that we have come to a point in VA's major construction program where the administrative structure is an obstacle that is not effectively supporting the mission.

As a result, our veterans are the ones who are left without services and our taxpayers are the ones who are left holding the check or writing a new one.

A case in point. On October 24th, 2008, VA broke ground to build a new medical center in Orlando with a scheduled completion date of October 12th of 2012. Yet, this past December, I learned of serious and significant issues surrounding the construction of this new facility to better care for the veterans in that region.

It was not the VA, but the contractor who came forward and they came forward out of sheer frustration. When VA confirmed a few days later that the project was indeed going to be delayed, I quickly scheduled a visit to Orlando to see the situation myself.

Needless to say, what I saw was startling and unacceptable. There is a disconnect between VA central office and what they were telling me about the extent of the delay and the day-to-day reality on the ground.

Clearly there are problems with design, problems with procurement of specific medical equipment, change orders and how they all fit together. Look, the issue of pointing fingers has got to stop.

We cannot and we must not allow the problems in Orlando to exist there or anywhere else. It is vital that reputable, long-standing companies want to work with the VA on significant projects such as these. They are flagship projects and they are important to the delivery of care to our veterans.

Today's plans and projects are tomorrow's hospitals and clinics. And whether it is by building the new, renovating the old, or leasing the existing, our allegiance must always be to the veteran, who relies on the VA to provide the benefits and services they need to lead healthy, productive lives.

Again, I want to thank everybody for joining us here today.

I now yield to the Ranking Member, Mr. Reyes, for any opening comments he may have.

[THE PREPARED STATEMENT OF CHAIRMAN MILLER APPEARS IN THE APPENDIX]

OPENING STATEMENT OF HON. SILVESTRE REYES, DEMOCRATIC MEMBER

Mr. REYES. Thank you, Mr. Chairman. I am pleased to be here filling in for Mr. Filner. I will now read his opening statement.

Good morning and pleased to be here. Thank you for attending and for your continued interest in veterans' issues.

I also want to thank you, Mr. Chairman, for focusing the Committee on the critical issue of the VA construction program. It is clear to me that the department needs to shore up their process of managing the construction and completion of significant projects

that are important to every single person on this Committee and most importantly to our veterans.

At issue today is an all-too-familiar theme of these oversight hearings, lack of management, lack of control, lack of accountability, and very much needed oversight.

I would say that most of the problems that have been encountered during the construction of the facilities we are looking at today could have been avoided with proper management and vigilant project oversight.

Let me just take Denver as an example, a facility that has received appropriated funds as far back as fiscal year 2004. As of November 2011, VA announced that the target completion date for this hospital is 2015, 11 years after first receiving funds and an increase of at least 29 percent to the cost. And to date, it is not even built yet.

Denver is not alone. The Las Vegas facility has increased in cost from the original estimate by at least 110 percent, Orlando 89 percent, and New Orleans 45 percent. These increases represent over a billion dollars in funding. That is just the increases.

Too often we hear of cost increases such as those that I have just mentioned, delayed or suspended construction activities, inadequate design plans, and very little communication between VA and its partners, communication that I understand would have helped to clear up some of the misunderstandings at certain construction sites such as Orlando.

It is hard for me to believe that VA would refuse to meet with contracting officials concerning any construction project much less one that is behind schedule and beset with problems, yet that is what I am being told today.

VA's testimony points to the fact that it has been 18 years since they have built a medical center. That may be true, but it does not excuse poor management and basic oversight responsibilities.

I would like to hear more details from Dr. Petzel on the integration of risk management into the core project of management functions.

I believe this is one of two recommendations from the Government Accountability Office's December 2009 report on project cost estimates.

I am sure that everyone would agree that we have to do better than this. We expect better than this. Veterans deserve better than this. And I hope that today's hearing will help shed light on the barriers and challenges that VA faces during the construction process of these projects.

As we move forward, I look forward to working with VA on improving the construction program and ensuring more transparency and efficiency in the process.

Again, I thank you, Mr. Chairman, for calling this hearing.

[THE PREPARED STATEMENT OF HON. REYES APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you, Mr. Reyes.

I first want to welcome our first panel to the witness table. With us this morning is Mr. Miller Gorrie, Chairman of the Board for Brasfield & Gorrie General Contractors.

Mr. Gorrie is accompanied by Mr. Tim Dwyer, President of the south region for Brasfield & Gorrie. We are also joined by Mr. John O'Keefe, National Group President for Clark Construction Group, LLC.

Thank you for being with us today and being willing to share your insight.

And I think it is important to note that of the six firms that we invited to participate in today's hearing, Brasfield & Gorrie and Clark were the only ones willing to speak on the record regarding their experience contracting with VA.

I understand that VA is your customer and I appreciate you being here today.

Gentlemen, your past will be somebody else's future. I appreciate you speaking with us this morning.

Mr. Gorrie, you are recognized to proceed. Thank you for being here.

STATEMENTS OF MILLER GORRIE, CHAIRMAN OF THE BOARD, BRASFIELD & GORRIE, ACCOMPANIED BY: TIM DWYER, PRESIDENT, SOUTH REGION, BRASFIELD & GORRIE; JOHN P. O'KEEFE, PRESIDENT, NATIONAL GROUP, CLARK CONSTRUCTION GROUP, LLC

STATEMENT OF MILLER GORRIE

Mr. GORRIE. Thank you, Mr. Chairman and ladies and gentlemen.

I am Miller Gorrie. I am the Chairman of Brasfield & Gorrie, a general contractor that I founded in 1964.

Last year, we were ranked number two in the Nation in terms of health care revenues, hospital work completed. And in the last 15 years, we have been ranked no lower than third and six of those 15 years, we were ranked number one in health care construction. So we do have some experience in health care construction.

We are the contractor on the Orlando hospital. Not long after we were awarded the job, we began to realize that we did not have adequate information to complete the job. In other words, we did not have enough information to build the job and we began asking for information.

We were restricted during the bid process from asking for this information. For the final 12 weeks, we were shut down from asking questions.

But after we got the job, we had to ask questions in order to build the job and we learned that the medical equipment lists that were included in the documents had been discarded by the VA and that the medical center had been allowed the opportunity to select equipment on their own.

We were obligated by our contract to coordinate this medical equipment, so when the medical list began to change, we did not have any way to coordinate it. And more importantly, the designers, the architects and engineers who were supposed to design the hospital around medical equipment, which is customary to do, you have to know what your equipment is and design the hospital around it, they could not do it because equipment had not been selected and it was changing.

So we got behind the eight ball to start with. We got behind because the equipment had not been selected and the details were not there.

So we began construction and we got the structure up pretty well. And then we got into the fit-out portion which is the interior of the hospital and we again run into problems because we did not have the information.

We could not do the fit-out and finish work, so we had about a thousand man crew and we had to cut it back because could not work efficiently. So we cut it back to about 500 and that was frustrating that we had to do that.

So we have been on the job now for 18 months and we have been impacted since the beginning with—spent 18 months and we have not had complete drawings to work with.

During 12 of those 18 months, the hospital in certain portions of it have been suspended where we could not work to allow for completion of the documents. So now we are trying to figure out what to do. So we go to the contracting officer and ask for help.

In May, we come up here and meet with the contracting officer and were told basically to continue the course, that they did not give us any additional information and said that things will be worked out, but we did not get any information.

We waited a few more months and then November, we asked for another meeting. We had a meeting on the job site and same thing. We did not get much help. We did not get any information.

So now we are a year into the job and we have no completed design. We are trying to build a hospital. We have inadequate information. We are being held up.

So, I mean, it is our job. I mean, under the terms of our contract, we had a lump sum, fixed price contract. We were supposed to be given drawings up front to build by. That was the nature of a lump sum, fixed price contract. We did not have that. We did not get that. We were supposed to, but we did not.

So we are trying to work and we are running into obstacles everywhere we turn.

In January, the VA told the designers to finish the drawings and they put on a blitz to finish the drawings. And last week, in March, we got 200 drawings which is supposedly the final set of drawings. We now have been issued—we originally had a set of 4,500 drawings. Now we have got—we have been issued over 10,000 drawings, about 1,000 drawings, new drawings since the early part of the year.

And now we are being told to go to work and catch up, so to speak, and man up. With all these drawings that have been changed and all the information that has been added, it is going to take us some time to get all that information ferreted out to estimate what is on the drawings, to purchase it, schedule it, you know, figure the changes, and get it worked out. So it is going to take time.

The job is—all during the job, we have had problems with getting changes resolved and now we are in the midst of a whole new set of drawings with lots of changes and it has got to be resolved. We cannot continue to work indefinitely without resolution of anything.

It is just kicked down the road. So we have got to have some kind of timely resolution of all these issues.

And the cost has been significant to us and the time has been extended. And it will get worse unless there is some resolution to the issues that are outstanding.

So that is what I hope we can find a solution to is how do we get things resolved and just do not keep kicking down the road.

Thank you.

[THE PREPARED STATEMENT OF MILLER GORRIE APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you, sir.

Mr. O'Keefe, you are recognized.

STATEMENT OF JOHN P. O'KEEFE

Mr. O'KEEFE. Chairman Miller, Ranking Member Reyes, Members of the Committee, my name is John O'Keefe. I am the president of the National Group of Clark Construction.

I would like to thank the Committee for the opportunity to address two VA hospital projects constructed by Clark Construction, the VA hospital in Las Vegas, Nevada, and the VA hospital in New Orleans, Louisiana.

In 2008, the Department of Veterans Affairs selected the joint venture of Clark Construction Group and Hunt Construction Group to construct a new medical center in Las Vegas, Nevada. The Clark, Hunt team has over 30 years of experience working together to deliver a number of successful projects for our clients.

Clark Construction Group, founded in 1906, is today one of the Nation's most experienced and respected providers of construction services with over $4 billion in annual revenue and major projects throughout the United States.

Hunt Construction Group, another of the country's largest construction companies, has been in business for over 66 years with over $1.7 billion in annual revenue.

The Las Vegas VA medical center project was awarded to Clark, Hunt, a joint venture, in September of 2008 and the notice to proceed was issued on October 22nd of 2008. The original contract completion date was August 22nd, 2011 and due to time extensions granted for changes to the project, the contract completion date was extended to December 12th of 2011.

The project was completed on time. The VA has begun their activation of the facility including installation of medical equipment, training, and maintenance of facilities. The Las Vegas VA medical center is scheduled to begin treating patients by mid-summer of this year.

On this project, Clark, Hunt, and the VA had an outstanding relationship. Our relationship and the open communication between Clark, Hunt, and the VA proved critical in making the project a success for both parties.

In 2009, the Department of Veterans Affairs selected Clark McCarthy Health Care Partners in association with Woodward Design Build, Landis Construction as the contractor for the New Orleans VA replacement hospital. The team of Clark, McCarthy, Wood-

ward, and Landis has a combined successful history of more than 400 years of continuous health care construction operations.

McCarthy Building Companies, founded in 1864, is the oldest privately-held construction firm in the United States and has successfully managed projects in 45 states with annual revenues approaching $3 billion.

The Clark McCarthy joint venture has successfully provided construction services together since 2002 with nine projects completed or underway representing over $4.5 billion in construction value.

The joint venture of Clark McCarthy Health Care Partners proposed on the southeast Louisiana veterans' health care system replacement hospital and received notice of award on October 1st, 2009.

The contract utilizes an incentive price revision successive targets contract using a target price and a ceiling price approach to manage costs.

Prior to a notice to proceed, the project was protested to the U.S. Government Accountability Office by one of the other proposers. While the protest was ultimately denied, it delayed the notice to proceed with the work and the start of pre-construction services until February 11th, 2010.

The project experienced additional delays as the result of issues related to the land acquisition by the VA, investigation for artifacts of historic significance by the Louisiana State Historical Preservation Office, and the discovery of contaminated soils and underground storage tanks on the site.

During this delay period, Clark McCarthy worked closely with the VA to develop an early demolition and abatement package for the existing Pan Am Building which is scheduled for renovation as a part of the project.

The Clark McCarthy and VA team also finalized the earthwork design and engineering which allowed Clark McCarthy to bid and procure this work during this delay period.

The property once free of encumbrances was fully released to Clark McCarthy for construction commencement on February 12th, 2012. Our team was able to quickly mobilize and begin work on February 22nd, 2012 as a result of the pre-planning and coordination between Clark McCarthy and the VA.

As of this date, work is underway and is progressing in accordance with our plan with a completion of the project planned to occur in 2016. That would be in January of 2016.

The Clark McCarthy team and the VA are determined to complete our work as quickly as possible while maintaining our stringent standards for safety, quality, and integrity. To ensure timely completion of this important project, cooperation, coordination, and effort will be required from all of the parties.

I would like to thank you for this opportunity to testify and welcome any questions you may have. Thank you.

[THE PREPARED STATEMENT OF JOHN P. O'KEEFE APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much for your testimony.

Each Member will have an opportunity to ask questions of the first panel.

Mr. Gorrie, in your testimony, you said you were working off a fixed price contract but that the drawings were not complete at the time, of the contract award.

How does that work? How can you do a fixed price contract without a complete set of drawings? Were the drawings complete when you bid, or not complete when you bid? Did they say they would give them to you at a later date?

Mr. GORRIE. Well, they changed substantially and they have changed for the full 18 months we have been on the job. It has been a progression of completion of the drawings.

Had they all been a hundred percent completed when we started, we would not be here. I mean, we would have had completed documents. We could have planned and scheduled and worked through the job like we would normally do.

But once we got up to a point where we had to work on the interior of the building and the space was not fully defined and not determined because equipment had not been selected and the drawings could not be designed around them, we were too blocked. We had no place to work. So we had to scale back.

The CHAIRMAN. My question is, how can you do a fixed price bid without having a complete set of drawings to bid off of, Mr. Dwyer?

Mr. GORRIE. You want to answer that?

Mr. DWYER. Mr. Chairman, we did have a representative, the complete set of documents. There were roughly 25,000 pieces of medical equipment in which the architect and engineers designed by and designed to.

When you are designing a hospital, you want a design from the medical equipment out, if you will. So there were a set of documents that were said to be complete and we had no reason to believe that they were not via the 25,000 pieces of equipment.

What lacked was the discipline of the administration, Veterans Administration to lock down those selections of medical equipment and they allowed the medical center in Orlando to go out and basically re-choose their equipment. Some they kept. Most of it they did not. I think we are closing in on 28,000 pieces of equipment right now.

So to answer your question, there was a finite set of documents, but those changed. When we asked in November about three or four weeks after mobilizing the job, we asked the question to the administration or to our CFM Office, which is called an RFI request for information, and we asked simply for the list of medical equipment. And that RFI as we sit here today is still outstanding.

So it is 18 months later. They have made some progress on the medical equipment, but we are sitting here. That is how we were able to do it.

The CHAIRMAN. During the bid process, were you allowed to ask for information or additional questions?

Mr. DWYER. Yes, sir, we were allowed. There were four different postponements of the bid which, you know, again questions went in. Questions came back. I think we asked over 700 ourselves and the competing contractors, I am sure, asked several themselves as well.

But there was an addenda, which is another set of documents that comes out prior to bid, which basically reissued every drawing,

roughly 4,500 drawings. And at that time, there were no more questions allowed.

So we had to take what we had in our hands, which was 4,500 drawings, and put together a fixed price number.

The CHAIRMAN. You testified that electrical drawings for Orlando increased from 889 drawings originally to more than 2,700 today and the total number of drawings has gone up to 10,000 from 4,500.

How does this compare on average with another project? How do increases of that magnitude affect your job as a general contractor on the job?

Mr. DWYER. It does not compare, quite frankly. I mean, you know, four months into the job, those roughly 900 electrical drawings got reissued in four different sets, roughly about 250 drawings per set. So we went from, you know, 900 to 1,000 drawings in the first four months of the job.

This is unprecedented for us. In our 48 years doing business, we have not seen literally the quantity of drawings almost triple. I mean, two and a half times.

The CHAIRMAN. Mr. O'Keefe, is that standard in the process? Would you expect the drawings to increase by that number? I know this did not happen in Las Vegas. I am just talking from an industry standard. Would you anticipate drawings to be increased to that increment?

Mr. O'KEEFE. Mr. Chairman, no, we would not. And on our project in Las Vegas, the contract documents that we received at bid time were pretty complete. So I think that the scenario was different there.

The drawings were complete. It was the same lump sum, fixed price procurement model, but we did not experience those kinds of issues.

I would like to add that in health care construction, there are generally changes made. We see changes made to the medical equipment as the project goes along because they are trying to implement the very latest in technology and there is such a fast change in the technology development in the medical field that the equipment will often change during the life of a project.

We take it upon ourselves to try to coordinate with our clients, in this case the VA, and we did have some changes on that project to the radiological equipment. But we take it upon ourselves to provide them the information, the cost of that change, and any time impact.

And also where we recognize where they are thinking about making a change, we sort of give them the deadlines. If we do not want to impact the end date of the project, then we would need to have those choices made by a certain date. And we provide that information to them so that they can make the, you know, the best, most educated decision about their equipment.

The CHAIRMAN. My time is expired. If you do a fixed price contract and there is a change order, are you able to pass that cost along?

Mr. O'KEEFE. Yes. Yes. If we have a fixed price contract with a set of documents and a change is made that costs more or takes

more time to implement, then those would be addressed through the formal change order process.

The CHAIRMAN. Thank you.

Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman.

Gentlemen, thank you for being here.

So given that you have, Mr. Gorrie, the fixed price just as Mr. O'Keefe does, are you able to pass on the cost of these, for lack of a better way to describe them, upgrades the same way?

Mr. GORRIE. We should be able to. We should be able to.

Mr. REYES. But are you?

Mr. GORRIE. Well——

Mr. REYES. And what is different in the contract?

Mr. GORRIE. Nothing is different. We just have not been able to resolve everything and it has been changing. We just got the final set of drawings just last week. So it has been a constant change up until this point. Now we have got to get it all resolved.

But, you know, we have had a lot of changes during the course of the project that have not totally been resolved. We have got a lot of outstanding changes and that is one of our issues to get things resolved.

Mr. REYES. So is it fair to say that your number one issue with this experience and this contract is communication?

Mr. GORRIE. I do not know.

Mr. DWYER. I would say that the number one issue has been really the lack of, you know, discipline on the job with regards to selection of equipment. We do our fair share of health care as well and we actually offered to the VA our procurement methods of buying, if you will, medical equipment, a purchase order.

The change order process that you asked about, though, what is happening on our job is that we will get RFP or request for proposal and then we go out and price it and the government also goes out and prices it. It is called the independent government estimate.

So what they do is they present a price. We have ours. But in the meantime, they direct us to go to work and they use what is called a warrant, a resident engineer warrant. And they have $100,000 per engineer. So on our job, we have two that can do it.

They issue that $100,000 and we are directed to go to work. So there is a gap of Brasfield & Gorrie and our subcontractors going to work for, just pick a number, a million dollar change order. The independent government estimate may be $500,000. So you have a difference. But we get a warrant for 100.

So, again, we go out and start doing work. There is still a gap of which——

Mr. REYES. Which would be resolved when? Is there a mediation panel or——

Mr. DWYER. Well, that is a great question. When, that is probably the four letter word right now that we are looking for is when because we do not know.

We have, you know, roughly $30 million plus out there in change orders right now that we know of, that we have priced. We have not even begun to price the myriad of changes that have come since the first of the year and, yet, we are probably 20-ish, $20 million short on funding as we sit here today.

Mr. REYES. And in the interim, are you getting paid for the work that is going on for this warrant directive?

Mr. DWYER. Yes, sir. Up to the warrant amount, yes, sir.

Mr. REYES. Has that been your experience, Mr. O'Keefe, as well?

Mr. O'KEEFE. No. Again, the change orders that we proceeded with in the Las Vegas project, they were generally discussed openly with the VA. We had very good communication with the VA folks there on that project.

So when they issued something, we would provide them with the pricing and we negotiated those as we went along. So things did not pile up to the end of the job. They were handled, brought up, handled, addressed by both sides of the team on a pretty timely basis.

Mr. REYES. And both of you are dealing with the same department of VA? One is able to negotiate as you go and one is not. Am I understanding that clearly?

Mr. DWYER. It appears that way.

Mr. O'KEEFE. Yeah. I am not sure who they are dealing with, but that was our experience at the Las Vegas project.

Mr. REYES. So if I were to ask you what would be your recommendation to the Committee about working with the VA and what they need to do to provide better direction, better service to the selected contractor, your answer would be dramatically different just based on your testimony here this morning?

Mr. O'KEEFE. That is directed to me?

Mr. REYES. Yes.

Mr. O'KEEFE. Yes. I mean, our experience has been that we have had good communication with the VA people at Las Vegas and did not experience those types of problems. And I think communication is the key to these things. These are very large, complex, and complicated projects and issues are going to arise on every job.

And we feel that developing a teamwork approach where we are all working toward the end mission, the real mission of providing a first-class facility for our veterans and our military, is really what is at stake and having that open, honest communication and being able to bring up issues, put them on the table, resolve them along the way so that they do not end up at the end of the project all stacked up is key, critical to a successful project.

Mr. REYES. Thank you, Mr. Chairman.

Thank you, gentlemen.

The CHAIRMAN. Mr. Denham?

[No response.]

The CHAIRMAN. Mr. Webster, questions?

Mr. WEBSTER. Thank you, Mr. Chairman.

Mr. Dwyer, I do not think anybody is questioning the fact that there are changes over a job as I have seen from little jobs to big jobs that have change orders and there is pricing and so forth and communication.

But it seems to me like, though, the magnitude of the number of change seems to be what is in order here.

Tell me how many pieces of equipment were changed and you are just now getting the documents necessary to install those. What was the number again? It was thousands, wasn't it?

Mr. DWYER. Sir, I do not know the exact number that has changed out of the 25,000 original to 28,000 now roughly. But it is safe to say the majority of those items have changed.

And as Mr. O'Keefe said, you know, technology does change. It changes at a rapid pace. And our communication on the site has been very good with the on-site resident engineers.

Where we seem to have fallen short with Mr. O'Keefe's success, if you will, of bringing resolution is going up to our contracting officer and there above. That is where we have fallen short with regard to resolution.

The 28,000 new pieces of equipment or revised pieces, again, in January, mid-January, we had that blitz or the VA put a blitz on with the designers to complete the medical equipment, major medical equipment. There were 52 different RFPs issued between January and really mid-March. Those RFPs resulted in 450 RFIs from us, again, requests for information.

But the answers we got back on those were we had 60 more RFPs forthcoming with the questions that we had. So we went from 52, which supposedly, if you will, cleaned up the medical equipment, to now 60 plus, so we are at 112, 113.

Mr. WEBSTER. So when you bid the job, there was a timeline/schedule part of the construction and bid documents?

Mr. DWYER. Yes, sir, there was.

Mr. WEBSTER. In that timeline, was there a specified date that the equipment would be either selected on the job? I assume it is bought through the VA by some other contract. So it would be selected and on the job. Was there a time that that was stated in that timeline?

Mr. DWYER. I am not sure about the timeline stated in the documents. But what was stated and what is assumed is that the pieces of equipment that were on our bid documents which, again, it is the obligation to provide a complete set of documents, we assumed rightfully so that the equipment was what was going to be installed.

Mr. WEBSTER. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Michaud.

Mr. MICHAUD. Thank you very much, Mr. Chairman.

Mr. Gorrie, you had mentioned that the cost has been significant to your company because of the delays in getting designs and what have you. And we have heard about it being a fixed price. However, we have also heard about change orders.

So on the cost, what exactly is it costing your company or are you getting reimbursed for those so-called additional costs?

Mr. GORRIE. The short answer is no, but I will let Tim answer.

Mr. DWYER. The question of are we getting reimbursed for our costs, when the job started changing rapidly, we actually increased our manpower on the job both in the field and in the office, our project management, and we went from eight project managers, which is how we bid the job, to roughly 25 now on the project, three times as many, just to handle the massive amounts of changes that were taking place.

And what we have done or what we are obligated to do is submit scheduled changes, if you will, they are called fragnets, but sched-

uled changes with each change that we submit, RFP, and we submitted several hundred fragnets to this——

Mr. MICHAUD. My question is, are you getting reimbursed for the costs you are doing for the project?

Mr. DWYER. No, sir.

Mr. MICHAUD. You are not getting reimbursed for any of it?

Mr. DWYER. We have not been reimbursed for any of our additional people or time.

Mr. MICHAUD. And you do not expect to get reimbursed?

Mr. DWYER. We——

Mr. MICHAUD. You have not, so I assume——

Mr. DWYER. We fully expect to get reimbursed. It is just a matter of when.

Mr. MICHAUD. Okay. Well, I guess, you know, looking at this statement, and I quote, the problem on this project, the Orlando project is unprecedented in your company's 48-year history.

I mean, what company would sign a fixed bid project knowing—I assume within that 48 years, you have dealt with the VA before and with change orders—that you are not going to get reimbursed?

Mr. DWYER. Well, we signed a fixed price contract knowing that it was a completed set of documents or assuming it was a completed set of documents.

So we did not enter into the contract with a hope of being reimbursed for changes. We thought we would be dealt with fairly and forthright and honestly. And thus far, again, we have only gotten two fragnets back from the government that gave us 114 days in a project that is arguably going to be much later.

Mr. MICHAUD. Okay. Mr. O'Keefe, you are the president of the National Group.

What company does not allow, when they negotiate contracts, wouldn't a company assume that there is going to be change orders? Wouldn't that be part of some type of contract, whether it is VA or any other Federal agency? Is it a common practice that fixed price is fixed price?

Mr. O'KEEFE. Yeah. Fixed price is fixed price for what is shown on the documents. If there are changes made by the client after the signing of the contract, there are provisions within the contract to address those situations.

And it is very clear on how you proceed with the work and negotiate the cost and the time implications of any change. And when those provisions are followed, that is very commonplace.

Mr. MICHAUD. So most companies do negotiate that proviso in the contract if there are change orders that they will——

Mr. O'KEEFE. There are FAR clauses in the government contracts that dictate how that is handled. That is non-negotiable.

Mr. MICHAUD. I guess my other question is, when you look at—and this is for Mr. Gorrie or Mr. Dwyer—when you look at the Orlando, you know, facility, you know, where has most of the problem been dealing with the VA? Has it been with the project manager at the facility level? Do they seem to know what they are doing or has it been higher up at the VISN office or central office? Where have you run into most of the problems with the VA?

Mr. DWYER. I would say that the on-site resident engineers are very capable of handling the day-to-day issues. The amount of

changes, the sheer amount of changes on the job has somewhat handcuffed them, though, because the manpower associated with trying to keep up with the changes, just as it has us, it has handcuffed the resident engineers. The challenges have come up the chain, if you will, with our contracting officer and senior contracting officer and above.

Mr. MICHAUD. Okay. Good. Thank you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman, and I want to thank you for having this hearing.

Mr. Gorrie, I am deeply troubled by your testimony and the lack of adequate information provided to you by the VA for this job.

Has the VA given any explanation why it has taken them an additional 18 months to give you a complete set of contract working documents?

Mr. GORRIE. No. They have just again given the information out incrementally throughout the course of the project and there has been no overall explanation. It has just been a process that they have been designing you might say on the fly as we have been trying to build a lump sum, fixed price contract which is contradictory by its nature, you know.

It is all right to give us information incrementally as long as you adjust the price as you go and compensate us accordingly. But we have had to get out front with all these changes and do this work and we are not getting reasonable current reconciliation of the cost and the time.

Mr. JOHNSON. In my nearly 27 years in the air force, I dealt extensively with fixed price contracts as a government project manager and so I know how critically important it is to define the requirements up front because as those requirements change, the cost of that project goes up and ultimately it is the American taxpayer that winds up footing the bill.

Do you get any sense from the folks that you are talking to at the VA that they understand that they are driving the cost of this project up every time they give you a change?

Mr. GORRIE. I do not know whether they understand it, but they do not really acknowledge it and accept the responsibility and say we are going to resolve it and work it out. We are just left not knowing.

Mr. JOHNSON. Are there any additional documents or information that are still missing as far as you know or do you have now a complete set of working documents?

Mr. DWYER. Again, back on the 19th of January of 2012, we started—you know, we had a meeting and then the architects and engineers issued a log of documents that would be forthcoming to clean up the documents that we have.

We received what was supposed to be the last part of that about a week or so ago. And then last week on the 23rd, we got what is called a conformed set of documents.

So the architect and engineer under VA's direction has taken the 10,000 plus drawings and consolidated them with all the changes, RFIs, et cetera, down to a set of drawings that are about 4,600 now.

But, frankly, this is like deja vu. It is the bid process all over again. We got cut off to ask questions when there were 4,500 drawings and just yesterday we were advised that we were supposed to go back to work in two weeks after just receiving another, you know, 1,000 drawings in the last six weeks.

Mr. JOHNSON. And, Mr. Chairman, I apologize. Maybe this question was asked. And if it is, we can move on.

Do you have a dollar figure assigned with these changes that you have experienced so far? You got any idea how much this has driven the cost of this project up?

Mr. DWYER. Not specifically to the changes, sir. As far as the last set, we have not put, you know, pencil to paper on that. But we have provided a rough order of magnitude to one of the executive directors of the VA. And we have a rough order of $120 million plus over our contract amount right now.

Mr. JOHNSON. A hundred and twenty million plus over the initial contracted amount?

Mr. DWYER. Yes, sir.

Mr. JOHNSON. Wow.

Mr. O'Keefe, in your written testimony, you mention that Clark, Hunt, and the VA had an outstanding relationship while working on the Las Vegas medical center project.

Have you experienced the same type of relationship with the VA on the New Orleans replacement hospital project?

Mr. O'KEEFE. That project is at the very early stages. We have less than three percent of the work in place. But we expect that and we hope that we will have the same sort of relationship there that we did in Las Vegas. And, in fact, we have taken our team leader who led our project in Las Vegas and have moved him to New Orleans to lead our project down there.

Mr. JOHNSON. Okay. In your opinion, is the location of the New Orleans replacement hospital adequate and have any considerations been given to protecting this new facility from flood or water damage should New Orleans experience the kind of severe weather phenomenon that we have seen in the past?

Mr. O'KEEFE. I cannot really speak to the choice of the property. But the design has what they call a defend in place design where it is fully functional for seven days in the event of a catastrophic flood scenario.

And I am told that the design also has the ground floor being a sacrificial floor. So, in other words, it can actually flood and have the hospital still be fully functional.

Mr. JOHNSON. Okay. Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Johnson, when you build it in a floodplain, do you have to sacrifice certain floors?

Mr. JOHNSON. That is my understanding, Mr. Chairman.

The CHAIRMAN. Yes, sir.

Mr. Walz.

Mr. WALZ. Thank you, Mr. Chairman.

And thank the three of you for being here. Very much appreciate it.

I think all of us are here for a common goal. That is to provide the best facilities with the best possible care for our veterans and they deserve nothing less.

Thank you for helping us exercise our oversight responsibility because we can get the best facilities, the best care and should be expected to do it in the most cost-efficient manner for the public. So this is helpful to me.

Mr. Gorrie, would you work with the VA in the future?

Mr. GORRIE. Sure.

Mr. WALZ. Assuming we get changes. It is important, though, right? It is important to have us there. We need the private sector to be there and the VA is an important part of this business. They build a lot of hospitals. So we want to make this work right.

Mr. GORRIE. Right.

Mr. WALZ. Okay. Now, the one thing this will help us with, and I guess you are starting to suggest some of the things or whatever, but this is our opportunity. Coming after you is going to be all the people you said you did not get to ask all the questions to.

What should I ask them? What should those of us ask the next panel that comes up here to help fix this for you if you get the opportunity? And they will sit right where you are and they will answer our questions. What should I ask them from your perspective to make this better, make sure you can do it in the future?

Mr. DWYER. I guess I would ask them have they listened to the contractor and the suggestions being made by one of the largest contractors in the country that does health care work, what needs to take place and when it needs to take place.

And the answer to that is that we have suggested that this new set of documents—again, keep in mind the hospital has been suspended now for 12 months out of our 18, but we have suggested that we cannot look forward without looking in the past.

So what we suggested was doing a, if you will, a clean slate approach where we would use eight weeks to digest these documents to make sure we have submittals in order. We do not know what they are, so we have got to get submittals from our subcontractors. We have to price the documents. We need to reschedule the job. We potentially need to re-sequence the job.

We have made a suggestion to them that they give us an RFP to look at accelerating the project to see value added, if you will, so we can get the veterans in early, you know, for a certain value.

We have to redo our modeling. So there are a lot of suggestions that we have made and I guess the question to them is, why aren't you listening?

Mr. WALZ. So this reset, you think, has the potential to not only get us back on the right track but to potentially save taxpayer money and get the project moving forward.

But it is like we are in this, we have hit and we are stuck in this lane and we are continuing to go down it no matter what happens, is that——

Mr. DWYER. Yes, sir. And we are not only potentially stuck in the lane, but we could be very well off the rails before we know it again if we are not careful with the start work order two weeks from now on 4,600——

Mr. WALZ. Is there a precedence to reset in projects like this?

Mr. DWYER. I cannot answer that.

Mr. WALZ. Okay. Mr. O'Keefe, do have any—and I appreciate that because this would be the question to ask—what should I ask

or how do we go about this because our goal of all of us in this room is to make this process more efficient, more effective, and deliver to you what you need?

Mr. O'KEEFE. I think that, again going back to my comments earlier, I think open communication and resolving the issues that are bound to happen on these projects, resolving them on an ongoing basis. I think if the VA comes to the table prepared to resolve those issues as they occur, I think you get those behind you and you can keep projects on track. That would be my recommendation.

Mr. WALZ. Wouldn't you think this should be able to be done without having a congressional hearing? I am just curious.

Mr. DWYER. One would hope, yes, sir.

Mr. WALZ. Okay. Well, that is all I have. I yield back, Mr. Chairman. Save those questions.

The CHAIRMAN. Mr. O'Keefe, have you experienced any problems on the Orlando project yet?

Mr. O'KEEFE. You are referring to the——

The CHAIRMAN. I am sorry. The New Orleans project.

Mr. O'KEEFE. New Orleans. No, we have not. It is very early in the project. You know, it is a very different kind of contract form there too. It is an integrated design and construction contract where we are actually working together with the VA and the design firm so the design is not complete. You start the work in packages, so it is more of a fast-track approach but more of an integrated, collaborative approach to contracting versus the lump sum, fixed price bid.

The CHAIRMAN. Thank you.

Ms. Adams.

Mrs. ADAMS. Thank you, Mr. Chairman.

I want to thank you for coming and talking with us today. I know you were here last week and I appreciate that.

And as we discussed last week and this week, the concerns are, one, that you get the information you need so that you complete the project and especially the project needs to be completed for our veterans, our veterans who have been injured while doing their jobs protecting us.

They have the need for this hospital in the central Florida area. And some of those men and women cannot comfortably get in a vehicle and travel to the long distances where they have to go currently today for treatment.

And so I am really concerned about what we heard last week and again this week. I need to confirm. You said you have been waiting 18 months for confirmation on the equipment; is that correct?

Mr. DWYER. Yes, ma'am.

Mrs. ADAMS. And it went from 25,000 pieces of equipment to 28,000 pieces of equipment and you still do not know what those pieces are?

Mr. DWYER. We have the information on the 28,000, but we, you know, we have not gotten a full list yet, so we will be going through that. But we think we might have all of it now.

Mrs. ADAMS. And you submitted over 700 questions just recently on these, correct?

Mr. DWYER. No, ma'am. It was roughly 500-ish, 450 to 500 over the last six weeks.

Mrs. ADAMS. And have you had any responses back?

Mr. DWYER. Some of the RFIs where the questions came back with RFP forthcoming and then some have been integrated into or presumably integrated into the documents that we received.

Mrs. ADAMS. But for the most part, have you gotten the answers to your questions?

Mr. DWYER. Not in an RFI manner, but, again, we are hopeful that the documents that we received over the last six weeks will clean that up a little bit, a lot actually.

Mrs. ADAMS. Mr. O'Keefe, you were able to complete the Las Vegas hospital. And I heard your testimony that this is not normal, it is unusual for this amount of changes and drawings.

Do you happen to have any idea how many changed drawings that you had in the Las Vegas?

Mr. O'KEEFE. I do not have that information with me, but I could get that to you if you would like.

Mrs. ADAMS. Was it close to 10,000 drawings?

Mr. O'KEEFE. No. I am quite sure it was not that.

Mrs. ADAMS. Well, do you think it may be under a thousand?

Mr. O'KEEFE. Likely. But, again, I do not have that figure with me, so we can get that information to you.

Mrs. ADAMS. Thank you.

I yield back, Mr. Chairman. I appreciate it.

The CHAIRMAN. Mr. O'Keefe, what would you do if you were on a project and you were experiencing the things that have happened to Brasfield & Gorrie?

This is hypothetical, I understand, but, how would you get your client's attention so that it would not just lag on and on and on because, I think without question, the veterans in Orlando have been caught by surprise because as they watch the walls go up, the roof go on, they thought they were getting close to having their hospital? But then you walk inside the walls and it isn't happening.

So, how would you handle it?

Mr. O'KEEFE. Well, again, I want to reiterate we did not have that scenario at Las Vegas. But I think that you have got to be forceful. You have got to keep bringing up the issues. You have got to take it up the chain of command within whatever the client organization is, whether it be the VA or a private client. You have to elevate those issues.

But you really have to insist that the issues be addressed on an ongoing basis because if you do not, you know, you end up with big problems that balloon and build on top of each other and create additional problems as you go. So I think the key to it is really insisting that those issues be resolved along the way.

The CHAIRMAN. Mr. McNerney.

Mr. MCNERNEY. Thank you, Mr. Chairman, for holding this hearing.

I have a hospital planned in my district, so I am very concerned about this and want to make sure that this is fixed.

Mr. Gorrie, I certainly hear the frustration in your testimony. Do you think it would have made any difference at all one way or the other if it would have been a cost plus contract versus a fixed price contract?

Mr. GORRIE. Sure. I mean, there would not have been a problem. I mean, as far as our concern, it would not have been a problem if it was cost plus. We would have been compensated.

Mr. MCNERNEY. But it would not have helped the project get done any sooner or anything?

Mr. GORRIE. I mean, if we had been given authority to make certain decisions, I mean, it might not have sped it up, but it would have resolved the contract issues we have and the resolution of changes. If it was cost plus, it would not have been any conflict as to the taking care of the changes.

The problem we have now is that the changes have not been resolved and we have taken it up the chain, but we are here. This is the top of the chain and we are trying to get them resolved. What do we do now?

Mr. MCNERNEY. So from your point of view, it would not have been better to have a cost plus, but it would have still been much more expensive than originally estimated if it was a cost plus?

Mr. GORRIE. Yes, I would guess so because the changes occurred after we started. And the most efficient thing is for the documents to be complete and correct and you start, you manage the process from the beginning and you can organize the flow of work.

When it begins to change, regardless of the nature of the contract, the costs are going up because you are disrupting the flow and you are changing the game at midstream. So it has got to run the costs up regardless of the nature of the contract.

Mr. MCNERNEY. So let me ask a question or two for both of the witnesses about your experience and interacting at the project management level.

Was the VA project management well informed and knowledgeable in your opinion? Was there sufficient oversight from the VA on the ground?

Mr. O'KEEFE. With regard to the Las Vegas project, our belief is that the VA staff on the ground at the project site performed very well. Again, it was a very good relationship, open communication, took each of the issues as they came and resolved them.

I am not sure about the oversight. I really cannot speak to it because I do not believe that many of those issues bubbled up beyond what was occurring at the project site.

Mr. DWYER. The on-site personnel for Orlando is very capable and has been willing and the lines of communication have been open. You know, our trailers literally are right next to each other, so we walk, you know, it seems like every hour over there back and forth.

With regards to upper management being informed, I would venture to say that they were not totally informed of what was going on.

Specifically in our main meeting with the senior contracting officer, he advised us that he was looking after 60 different projects and so that, you know, arguably Orlando is one of the largest, but still it is a lot of projects to look over.

Mr. MCNERNEY. I mean, that kind of gets to the point then. There was probably insufficient VA resources from one department or another devoted to this program as opposed to having competence at some level; is that right?

Mr. DWYER. I would say it would be insufficient VA resources with the proper authority to act upon the on-site conditions and, again, very capable men and women on site, but their authority was limited.

Mr. MCNERNEY. So from your point of view, what you are saying is it is a bureaucratic issue?

Mr. DWYER. It would be a flow of authority upwards.

Mr. MCNERNEY. Okay. Well, thank you. That answers my question.

Mr. DWYER. Excuse me. We did, however, meet with, you know, we—and Mr. O'Keefe mentioned, you know, taking it up the ladder, if you will. We hit every rung of the ladder in Orlando with the executive director and we were actually very optimistic, frankly, that we had someone that was listening.

And when he tried to think a little bit outside the box, if you will, of getting us both on the same page communicating, it appeared that he got undermined, for lack of better terms, from his folks beneath.

Mr. MCNERNEY. Okay. Thank you.

The CHAIRMAN. Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman.

And thank you all for holding this. This is, again, I think a very important hearing, particularly as we have the veterans hospital we have been waiting for so long in central Florida.

When I go home recently, I hear from folks and my veterans ask me when is the hospital going to be open and when I have folks that do not have a job and are seeking employment, they ask me, and construction is probably 15 to 20 percent unemployment in central employment, they ask me when can I get a job. So my questions center around that.

Now, Chairman, you know, we were alerted of the delays and the Chairman went down almost immediately upon request and toured. And I was not able to go with him. So I came right after his visit.

And we sat down and when I sat down with the VA, they told me by March 15th, they would have a recalculation plan. It sounded a little bit like that lady you have in your GPS box, you know, recalculating.

So, unfortunately, I am hearing that recalculating too much because they told me March 15th, they would have a plan. Then about a week ago, we met here behind closed doors March 15th. And I saw the notes you had of meeting on the 14th with VA. But then they were saying recalculating again sometime in April.

Then the most important question I think that was asked is, when we are going to open this thing and they said, well, VA says mid-summer 2013, but the contractors are saying December or the end of 2013.

Mr. Gorrie, what is the story?

Mr. GORRIE. You want to——

Mr. MICA. Can anybody tell me? Mr. Dwyer.

Mr. DWYER. Yeah.

Mr. MICA. Is there an opening?

Mr. DWYER. I cannot tell you that, but I——

Mr. MICA. But you just got the design, right, Mr. Gorrie?

Mr. DWYER. Yes.

Mr. MICA. So, I mean, Mr. Webster was an HAV contractor. Then I was a developer. You have got the design now.

When do you think we can open the door? I have got to go back Thursday and they are going to ask me, veterans, when is that thing going to open. So do you guys know?

Mr. DWYER. I think the answer lies with your statement of we just got the drawings. So if we are——

Mr. MICA. So mid-April, you can tell us or the end of April, you can recalculate again and then give us a definite——

Mr. DWYER. You know, we are sitting here, you know, end of March, so that would be a fair assessment.

Mr. MICA. Okay, because I——

Mr. DWYER. Mid to end of April, we would be able to give you a——

Mr. MICA. Because VA is telling us something different, next summer, and that does not appear to be realistic since you just got the drawings and there may be even more change orders coming.

Mr. DWYER. I would definitely tell you that the project will not be open in the summer of 2013.

Mr. MICA. Couple of quick questions. The other thing is the only good news is that I heard this is going to come in under budget and I had heard figures.

Now, I just heard some figures that you told me that at least $30 million more for something and all these change orders, all of these, again, being in development, contracting over here.

When you do a change order, there are costs. So are we looking at under budget or are we looking at over budget or what?

Mr. DWYER. Under our current contract value, Mr. Mica, we, you know, provided a rough order of magnitude and this is a guess because, again, the documents are still out there. We do not know when the job is going to——

Mr. MICA. So it could go over?

Mr. DWYER. Not could. It will.

Mr. MICA. I will go over. That is not happy news for the taxpayers because we thought we were going to have, again, lower cost on this, but I guess the confusion has a price tag.

There were 400 workers. I have folks that are losing their homes, people that cannot survive week to week because they do not have a construction job. There were 400 people on the job and I was told 11 to 12 hundred should be on the job.

When do you think we will have that number?

Mr. DWYER. If we have a chance to assess, recalculate where we are, we would think in the next six to eight weeks we would have a full plan in place assuming we got, you know, a price put together and accepted change order.

Mr. MICA. So maybe next summer? I mean——

Mr. DWYER. This summer.

Mr. MICA. This summer rather, this summer——

Mr. DWYER. this summer, sir.

Mr. MICA. We might be up to full employment?

Mr. DWYER. Yes, sir.

Mr. MICA. Finally, Mr. Chairman, just one point of privilege. My Committee oversees FEMA and we—on the New Orleans project.

This is a good update for all of us because in 2005, we had the hurricane.

June 1st, 2009, I went out four years later and did a hearing in a boarded up Charity Hospital, which now is under construction; is that correct? Isn't Charity under construction?

Mr. O'KEEFE. The New Orleans project is under construction now, yes.

Mr. MICA. And the VA hospital is right across the way. The VA hospital, of course, now, there are extenuating circumstances because of some of the local issues. But we really have not started construction on the VA hospital, not to mention that the old VA hospital is supposed to be converted to a clinic; is that correct? Could you have your staff work with our staff to see what is going on there?

This, last time I checked today was, March what, 27th, 2012, and New Orleans, we are still a long ways away. Charity Hospital, which is boarded up, we had it un-boarded, did the hearing there, and also focused on the VA.

That was not their fault. That was government's fault. FEMA would not make a decision. That is when we said in an arbitrary manner to move forward with decisions for both VA and private sector reimbursement.

But our Committees will be glad to work with you because it sounds like New Orleans is headed downstream instead of upstream.

Thank you. Yield back.

The CHAIRMAN. Ms. Brown.

Ms. BROWN. Thank you, Mr. Chairman. And I want to thank you for having this hearing today.

This is very important to me and very important to my district. I have worked on this project for over 25 years and I guess I have adopted the military motto, what do you do when failure is not an option. You get the job done. We want to get this online as quickly as possible.

I have talked with the developers and I have talked to the VA. And, sir, I just need to know one of the problems, and you know I know about the problems that we have had in the facility, and I will not even go on record with all of the problems that we have had with the work going on there, but it seems to be a roofing problem and an equipment problem so you cannot finish until you know exactly what kind of equipment and, of course, we are waiting for the latest equipment.

Can you tell me what it is that we can do to expedite this project because I really do not have—I am like my veterans now. I do not have a lot of patience. And they think we are trying to wait until they pass away and that is not true. The facility is looking good physically on the outside, but I want to know what we need to do to complete it.

And I really wanted to know how we would expedite it as opposed to talking about what kind of delay. And to me, I have a problem when you or when we have all of the money and then we still cannot get the work done.

So, Mr. Gorrie, who is going to answer my question?

Mr. DWYER. I will.

Ms. BROWN. You, sir, what is your name?

Mr. DWYER. Tim Dwyer.

Ms. BROWN. Okay. Tell me what I want to hear.

Mr. DWYER. I will tell you what I think the answer is and hopefully it is what you want to hear.

But how we can expedite the project is, it is simple to do, is to use the documents we have right now, get with our subcontractors and our suppliers, meet with the VA, put all that together, and put an accelerated schedule together with extra forces, extra time, and hopefully move the date up if the VA chooses to do so.

Ms. BROWN. Sir, has the VA been slow about paying you your money?

Mr. DWYER. Ma'am?

Ms. BROWN. Have you been receiving your reimbursements?

Mr. DWYER. We have been receiving our pay applications on a monthly basis but not necessarily all the costs.

Ms. BROWN. Okay. So has there been questions about the various costs?

Mr. DWYER. Well, it is more in regards to the change orders and the extra personnel, et cetera. That is what has not been. But we are working through that. It is just a matter of, again, bringing the right people and continued congressional oversight on this project will hopefully help that.

Ms. BROWN. Well, most people want the congressional people out of it. We just want you all to do your jobs between the VA and the construction people the last time I checked with my colleagues, and this is in my area.

Let me just ask you another question. We had a big discussion because we have a lot of veterans returning and I know that they did not put it in writing, but informally what is the percentage of veteran businesses that you all work with and what is the percentage of veteran-owned companies that you partner with to buy anything from, you know, paper clips to bringing in the lunch?

Mr. DWYER. Let me check. Five to seven percent of service-disabled vets and veteran-owned businesses on this particular project.

Ms. BROWN. Okay. But workers or partners? I mean, what are we saying?

Mr. DWYER. I would think it would be the veteran-owned businesses. I do not know their employment practices of hiring veterans.

Ms. BROWN. Can we find out what is the percentage? We have a very high unemployment as far as veterans are concerned and we are encouraging that we hire additional veterans when all possible——

Mr. DWYER. Yes, ma'am.

Ms. BROWN. —when the skills being the same. But I still am not sure as to when this project can be completed and what it is that you all have to do without the congressional people. I cannot imagine us having a hearing on a hospital in my district.

Mr. DWYER. Your question, ma'am? I am sorry.

Ms. BROWN. I want to know what you all can do along with the VA to expedite this project.

Mr. DWYER. What we think moving forward, the best solution for this project would be to engage, if you will, an outside consultant

that specializes in health care administration, put them in with Brasfield & Gorrie and the VA and work together as a unit to get this thing completed.

We also feel like reconciling the past as well as the future needs to happen. And if we can do all that moving forward, I think we will have both wheels on track, so to speak.

Ms. BROWN. I guess I am the only person on Congress that does not believe in all these outside consultants because you are paying people to do what I thought we paid you all to do.

Mr. DWYER. Actually, our job is to construct the facility as it is presented to us. We need decisions from management in order to do so.

Ms. BROWN. Is that the VA?

Mr. DWYER. Yes, ma'am.

Ms. BROWN. Okay.

Mr. DWYER. And that is what has been lacking on the project thus far——

Ms. BROWN. Well——

Mr. DWYER. —is direction, the direction of which we should proceed, et cetera, et cetera. We can take it upon ourselves, ma'am, but, again, our hands are a little bit tied with our contract.

With regards to having approved sequence of work, approved schedule, et cetera, we have to follow that. And if we choose to go off of that, it would be at our own risk, if you will.

Ms. BROWN. How many VA projects have you all participated in?

Mr. DWYER. Roughly ten.

Ms. BROWN. Ten? And have you had problems with others?

Mr. DWYER. No, ma'am.

Ms. BROWN. So this is the only one in my district? Not very good. Not a good report for me.

Mr. DWYER. No, ma'am.

Ms. BROWN. Uh-huh. I really would like to see the congressional—it is no reason that we are having this hearing here except I guess it is politics. But, you know, I want to take the politics out of it. I just want the work done. I want to see that facility up and operational and I really want to see it done by the end of this summer. I did not want it October.

And now we are talking about how many months after October?

Mr. DWYER. Potentially six to twelve.

Ms. BROWN. You know, I have a real problem——

Mr. DWYER. Excuse me. After this October?

Ms. BROWN. Yes.

Mr. DWYER. Oh, you are 12 to 15 to 18 months. I cannot answer the question. As previously discussed, we——

Ms. BROWN. What percentage of the building is complete?

Mr. DWYER. Roughly 40 percent, roughly.

Ms. BROWN. You know, I am going to talk. I talked to the VA and I talked to you all. And I really would like to see us work this out. I do not want to pay another independent consultant to do what we need the VA and the construction team to do. And I would like to see us do it and I would like to see it expedited. And I know that is what the veterans want.

Mr. DWYER. And, actually, that is what we want too. We want——

The CHAIRMAN. Ms. Brown.

Mr. DWYER. Sir?

The CHAIRMAN. Ms. Brown, you will have an opportunity to question VA or the next panel. You will have an opportunity to question them in regards to that issue.

Ms. BROWN. I am going to grill them too.

The CHAIRMAN. It is coming up. Your time expired.

Ms. BROWN. Can I just——

The CHAIRMAN. Do you have——

Ms. BROWN. Yes. I just have just a couple more questions.

The CHAIRMAN. One more.

Ms. BROWN. One more.

Sir, my understanding it is a problem with the roof. Where are we with the roof?

Mr. DWYER. The roof is being installed as we speak. We actually—VA elected to change the roof design to a system that is being used in Lexington, Kentucky by the VA. So we are right now installing that roof.

And then there is another roof which is called a super roof. It is that one that sticks up higher. We received the final design on that in January and we are constructing it as we speak.

Ms. BROWN. Thank you, sir.

And thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Ms. Brown, very much.

Ms. BROWN. Yes, sir.

The CHAIRMAN. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman, and thank you for holding this hearing.

And I appreciate all your testimony, the panel here.

A question for Mr. Gorrie and Mr. Dwyer. When you request information from the VA, particularly as it relates to the medical equipment installation information, what is the typical timeframe which you receive this information?

Mr. DWYER. Well, the average duration right now on our project has been roughly a month, 27 days or so per——

Mr. BILIRAKIS. How long?

Mr. DWYER. Twenty-seven days roughly, a month.

Mr. BILIRAKIS. Twenty-seven days. Okay. I am going to ask a broad question and give you an opportunity to respond again.

What are the biggest obstacles you are facing with the VA to resolve the issues and, of course, complete the project? Anyone who wishes to respond.

Mr. GORRIE. You want me to answer that?

Mr. DWYER. Go ahead.

Mr. GORRIE. Well, I think resolution of all the job issues, you know, get them resolved now. You know, the longer it goes, the more they grow and fester. You have got to get things resolved timely or they just get out of control. And the issues have not been resolved timely. And one party cannot resolve an issue. It takes two parties.

Mr. BILIRAKIS. Okay. Give me specifics on that.

Mr. GORRIE. Well, we have got——

Mr. BILIRAKIS. You said the issues have not been resolved timely.

Mr. GORRIE. We just got hundreds of changes that are not converted into change orders that are billable, that are just sitting out there.

Mr. BILIRAKIS. Yeah. Give me a specific example.

Mr. GORRIE. Tim, you will have to.

Mr. DWYER. Well, a specific would be or a general would be this, would be getting a change order, again, for the electrical work associated with the access control system. That would be a good change.

That access control system which is our security and card access, we are still working through that change order of submitting pricing, resolving pricing. We are gaining on the process, but it is still lagging significantly behind.

Again, the main problem is having under-funded changes where the change order is not even funded to the independent government estimate. You will have a government estimate of $500,000 and we will get a change order for $100,000.

So we are in turn funding the project for that specific change, et cetera. And now multiply that times, you know, a couple hundred. And, you know, there is $30 million roughly of issues out there that still have to be resolved.

I guess another specific would be the head wall issue. And a head wall in a hospital is where the bed comes in and you plug in your medical gas, oxygen, et cetera, to that wall. The original design had a single head wall, basically one line across and you plug it in.

Well, they changed the design to a vertical two wall head wall system. That change is still out there. We think we have gotten the information we need. We have not gone through the documents. We just got them again. But there is a specific change. That has been out there for eight months plus and we still are sitting here talking about it.

Mr. BILIRAKIS. Okay. Thank you very much.

I yield back, Mr. Chairman.

The CHAIRMAN. Dr. Roe.

Mr. ROE. Thank you all.

I am sorry I am a minute late. I had another meeting. And I am an Eagle Scout. I have an orienteering merit badge. I got off the wrong elevator in Rayburn and wandered around. So if you have ever been in there, you understand.

I had an opportunity last night to read the testimony and to go through this in some detail.

And just to give you a little bit of my background, I was in private medical practice for 31 years, but I was also Mayor of the city, Johnson City, Tennessee. And we bid projects all the time.

And just to give you a little bit of an example, we are working on $100 million worth of sewer, water and sewer projects now that have been contracts let, engineering contracts, job done, $22 million in roads, $50 million in schools. Personally our practice built a $25 million office building we have been in three years. I have seen two hospitals go up in my time.

I have never seen anything like this. This is beyond pale. I do not know how you can bid a project. We typically put back about ten percent for change orders. And I almost do not recall the

change orders from the original design doing what you are talking about.

When I read your testimony last evening and I can understand Ms. Brown's frustration about not having the hospital. You cannot complete a hospital when the target moves all the time and when the design changes all the time.

And I think you made the statement, one of you did, your problems on this job are unprecedented in our company's 48-year history. That is pretty telling, a company that is a half a century old and has never run across.

And I can promise you if the conditions keep changing, you will never get it done. And it costs more.

How can you even bid a project when you do not know what the project is going to look like or it changes during that time and you do not get funded properly to do the change order? How do you do that? How do you make money doing that?

Mr. DWYER. Well, first of all, you bid the project with the documents, as Mr. O'Keefe said and I mentioned earlier, you have to bid the documents as you see them and as they are produced.

Mr. ROE. That is the way it typically works.

Mr. DWYER. And part two to that, how do you make money, you do not if it continues to change. You know, there are several folks that relish, frankly, the change order process and look at it as an opportunity. We on the contrary do not. We look at it as an impediment to us getting finished. We would much rather be building the 4,500 original drawings than the 10,000 new ones.

Mr. ROE. Well, clearly when you do a sealed bid, as I am sure you did, that is the way we bid all of ours, you did a sealed bid and you picked the bid up on Friday afternoon and whenever you opened the bid, you bid based on the documents you had to go by.

Now, I know when I did a little work in my house, my contractor said, yeah, doc, we can do whatever you want as long as you have got enough money.

Mr. DWYER. Right.

Mr. ROE. So they do not mind the change orders as long as you fund them. You are right about that. But it is much simpler for you to finish on—and none of these projects, all these projects I am talking about, I do not remember any of them going but about a month maybe. The two hospitals were in under the time because the documents, the engineering, the architectural drawings were there and it got done by the contractor.

And obviously your business is a highly qualified contractor or you would not have been in business for 50 years.

So, I mean, how do you resolve this? I have never seen such a mess in my life when I read it. How do you all——

Mr. GORRIE. We have not either.

Mr. ROE. How do you get out of this mess is what I am saying?

And Ms. Brown, I certainly can understand her frustration because the hospital for the veterans is not completed.

But like you said, I understand those walls completely. I have plugged the stuff in them.

Mr. DWYER. I think the answer, again, first of all, the project was awarded on a best value, so it is a price as well as your technical

merit. So we submitted technical merit as well as our proposed price or our stipulated sum price.

And how do we get out of this? I mentioned earlier I really believe that, you know, as much as you do not want to hear time is your friend, on this particular job, resetting, getting the subcontractors organized with this new set of documents, getting the forces mobilized, marching down the path that we originally thought we had which is a complete set of documents.

Sure there is going to be questions on documents. There always are. But this particular set and with the medical changes that took place really handcuffed this project.

Mr. ROE. Well, it looks to me like if you could get everybody, all the players in a room and sit down and say with the engineers, with the architect, whoever you need, this is best—and, sure, you are right, you are going to run across something. Somewhere you are going to have change a little bit. I understand that.

But the basic concept of a hospital is not new. I mean, we know how to build hospitals. I have seen four built in my own community. So we know how to do that.

I guess my question is, why can't all the parties get around a table, agree on the documents, and you guys, you do not care what you built? You are going to build what you are told to build and you will go build it. Am I right?

Mr. DWYER. We have been around the table several times and we started back in May of 2011. And we had several meetings, roundtable meetings, partnering meetings, all types of meetings.

And, again, we are hopeful, and that is the key word is hopeful, that this latest set of informed documents that we have gotten and the 50 plus RFPs that have gone into that as well as all the previous will give us something that we can, you know, lock step to and march. And we are very hopeful of that.

Mr. ROE. We have another panel. I will yield back. Thank you.

Mr. DWYER. Yes, sir.

The CHAIRMAN. Thank you very much.

Members, we do have a second panel and I would like to go ahead. If you would hold any questions that you have for the first panel or submit them for the record, I would appreciate that.

Gentlemen, thank you. We have been at this now for an hour and a half. I thank you for your testimony and you are now excused. Thank you.

As they are heading to their seats, I want to invite at the same time the second panel to approach the witness table.

This morning, we are going to have with us Dr. Robert Petzel. He is the Under Secretary for Health for the Veterans Health Administration, Mr. Glenn Haggstrom, the Executive Director of the Office of Acquisitions, Logistics, and Construction.

Dr. Petzel is accompanied by Robert Neary, the Acting Executive Director of the Office of Construction & Facilities, and Bart Bruchok, resident engineer for the Office of Construction & Facilities Management.

I appreciate your patience and also your willingness to allow us to allow the contractors to testify first to give us an opportunity to get a flavor of the situation that we are in. We do appreciate you being here today.

And at this time, Dr. Petzel, you may proceed with your testimony.

STATEMENT OF ROBERT A. PETZEL, UNDER SECRETARY FOR HEALTH, VETERANS HEALTH ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; GLENN D. HAGGSTROM, EXECUTIVE DIRECTOR, OFFICE OF ACQUISITIONS, LOGISTICS, AND CONSTRUCTION, U.S. DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY: ROBERT L. NEARY, JR., ACTING EXECUTIVE DIRECTOR, OFFICE OF CONSTRUCTION & FACILITIES MANAGEMENT, U.S. DEPARTMENT OF VETERANS AFFAIRS; BART BRUCHOK, RESIDENT ENGINEER, OFFICE OF CONSTRUCTION & FACILITIES MANAGEMENT, U.S. DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF ROBERT A. PETZEL

Dr. PETZEL. Chairman Miller, Ranking Member Filner, thank you for the opportunity to testify on the status of VA's major construction and leasing programs.

I am accompanied today by Glenn Haggstrom, Executive Director of the Office of Acquisition, Logistics, and Construction; Robert Neary, Acting Executive Officer of the Construction & Facilities Management; and, finally, Bart Bruchok, resident engineer with the Office of Construction & Facilities Management.

Thank you for allowing my written statement to be submitted for the record.

With the support of Congress, VA has engaged in one of the most significant capital improvement programs in our history. Since 2004, we have received appropriations for 86 major construction projects. We are supporting and have built a range of projects including new outpatient clinics, specialty care centers, four large full-service hospitals.

These efforts in addition to our increasing use of our lease authority are a major part of our ongoing commitment to provide veterans across the country access to timely quality care.

VA's written testimony provides updates on the four major medical facilities. These remarks are focused on how we are improving our oversight of those efforts to ensure that we complete on time and at budget.

VA has designated the Office of Acquisition, Logistics, and Construction as the single point of accountability within the department. We are also hiring additional staff to conduct an on-site management and oversight of our major construction projects.

Similarly, we are integrating risk management into our project management functions to identify potential costs and schedule impacts as early as possible. This will help us reduce any problems from arising in the first place, fix those that do emerge, and ensure leadership is constantly appraised of developments on these major projects.

Finally, beginning with the submission of the fiscal year 2012 budget, VA has begun implementing a new department-wide planning process to track and prioritize the department's capital investment needs called the strategic capital investment process or SCIP.

SCIP results in the creation of a single integrated prioritized list of proposed projects annually covering all capital investment accounts, major construction, minor construction, and VHA's nonrecurring maintenance.

SCIP is designed to improve the delivery of services and benefits to veterans, their families, and survivors by addressing VA's most critical needs and most critical performance gaps first, investing wisely in VA's future, and significantly improving the efficiency of VA's far-reaching wide range of activities.

In addition, we are expanding the reach of VA's care in a number of ways. New technologies including telehealth, telemedicine, teleradiology are extending our range in providing health care as also is the use of expanded hours, fee-basis care, contract care, and mobile clinics.

Major construction and lease operations are critical to VA's efforts to improve access to quality health care and benefits. We appreciate the opportunity to discuss these issues with you and to hear your concerns.

Mr. Chairman, this concludes my prepared statement. My colleagues and I look forward to answering any questions you or the Members of this Committee may have regarding these issues.

[THE PREPARED STATEMENT OF ROBERT A. PETZEL APPEARS IN THE APPENDIX]

The CHAIRMAN. Anybody else?

Dr. Petzel, a written statement by Mr. Gorrie, who you just heard testify, includes the following claim: The original VA base of design for the medical equipment at bid time, this is the Orlando medical center, was mostly discarded and VA allowed the medical center user group to change what they wanted.

Hence, we never knew what was going to be selected and more importantly the architects did not know either. The architect could not put the details on the contract working drawings that we needed to construct the building and ensure that the spaces provided in the building were adequate.

If you would respond to that statement and describe the process VA has in place to evaluate the validity of changes requested by local facilities once the design and/or construction on a given project has begun?

Dr. PETZEL. Thank you, Mr. Chairman. I am going to begin the answer and then turn to Mr. Haggstrom.

The practice of updating the equipment needs in a new construction project is common. I have been involved in major construction myself and we heard the example that the Clark individual gave of Las Vegas.

You want to be sure that when you open that hospital, you have got absolutely the most up-to-date——

The CHAIRMAN. If I could interrupt you for just a second. And I apologize. But there are two different contracts between Las Vegas and Orlando, correct? Were they exactly the same type of contract? Were they different?

Dr. PETZEL. I would have to ask Mr. Haggstrom specifically about that.

Mr. HAGGSTROM. Mr. Chairman, if you look at it, they were both for fixed price contracts in terms that we had a best value selection on the contractor to construct these facilities.

The CHAIRMAN. And our time is going to be limited, so I apologize again for interrupting, Dr. Petzel.

Why the problem? If they were pretty much the same types of contracts, why is one contractor saying there were significant issues with the drawings and the change orders and Clark saying differently?

Dr. PETZEL. To reiterate what I said before, it is common practice. The question is the timing between the final determination of the need for equipment and the execution, the complete execution of that facility.

You generally have stub-in of utilities in places like the operating room and radiology and then as the final decisions are made about the equipment, those are turned over to the contractor as augmented drawings, as I understand it.

And the process in Orlando was identical, as I understand it, to the process——

The CHAIRMAN. Has the stub-in taken place?

Dr. PETZEL. I would have to turn to Mr. Haggstrom, the stub-ins for the equipment.

Mr. HAGGSTROM. Yes, sir. For the most part, the base of design rough-ins have occurred. There are some pieces of equipment that changed from perhaps a floor or wall mounted piece of equipment to ceiling mounted in which case, you will have some structural impacts. But the contractor has gone to a certain point with those rough-ins.

The CHAIRMAN. Were the same design team and engineers used in this project or were they different designers and engineers?

Dr. PETZEL. Mr. Neary.

Mr. NEARY. Mr. Chairman, they were different architectural and engineering firms that designed the two projects.

The CHAIRMAN. Do they bid the project the same way as a general contractor does? How do you select your design and your engineering team?

Mr. NEARY. Certainly. We select architects and engineers under a process which is generally referred to as the Brooks Act legislation that allowed quality-based selections of architectural and engineering firms.

So firms compete with one another based on their quality, their strength of the company, experience in doing the type of work that is going to be done. They are rated and ranked by a team of experts and then we would negotiate price with the highest ranked firm. Assuming we can come to agreement, they would be the firm put under contract. If there were a problem, we could go to number two.

The CHAIRMAN. Have you ever before used the firm team that you used for Orlando?

Mr. NEARY. The Orlando architect was a joint venture of a firm known as Ellerbe Becket in joint venture with a firm from Winter Park, RLF. We have used both of those companies. We used Ellerbe Becket extensively.

More recently Ellerbe Becket was acquired by a larger firm, architectural firm known as AECOM. I do not know that we have used AECOM very much, but that was pretty late. That was late in the process.

When AECOM came in and we alerted them to some of the problems we had experienced, I think they were quite responsive in making some changes in the teams that they had working on the design.

The CHAIRMAN. Would you ever use them again?

Mr. NEARY. We will have to evaluate firms going forward based on their status and what kinds of work they are doing and the quality of that work.

The CHAIRMAN. Based on the quality——

Mr. NEARY. Certainly AE——

The CHAIRMAN. —based on the quality of work done by Ellerbe Becket, who has been purchased by somebody else, and the other firm, do you feel satisfied with the work product they provided?

Mr. NEARY. The work product, I would not comment so much on the AECOM because they came in very, very late. But the earlier work product had many, many problems as has been discussed.

The CHAIRMAN. And discussed by the contractor, correct?

Mr. NEARY. Discussed by the contractor here today, discussed by the VA, and recognized by the VA.

The CHAIRMAN. I did not hear anybody at the table discuss problems with the design firm.

I am sorry. Dr. Petzel, did you in your testimony refer to many problems with——

Dr. PETZEL. No, sir, I did not. But we need to acknowledge the fact that there were problems with the design of the electrical that did add——

The CHAIRMAN. That was all, just the electrical? That is the only design problem that there is?

Dr. PETZEL. I would ask Mr. Neary and Mr. Haggstrom to comment on that.

Mr. NEARY. The electrical area is the area that had the most significant and noticeable errors.

The CHAIRMAN. What about the roof? Was there a design issue with the roof or was it improperly installed?

Mr. NEARY. There is a design issue with what is known as a super roof. I will ask Mr. Bruchok to talk in more detail.

Mr. BRUCHOK. Yes, sir. There is a mixture of causes. The initial installation, there were some deficiencies. We did discuss with our AE consultant and his roof consultant the validity of that design and the application for that building. And we are still researching the results of that.

But the VA acknowledged that there might be another path going forward in discussions with the contractor. That was what I would call one of the success stories of the project. We did work with the contractor and our engineer to come up with an alternate roof installation, a lightweight concrete product that they are making very good progress on as we speak.

The CHAIRMAN. What is amazing to me is when I first found out about this issue, one of the things that VA threw up right away was the fact that the roof leaked, giving the impression that the

contractor had improperly installed the roof. Now you are telling me that is not the case.

Mr. BRUCHOK. Not exactly, Mr. Chairman. I am sorry if I am confusing the issue. The initial installation of the original design, we did note some deficiency issues and that roof did have the potential to leak.

There were other areas of the building that were not yet roofed where we were getting water infiltration which I think has been broadly reported as a leaky roof. But in those cases, there was no roof.

So when we had some questions about the quality installation, we stopped, worked with the contractor and the engineers of record, and came up with this alternate approach.

The contractor and VA entered into a no-cost bilateral agreement to make that change and, again, they are proceeding with that new product as we speak.

The CHAIRMAN. Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman.

All these firms that you are discussing they are all bonded, correct? That is a requirement?

Mr. HAGGSTROM. Yes, it is.

Mr. REYES. And the reason I am asking this question, and maybe it is a good time to ask you, Dr. Petzel, can you react to that statement from Mr. Gorrie that said this project is going to be about $120 million above the original cost? I would like to get your take on that.

Dr. PETZEL. I will just briefly comment on it and then I will ask Mr. Haggstrom to speak in some more detail.

We do not know what the change orders that are being discussed by the contractor, what the eventual cost of those, if any, is going to be. Those things are all under discussion, as I understand it, right now. So it is impossible to comment on what, if any, costs there might be additional to what we see right now.

Mr. Haggstrom.

Mr. HAGGSTROM. Dr. Petzel, thank you.

Mr. Reyes, clearly we know there is going to be an increase in cost in this facility. Roughly up to this point in time, we have issued about $15 million and paid $15 million in change orders connected with those things.

I did receive a correspondence from Brasfield & Gorrie I think about a week, week and a half ago that kind of laid out these costs that they looked at.

Until we get to a point in time where we can start to quantify what these costs are and work with the contractor, I do not have a final cost on this project.

Mr. REYES. When will that time be?

Mr. HAGGSTROM. That is going to be, I believe, an iterative process, sir. As Brasfield & Gorrie goes through and looks at the most recent drawings that we provided them, looks at the impact to their schedule, they will come back to us and work and provide a cost which we will then review and probably go into negotiations with them over what the value of that perhaps work stoppage or work delay is along with any additional material cost.

Mr. REYES. As it pertains to the Orlando facility, because although I am a long way from there, these are veterans that are being impacted because of the delay in the process and taxpayers are being impacted because of a potential, as was testified here, of $120 million over the original cost of the facility.

So my question is, in terms of the bonding capacity, are they on the hook as well in these negotiations between you and——

Mr. HAGGSTROM. Conceivably, yes, if it came to that, which we would never want it to come to that because both of us are losers. If we have to involve the sureties to correct the and finish the hospital, VA would never want to see that happen. I firmly believe Brasfield & Gorrie would never want to see that happen.

But if I could, Mr. Reyes, while not to minimize the delay in the hospital there, there are absolutely no veterans in the Orlando area that are going un-serviced as a result of the delays associated with this hospital.

The VA has ensured and made sure that all the veterans' cares whether it can be provided at our current facility or through facilities in the community or, yes, they do have to sometimes travel to other VA facilities, those needs are being met without question.

Mr. REYES. And I appreciate that.

Perhaps the final question I have, are any of you four directly in consultation, negotiations with the contractor, you know, that can testify about the 10,000 changes and modifications and all of that?

Mr. HAGGSTROM. Yes, we can, Mr. Reyes, if you would allow me.

Mr. REYES. Please.

Mr. HAGGSTROM. Mr. Bruchok, Bart, is our senior resident engineer. He is on the job site daily. Mr. Neary as the Acting Director of Construction & Facilities Management, he is assigned here in VACO. At their office, they have weekly and monthly dialogues in terms of the status of construction.

I am also assigned here in VACO. Mr. Neary is a direct report to myself. And we do have recurring meetings in terms of looking at issues with our construction.

Mr. Bruchok, he is on the ground, though, and can address if you have any——

Mr. REYES. Okay.

Mr. HAGGSTROM. —specific issues on RFIs.

Mr. REYES. Well, perhaps you could react to all the change orders numbering in the thousands. Certainly from my perspective, although I have a limited background in this, it seems just way beyond whatever the industry standard may be.

And I understand and appreciate that hospitals are unique when they are constructed. But in my district, there have been two or three private hospitals that have gone up and they have not experienced any of these kinds of issues.

But can you give some perspective to the changes and perhaps the $120 million projected cost over the original?

Mr. BRUCHOK. Yes, Mr. Reyes. Appreciate the opportunity.

Just to clarify, there is a couple numbers that were thrown out. The thousands number refers to RFIs, I believe, were over 3,000. Those are questions that the contractor asks of the VA and ulti-

mately of the engineer to clarify something in the document that was not clear.

Change orders are numbering in several hundred. We are addressing those on a one-by-one basis with the contractor.

Mr. Haggstrom quoted $15 million in change orders that have been issued. This is in response to direct cost for items that the government had an estimate and the contractor had a proposal. We negotiate with them, arrive at a fair and reasonable value of the work, and issue the modification to them.

The other numbers as have been alluded to are other things that we are trying to evaluate. One of the numbers that Mr. Dwyer talked about was additional staff. We have evaluated that number on site and forwarded it to our senior leadership and contracting officers so that they can be compensated for the additional staff that they have had to bring on the project.

Also, a number that is being evaluated now is the cost of the additional time that was issued. The 114 days keeps the contractor on site for an additional time past the original contract duration and he does have a cost that we reimbursed him for.

And the dollar amount of that cost requires that it be audited and that currently is being audited. So at the conclusion of that, we can compensate Brasfield & Gorrie for the additional time they expect to be on site in relates to the electrical change orders.

Mr. REYES. All right. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Haggstrom, I will ask the question again. When did you say you would be able to have all of the change order issues resolved and the dollar amount negotiated between the contractor and the contractor paid for what is in the pipeline now?

Mr. HAGGSTROM. For what is in the pipeline now, Mr. Chairman, there is two pieces to these change orders that we have to contend with. One are the direct costs which are essentially the material costs that we can validate through cost and pricing. The other, as Bart referred to, are these indirect costs. And this is time delays, what is the value of that time, what is the value of taking the contractor or now allowing him to pursue the critical path, and those types of things that have to be made.

We did get a certified cost and pricing now from the contractor that we have forwarded to the auditor. The Office of our Inspector General is in the process of doing that audit now. And we will validate and verify those costs in that they are fair and reasonable and the government would then proceed to pay them.

Once that is completed, then we can take that final piece and make payment.

The CHAIRMAN. And that time frame will take——

Mr. HAGGSTROM. Sir, at this point in time, I have talked with Ms. Regan whose office is providing it, but they have not provided me a completion date. I have clearly stated to Ms. Regan that this is of the utmost importance to the VA and also to our contractor to be fair to them in getting them any compensation that they——

The CHAIRMAN. Would you think months or weeks?

Mr. HAGGSTROM. I would hope in the next six to eight weeks they would be able to complete that audit.

The CHAIRMAN. So it is fair for VA to take six to eight weeks to do the audit, yet after suspending the hospital project for the

length of time it has been suspended, you just issued a lift of the suspension that allows them to begin work; they have asked for a period of weeks to be able to reschedule, to get ready to start again, I think it is about eight weeks is what they have asked for, yet you have told them or somebody has told them that they have to be up and fully functioning on that job by the 13th of April; is that correct?

Mr. HAGGSTROM. That is what we directed them and that was in direction to the diagnostic and treatment portion of the hospital which was where the partial work stoppage was given to them.

We were advised I believe about a week or so ago that effective yesterday, they would begin full mobilization again to begin work on the clinic.

So there are portions of the hospital that can be worked. If you look at it, it is the inpatient piece of it, the D&T, the diagnostic and training, the clinic, and then the atrium.

We viewed in looking at those schedules that because of the way the schedules were laid out and the questions and the workflow stream that there was work that could be done in the D&T area while they continued to get their subcontractors together and have an opportunity to review the drawings that we provided to them over these past weeks.

The CHAIRMAN. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate it.

Why is the medical equipment procurement so far behind?

Mr. HAGGSTROM. Mr. Bilirakis, we take accountability for that as the VA. As Dr. Petzel I believe has stated, it is our desire to get the most modern and up-to-date technology in terms of outfitting our hospitals to serve our veterans.

In this particular case, that time frame went too far forward. We should have made decisions earlier in the process that would have allowed us to provide to Brasfield & Gorrie the necessary changes and drawings for them to be able to proceed.

Mr. BILIRAKIS. Is this modern equipment not available?

Mr. HAGGSTROM. The equipment is available. It is a decision from the clinicians on what best piece of equipment meets their needs. Once that is established, it is then put into the procurement process and the procurement process can take a period of time, especially for this equipment, to procure, get the specifications, turn those specifications over to our A&E and make the necessary modifications to the drawings.

Mr. BILIRAKIS. Okay. Mr. Petzel and Mr. Haggstrom, I have a question. You mentioned in your testimony that 30 additional on the ground engineers will be hired to more effectively manage and oversee the VA construction projects.

One of the complaints from Brasfield & Gorrie was that the VA staff on site was both limited and unable to resolve the major information issues.

Has the VA given the new site managers any additional authority in your plan to use these site managers in Orlando?

Mr. HAGGSTROM. We have made several changes to our process, Mr. Bilirakis. First of all, we did increase staff at the Orlando project to help support and go through the request for information and work our processing on the change orders. So we increased our

staff by about eight engineers on site along with the necessary administrative staff.

We also looked at some internal processes that we could take that would allow us to accelerate the decision-making process that goes with those change orders. So in agreement with our legal counsel, we made some adjustments as to the value of those change orders that would then require OGC review as opposed to allowing our contracting officer to make those changes unilaterally.

Mr. BILIRAKIS. I know this question will be asked a couple times. When do you anticipate the project to be completed, the Orlando project?

Mr. HAGGSTROM. Based on an evaluation by our A&E firms and the subject matter experts such as our construction management teams that are on site, we believe that a reasonable period of time to complete this project would be the summer of 2013.

Mr. BILIRAKIS. Summer. Thank you very much.

I yield back.

The CHAIRMAN. Ms. Brown.

Ms. BROWN. Sir, I got to tell you I am on this Committee for one reason, because it is my service to the country. And I have got to tell you that I am not a happy camper.

The idea that we possibly could spend an additional $130 million is not acceptable. So everybody needs to know that is not going to happen.

But, I mean, if you look at where we are, I worked extremely hard getting these projects through, getting the authorization for years. I mean, we worked on this particular project for the VA in Orlando for 25 years.

Now, what does it mean? I know that they are not receiving the service or everybody is receiving service, but we are talking about a step-up service. We are talking about 1,400 jobs and opportunities to hire people in the profession.

We are talking about the VA being the catalyst for research at the University of Florida, the University of Central Florida, the children's hospital and the research institute. We are talking about putting people to work but serving the veterans.

And 2013 is just not acceptable to me. It is not. So what we have is a step backward.

I want to know what we can do to expedite this project. And I am not interested in bringing in another group of consultants. I want to know what can the VA do, what can the construction group do.

Everybody else's project around the country is online, on time except mine. What can we do? What can we do? The military would say failure is not an option. We built a bridge in Minnesota in a matter of months. We put incentives in there and we got it done. I want to see that happen here.

I am not going to casually sit here and say it is okay that we are going to have a delay of 13 months or a year later. That is not acceptable for me. I need to know what can we do, VA.

Mr. HAGGSTROM. Would you like me to answer now?

Ms. BROWN. I am waiting.

Mr. HAGGSTROM. Ms. Brown, we share your frustration and where we are we believe is unacceptable also. We are very grateful

to the Congress on the appropriations and allowing us to build these very critical facilities that our veterans need to have the necessary care that they so absolutely deserve in service to their country.

In this particular case, it is unfortunate to be able to tell you, but this hospital is not going to open in October of 2012 and that is a fact. I do not believe there is enough labor or things that we could conceivably do either on the part of VA or the contractor that could meet the original completion date.

What I will commit to you, though——

Ms. BROWN. But let me just say one thing. October was not soon enough for me. It was late. So I want to know what can we do to expedite this project.

Mr. HAGGSTROM. Well, Ms. Brown, while October unfortunately may not be a reasonable date to you, that is the contractual and legal date we had with Brasfield & Gorrie to complete this project from the onset and that was October of 2012.

We will continue to work with B&G. I hope that we have turned the corner. I believe we have turned the corner with this latest set of drawings. We will continue to entertain and work with B&G on proposals on how to accelerate.

With credit to B&G, they have come to us prior and offered us ways to accelerate. When we looked at that at that point in time, that was not an affordable option to us. So I will say B&G has been willing to lean forward and provide recommendations which we have at least looked at. In several cases, they were not affordable or we could not do those things contractually because of the way the contract was structured.

But I will assure you we will continue down the road with them and partner with them. And I believe both of us, B&G and ourselves, very much want to complete this project.

Ms. BROWN. Well, you know, what they mentioned was that we need an outside mediator, you know, someone to sit down in between, a consultant to sit down with you and them to tell you how to move the project forward.

I think you all have the expertise and they do to get this project done. Why should we pay another group of consultants?

Mr. HAGGSTROM. I do not think there is another need for another group of consultants. I agree with you that both the respective organizations have the necessary talent and expertise to move forward on this.

Ms. BROWN. How many hospitals are you all bringing online as we speak?

Mr. HAGGSTROM. The hospital that is coming online right now is Las Vegas. Then we will be bringing online New Orleans, Denver, and Orlando.

Ms. BROWN. And I am dead last.

Mr. HAGGSTROM. It was not necessarily in that order, Ms. Brown.

Ms. BROWN. Sir, whatever you all could do. We waited the longest, the veterans in central Florida. We have been waiting 25 years. That is a serious indictment on the VA and the Members of Congress. I mean, there have been all kinds of problems with this particular hospital.

But we have the veterans in the area. It is overcrowded and they deserve, they deserve a new facility with all of the modern, you know, equipment and everything.

So I am just really hoping that we can sit down and not have the congressional people involved, but you all do your job. I have never had a hearing in 20 years to discuss a project, never.

So I hope this is the first and last hearing I participate in pertaining to, you know, how we can expedite a project and how we make sure the project is moving forward and what kind of oversight we need to have.

(Pause)

I guess I will take that silence for yes, we all agree then.

Mr. HAGGSTROM. Absolutely, Ms. Brown. We are in complete agreement with you. We have fully taken ownership of the delays and the issues associated with the design and the medical equipment. And we are working to resolve those here on this project, but also ensure that they do not repeat themselves on future projects in Denver, Louisville potentially in the future, and also New Orleans.

Ms. BROWN. Thank you very much.

The CHAIRMAN. Ms. Brown, I thank you for your pointed questions. The chair appoints you as a Committee of one to work with the VA and the contractor to resolve these issues.

Ms. BROWN. And my consulting is free.

The CHAIRMAN. Mr. Haggstrom, thank you for your words of appreciation to the Congress for providing the authorization and the funding for these much needed medical facilities.

With that in mind, I would like to ask the status of the seven health care centers that were authorized under Public Law 111–82. The schedule for each of these facilities suggested that they would be completed by the summer of 2012. I understand they are behind schedule. Can you give us an update?

Mr. HAGGSTROM. We can, Mr. Chairman. If I could ask Mr. Neary to address that.

Mr. NEARY. Thank you, Mr. Chairman.

Yes, the seven health care centers that were originally authorized in 2010 have experienced problems of a varying nature, in some cases difficulties in identifying and selecting a site, in some cases the need to refine the requirement to ensure that what is being put into those facilities best meets the needs of veterans in those areas.

Those initiatives are moving well along I think at this time. A couple of them will be lease contracts awarded within the next few months and others going out over the next year to 18 months. In one case, the site was just identified recently and we are beginning more thoroughly moving into the procurement process, selecting the lessor.

I would be glad to provide for the record a written status report on each of those projects.

[Office of Construction and Facilities Management subsequently provided the following status report:]

Charlotte, NC
Health Care Center (HCC)

Purpose: To update Congressional members on the status of VA's Health Care Center (HCC) lease procurement in Charlotte, North Carolina.

Background: This project proposes the acquisition of a 295,000 net usable square foot HCC in Charlotte, NC. This new HCC will enable VA to consolidate outpatient specialty services and better serve VISN 6 the needs of Veterans and their families. The HCC will include Specialty Medical and Surgical services in addition to a wide array of outpatient services. This is a two-step lease procurement for a term of 20 years, and will include approximately 2,400 parking spaces.

Discussion: VA selected a 35 acre parcel, at the southeast corner of the intersection of Tyvola Road and Cascade Point Boulevard, Charlotte, NC and entered into an Assignable Option contract in August 2011. Since that time, VA and the land owner have been negotiating a sales price for the land. Through a lengthy process, that included three appraisals, an agreement was reached in March 2012. VA is now pursuing real estate and environmental due diligence on the site, and will concurrently develop the schematic design and technical aspects of the Solicitation for Offers (SFO) document. The SFO will be used to procure a developer who will purchase the site, construct the clinic and then lease it back to VA for 20 years.

Next Steps: Following an advertisement for developers, the SFO will be issued in late Fall 2012, followed by a Pre-Bid Conference. After initial offers are received, VA will conduct both price and technical evaluations on the offers. Lease award is anticipated in late Spring/early Summer 2013. Building design and construction is estimated to be complete in late Spring/early Summer 2015 with HCC activation to follow.

Prepared April 2012
Office of Construction and Facilities Management

Fayetteville, NC
Health Care Center

Purpose: To update Congressional members on the status of VA's Health Care Center (HCC) lease procurement in Fayetteville, North Carolina.

Background: This project for a 250,000 net usable square foot (NUSF) HCC will relocate outpatient services from the current Fayetteville VA Medical Center (VAMC) to a leased, build-to-suit facility in Fayetteville, NC. The new HCC will relieve the current space shortage at the VAMC and accommodate the projected outpatient workload by consolidating Primary Care and Specialty Care Clinics. The size of the lease has increased from 236,000 NUSF to 250,000 NUSF in order to implement the new Patient-Centered Medical Home and Patient Aligned Care Team space requirements instead of the conventional Primary Care space approved in the HCC's original space program. This two-step lease procurement will be for a term of twenty (20) years and will include approximately 2,000 parking spaces.

Discussion: VA selected a 35.414-acre site located at 749 Raeford Road, Fayetteville, NC, and entered into an Assignable Option contract in August 2011. Since that time, VA has pursued real estate and environmental due diligence on the site, and has been concurrently developing the schematic design and technical aspects of the Solicitation for Offers (SFO) document. The SFO will be used to procure a developer who will purchase the site, construct the clinic and then lease it back to VA for 20 years.

An advertisement for developers was posted on FedBizOpps on March 26, 2012, and subsequently published in the Fayetteville Observer. VA intends to release the SFO on or about April 9, 2012, and subsequently host a Pre-Bid conference in Fayetteville on April 19, 2012. The purpose of the Pre-Bid conference is for VA to review the key requirements of the SFO and schematic design, and address questions that developers may have about the project or process.

Next Steps: Issue the SFO in early April and subsequently hold a Pre-Bid Conference. After initial offers are received in May/June, VA will conduct both price and technical evaluations on the offers. Lease award is anticipated in Fall 2012. Building design and construction is estimated to be complete in Fall 2014 with HCC activation to follow.

Prepared April 2012
Office of Construction and Facilities Management

Loma Linda, CA
Health Care Center

Purpose: To update Congressional members on the status of VA's Health Care Center (HCC) lease procurement in Loma Linda, California.

Background: This project provides for the lease of a 271,000 net usable square foot HCC in Loma Linda, California. Creation of the HCC will allow the Loma Linda medical staff to deliver services with greater efficiency and will house Dialysis, Nephrology, Oncology, Prosthetics, as well as elements of Primary Care, Dental Health, Mental Health, Women's Health and various other services. The lease will be for a 20 year firm term. This is a two-step procurement and will include approximately 1,500 parking spaces.

Discussion: VA advertised for 32 acres of land in Loma Linda, CA, and is working on an assignable option with the landowner. Once the land option is executed and a sales price determined, VA will pursue real estate and environmental due diligence on the site, and concurrently develop the schematic design and technical aspects of the Solicitation for Offers (SFO) document. The SFO will be used to procure a developer who will purchase the site, construct the clinic and then lease it back to VA for 20 years.

Next Steps: Following an advertisement for developers, the SFO will be issued in late Summer 2012, followed by a Pre-Bid Conference. After initial offers are received, VA will conduct both price and technical evaluations on the offers. Lease award is anticipated in Spring 2013. Building design and construction is estimated to be complete in Spring 2015 with HCC activation to follow.

Prepared April 2012
Office of Construction and Facilities Management

Monterey, CA
Health Care Center

Purpose: To update Congressional members on the status of VA's Health Care Center (HCC) lease procurement in Monterey, California.

Background: This project is for a 99,000 net usable square foot HCC in Monterey, California. The proposed HCC will be a joint, integrated facility between VA and Department of Defense (DoD); DoD will occupy 16,000 nusf of the total 115,000 square footage. The proposed HCC would enhance existing VA outpatient services in the Monterey County region by expanding primary care, specialty care and mental health services. Laboratory, Radiology and Pharmacy services will also be available within the proposed HCC. The lease will provide the VA Palo Alto Health Care System (VAPAHCS) with the necessary space to accommodate their growing workload within the Monterey County area, and room to expand the clinical capacity of primary and specialty services closer to the Monterey Veteran population, and meet VAPAHCS' strategic goals. This two-step lease acquisition will be for a term of twenty (20) years and will include approximately 900 parking spaces.

Discussion: VA selected a 14-acre site located a block away from the intersection of 9th Street and 2nd Avenue, Marina California, and is working on the assignable option to purchase. VA is pursuing real estate and environmental due diligence on the site, and will concurrently develop the schematic design and technical aspects of the Solicitation for Offers (SFO) document with DoD. The SFO will be used to procure a developer who will purchase the site, construct the clinic and then lease it back to VA for 20 years.

Next Steps: Following an advertisement for developers, the SFO will be issued in late Fall 2012 , followed by a Pre-Bid Conference. After initial offers are received, VA will conduct both price and technical evaluations on the offers. Lease award is anticipated in late Spring 2013. Building design and construction is estimated to be complete in late Spring 2015 with HCC activation to follow.

Prepared April 2012
Office of Construction and Facilities Management

Montgomery, AL
Health Care Center (HCC)

Purpose: To update Congressional members on the status of VA's Health Care Center (HCC) lease procurement in Montgomery, Alabama.

Background: This lease project is for a 112,000 net usable square foot HCC in Montgomery, Alabama. The HCC will provide for Primary Care, Specialty Care, Mental Health, and Ancillary and Diagnostic services for Veterans in the Montgomery area.This is a two-step lease procurement for a term of twenty (20) years and will include approximately 900 parking spaces.

Discussion: VA selected a 35.854-acre site located at the intersection of Chantilly parkway and Ryan Road, Montgomery, AL, and entered into an Assignable Option contract in December 2011. Since that time, VA has pursued real estate and environmental due diligence on the site, and has been concurrently developing the schematic design and technical aspects of the Solicitation for Offers (SFO) document. The SFO will be used to procure a developer who will purchase the site, construct the clinic and then lease it back to VA for 20 years.

Next Steps: Following an advertisement for developers, the SFO will be issued in late Summer 2012, followed by a Pre-Bid Conference. After initial offers are received, VA will conduct both price and technical evaluations on the offers. Lease award is anticipated in Winter 2013. Building design and construction is estimated to be complete in Winter 2015 with HCC activation to follow.

Prepared April 2012
Office of Construction and Facilities Management

Winston-Salem, NC
Health Care Center (HCC)

Purpose: To update Congressional members on the status of VA's Health Care Center (HCC) lease procurement in Winston-Salem, North Carolina.

Background: This project proposes the acquisition of a 280,000 net usable square foot HCC in Winston-Salem, North Carolina. This new HCC will enable VA to consolidate outpatient specialty service and better serve the needs of Veterans and their families. The HCC will include specialty medical and surgical services in addition to a wide array of outpatient services. This is a two-step lease for a term of 20 years and will include approximately 2,200 parking spaces.

Discussion: VA selected a 40-acre site located on Kernersville Medical Parkway, Kernersville, NC, and entered into an Assignable Option contract in February 2012. VA is pursuing real estate and environmental due diligence on the site, and concurrently developing the schematic design and technical aspects of the Solicitation for Offers (SFO) document. The SFO will be used to procure a developer who will purchase the site, construct the clinic and then lease it back to VA for 20 years.

Next Steps: Following an advertisement for developers, the SFO will be issued in late Summer 2012, followed by a Pre-Bid Conference. After initial offers are received, VA will conduct both price and technical evaluations on the offers. Lease award is anticipated in Spring 2013. Building design and construction is estimated to be complete in Spring 2015 with HCC activation to follow.

Prepared April 2012
Office of Construction and Facilities Management

Butler, PA
Health Care Center (HCC)

Purpose: To update Congressional members on the status of VA's Health Care Center (HCC) lease procurement in Butler, Pennsylvania.

Background: This project contemplates the acquisition of a 168,000 net usable square foot (NUSF) HCC in Butler, PA. This new HCC will expand Butler's outpatient services to meet increasing Veteran demand, and will include Primary Care, Specialty Care, Dental, Lab, Pathology, Radiology, Mental Health, and Ancillary and Diagnostic services. The size of the lease has decreased from 180,000 NUSF in the original authorization to 168,000 NUSF because three services, Endoscopy, Ambulatory Surgery and Adult Day Health Care have been removed from the scope of the project because those needs can be better served by nearby VA and community resources. This is a one step lease for a term of 20 years, and will include approximately 1,400 parking spaces.

Discussion: An advertisement was posted in FedBizOpps on June 23, 2010, and a market survey was held on July 20, 2010. Several qualified sites were identified to compete. After preparing the schematic design and Solicitation for Offers (SFO), the SFO was released on October 21, 2011, and a pre-bid conference was held shortly thereafter at the Butler VAMC. The SFO will be used to procure a developer who construct the clinic and then lease it back to VA for 20 years. Initial offers were received and evaluated in January 2012. A second round of offers was received and evaluated in March 2012.

Next Steps: Lease award is anticipated in late Spring 2012. Building design and construction is estimated to be complete in Spring 2014 with HCC activation to follow.

Office of Construction & Facilities Management
April 2012

The CHAIRMAN. I appreciate that. But for the record, all of these facilities are moving forward?

Mr. NEARY. Yes, they are, sir.

The CHAIRMAN. You are the Acting Director?

Mr. NEARY. Yes, I am.

The CHAIRMAN. For how long?

Mr. NEARY. For approximately two years.

The CHAIRMAN. Why has that not been made permanent? Why are we still in an acting position? Do you know or should I ask Dr. Petzel?

Mr. HAGGSTROM. If I may, Mr. Chairman, Mr. Neary is an acting capacity for this particular office as a result of requirements put into Public Law 109–461 in 2006. That requirement stipulates that the director of the Office of Construction & Facilities Management have an undergraduate or an advanced degree in engineering or architecture and have the requirement of extensive program management.

In Mr. Neary's case, his undergraduate degree is not in an engineering or architectural career field. And because of that, he has not been made permanent.

We have been going through some re-looks on how the Office of Construction & Facilities Management works along with the Office of Acquisition, Logistics, and Construction. Those changes were recently approved in September or October of last year. And we will now fully move forward with seeking a permanent director for this particular position.

I would like to say that although Mr. Neary is not credentialed in terms of holding a diploma, Mr. Neary is extensive in this department in Construction & Facilities Management, is beyond reproach.

He clearly does know what is going on. He has an absolutely grasp on the processes that we use and just because he does not hold a degree has not been in one way detrimental to this project that we are talking about here today or the overall construction program.

The CHAIRMAN. I was not implying that at all. All I am saying is it has taken two years to permanently fill the position. That is not an issue that is only in this one area within VA. We have doctors chief of staff positions at medical facilities that have gone unfilled. It seems to be a bureaucratic problem throughout VA and this just looks like it is another issue.

And I appreciate the accolades for Mr. Neary, but you cannot tell me over two years you could not find somebody that did, in fact, fill the qualifications for the director's position.

Mr. HAGGSTROM. You are absolutely correct, sir. This was a conscious decision on my part to allow Mr. Neary to continue to serve in this capacity for this period of time.

The CHAIRMAN. And the reason was?

Mr. HAGGSTROM. The reason was is I felt he was doing a very good job.

The CHAIRMAN. Even though he does not meet the qualifications?

Mr. HAGGSTROM. He does not have a degree of that requirement and the fact that we were going through a formal organizational change that needed to be approved and I wanted to make sure that was approved before we move forward.

The CHAIRMAN. Probably could have gotten a certification in the two years that he has been acting. He could have gone to school and gotten it.

Mr. HAGGSTROM. I will defer to Mr. Neary on that.

The CHAIRMAN. Dr. Roe.

Mr. ROE. Thank you. Just a couple of questions, Mr. Chairman. Thank you.

Do you all believe you have a competent contractor? Does VA believe that they have a contract with a competent contracting firm?

Mr. HAGGSTROM. Mr. Roe, I absolutely do. Brasfield & Gorrie's credentials in constructing health care facilities are second to none. They are an extremely large, well-represented firm in the southeast in constructing health care facilities. I believe they are constructing facilities in other parts of Orlando.

Mr. ROE. I think they have been in business for 48 years. They would not be there if they were not competent, I think.

And, secondly, then, how do you explain their delays? Are you laying the blame on them for this because, I mean, I read through this? I have never seen anything like this in my 30 years of being around multi-hundreds of millions of dollars worth of construction.

And the reason the private sector cannot get away with this is we lose capital. We run out of money. The banks will not lend you any more money and you just have to stop. So you do not run across these things. You make sure.

And the comment that the delays are because you are going to get the newest technology, well, then you would never buy an iPad because you never have the newest technology. You always got iPad two and three and four and whatever is coming up.

So, I mean, design a hospital, this is not new. We design hospitals all the time in this country. And I cannot see how that would have held it up if you would have had a solid set of documents to start with so a contractor could look in there and bid that project with some profit in there and get it done on time. I have seen it done time after time after time.

How do you explain the delay? Is it the contractor or is it——

Mr. HAGGSTROM. I am not placing the blame on Brasfield & Gorrie at all. We fully recognize that we did have problems in our design and the delay in——

Mr. ROE. Why would that be, though, when—because I helped design hospitals. This is not my maiden voyage. And you sit down.

It is a laborious process. You are right. You go to the medical staffs, the nursing staff, and you go to the food folks. You go to everybody involved in that process to see how they can make their shop work better.

And you come to a conclusion and an architect draws the drawings. And you look at them and you go over those and meeting after meeting, boring meeting after meeting, and you get it done and then you bid the project.

I cannot understand how this thing gets going and then just change after change after change unless the original design was completely inappropriate.

Mr. HAGGSTROM. And that is in part why we are here today.

Mr. ROE. The problem is, is that the original design of this facility did not meet the needs of the facility; is that correct?

Mr. HAGGSTROM. I do not think we can say it did not meet the needs. The design was not executed properly and we depended on our A&E firm to do that as we do with all our projects. We heavily depend on the private sector A&E firm to do our design for us.

In this particular case, there was a failure in the original firm to provide the necessary quality of drawings that were needed in order to proceed on this project.

Mr. ROE. Okay. So I think I heard someone—well, you cannot answer that. I am not going to ask that question again.

But I do not see how you can expect a contractor to perform to an ever-changing target. How do you do that? I mean, if I am the contractor, they got to be incredibly frustrated because, look, I mean, these guys build stuff. You give them the plans. They are going to go build what you tell them to build. They are not going to build something different. They are going to build it to the standard. If you have got a good contractor, they are going to build it to the standards and specifications. I have seen it over and over and over again.

And I understand it cannot be done. There is no way on this earth if it is 40 percent done it can get done by October. I mean, maybe a year, a year and a half from now would be even pretty generous with a hospital because it is very complicated with all the electrical and all that.

But do they have any penalties for being late? Surely not with something to me that does not look like it is their fault.

Mr. HAGGSTROM. I would not expect there be any penalties because of lateness at this point in time, no.

Mr. ROE. I yield back, Mr. Chairman.

The CHAIRMAN. Dr. Petzel, how many times have you been to the Orlando facility?

Dr. PETZEL. Mr. Chairman, I have been there once.

The CHAIRMAN. Mr. Haggstrom, how many times have you been there?

Mr. HAGGSTROM. Mr. Chairman, I have been there three times within the last two months.

The CHAIRMAN. And prior to the last two months?

Mr. HAGGSTROM. I had not been at the Orlando facility.

The CHAIRMAN. Mr. Neary, how many times have you been to the facility?

Mr. NEARY. I have probably been there eight or ten times.

The CHAIRMAN. Since I was there in January, prior to that, how many times?

Mr. NEARY. Since the building has been under construction, I believe I was there twice prior to the time that you were there.

The CHAIRMAN. Okay. So the heads had only been there twice in the entire time of the construction prior to my visit in January, second week of January. Is that true?

Dr. PETZEL. I was there prior to your trip.

The CHAIRMAN. How many times?

Dr. PETZEL. Once.

The CHAIRMAN. And when was that? Ground breaking?

Dr. PETZEL. No, no. I was not even here in ground breaking. It was about one and a half years ago.

The CHAIRMAN. Okay. Mr. Michaud.

Mr. MICHAUD. Thank you, Mr. Chairman, for having this very important hearing.

And I want to make it clear it is not only a problem we are having with major construction as far as delays. We have had a clinic in Rumford, Maine that in 2009 was awarded a contract for renovations. Ultimately the contract ended up being terminated. It has been shuffled between contracting officers. And we are here today three years later and we still are waiting for a contract to be awarded. So it is not only major construction, but it is also in minor construction.

My question is, I guess, for Dr. Petzel is with regard to the major medical facility leases, of the 55 that are listed in the fiscal year 2013 budget submission, over half I am told are behind schedule by approximately two years. Why is that? Is it similar problems that we are hearing today with the Orlando facility?

Dr. PETZEL. I will just make an opening comment and then ask Mr. Neary who knows much more about the leases.

The major problem in my experience with leases is land acquisition, that invariably we have a longer time in acquiring the land for the leases than had been anticipated in the original schedule.

But, Mr. Neary.

Mr. NEARY. Thank you, Doctor.

And thank you for the question, Congressman Michaud.

Let me first comment relative to the land. Dr. Petzel is correct. Many of these clinics, most of the ones you are referring to are built-to-suit clinics in which we will acquire a piece of property or rather take an option on a piece of property that our developer will then acquire.

We have been affected in the last couple of years significantly by the market conditions out there. These are properties which three or four years ago would have had a higher value than they do today. Their landowners are often anxious to sell but are hoping for a price commensurate with the value three or four years ago rather than currently. So these negotiations are tougher and they take longer.

Another thing that has happened in many of these clinics is the increase in veterans who are expected to come to the clinics and a desire on the part of the Veterans Health Administration to expand in some ways the concepts of these clinics to provide more functionality.

So many of the clinics that have fallen behind schedule have done so while their requirement, their space, the programs that are going to be offered in those clinics are expanded to provided additional services, in some cases including ambulatory surgery which would not have been contemplated just a few years ago.

So we are working vigorously to move these clinics forward. We are making some changes in the way we go about executing these leases. Historically we have not begun the process of the procurement of the lease until the Congress has authorized these facilities.

And we did that, I think, because of you in the past, that we did not want Members of Congress or the Committees involved to take offense that we were moving out on an initiative that the Congress has not endorsed.

We have held some discussions recently with some members of your staff and we want to do some more of that, but we would like to begin moving out on them sooner once they have been identified and in the President's request for authorization so that by the time Congress has actually authorized the projects, we will be better positioned to move more swiftly into the formal procurement process.

Mr. MICHAUD. Thank you.

Looking at some of the costs of the projects, let me know if I am correct, but from what staff tells me for Las Vegas, Nevada, it has increased from $286 million to $600 million, Orlando, Florida $347 million to $656 million, New Orleans from $636 to $925 which is estimated that that is going to go up even higher to $1.2 billion, Denver, Colorado from $621 to $800 million.

It is a huge difference in the cost of these projects. Why is that?

Mr. NEARY. Thank you.

Each case probably is a little different. But in general, they have, I think, two similarities. One, the requirement in the facility grew from the time that it was originally conceived at those lower values until it was in design and completing and, two, those projects were originally identified at a time when the construction economy was in a sense taking off and going up and a good bit of the increases came about, particularly in Las Vegas, as a result of the growing economy.

Now, the economy went down and the construction as well as other areas of the world, but a lot of those costs were still at the levels that came about through the significant escalation that the construction economy was seeing.

Mr. MICHAUD. But as legislators, I mean, when we put together a budget, we have got to have at least somewhere near what it is going to cost. And these are way over what it is going to cost. And it is a big concern that I have.

And I guess, Dr. Petzel, is it a management problem? How can we be so far off on these particular projects?

Dr. PETZEL. Thank you, Congressman Michaud.

From my perspective, one of the major issues is the fact that costs get identified with these projects very early in the conception and it takes five or six years. You go back in Denver to before 2004 for probably the original estimate that was made on what Denver might cost. And, of course, now we are constructing that in 2012.

The cost of construction of a similar project in 2004 is going to be almost double probably what it was in 2004. So number one in

my mind is the length of time it takes to get from the originally conceived ideas.

As Congressman Brown said, we have been talking about Orlando for 25 years. It takes a long time to get these things up and going. And then there is this gap between the conception and the appropriation eventually. That from my perspective and from where I look is the major cause of this difference in the prices that you are talking about.

Ms. BROWN. Mr. Chairman, may I take the rest of his time?

The CHAIRMAN. His time has expired. We have another Member. We would be glad to get back to you, Ms. Brown.

I would like to point out a GAO report of December of 2009 that this Committee requested on VA construction and part of the problem the GAO in their findings talked about the fact that the VA cannot quantify the largest risks to a project or mitigate those risks.

Is that still true today? I believe it is. It says VA does not require an integrated master schedule that includes VA and contractor efforts for all project phases which can be critical to a project's success.

Do you use an integrated master schedule and, if not, why not?

Mr. HAGGSTROM. Congressman, we took those GAO recommendations and we have acted on them for our 2011 and 2012 projects. We have done a risk analysis both on time of schedule and cost. And we will have an integrated master schedule for all those projects.

We are in the process now of going back to our projects prior to 2011 and putting those same things in place as we are at Orlando and Denver and New Orleans.

The CHAIRMAN. Ms. Adams.

Mrs. ADAMS. Thank you, Mr. Chairman, and thank you for holding this important hearing and allowing me to participate.

As we discussed last week when I met with you in this room, I was concerned about the delays of the hospital because it does reside in the district I currently represent. And it also has been brought to my attention by various veterans across central Florida and the Veterans Advisory Board that I have. There are a lot of concerns.

And listening both today and last week, I just get more and more concerned. I have to tell you. Someone said that veterans are not affected by this delay.

Who was that?

Mr. HAGGSTROM. I believe I made that comment, Ms. Adams, to Mr. Reyes.

Mrs. ADAMS. Mr. Haggstrom, how do you quantify that statement based on the fact that we have veterans coming back from the field that have been injured and that they may never have survived in years past and, yet, they are coming home and this hospital is not on track to be completed? They are going to have to wait.

And what I said earlier when the other gentlemen were at the table was that with these injuries, they cannot travel distances, that it is not comfortable, not just uncomfortable, it is not comfortable based on their injuries.

How do you say they are not being affected by this delay?

Mr. HAGGSTROM. Ms. Adams, I believe my statement was they have not been denied care. I did not say they have not been affected.

Mrs. ADAMS. Well, I would have to differ a little bit there. They have not been denied care, but we have had to fight for their care in the general area of this hospital because this hospital is not completed.

And some of these young men and women due to the pain that they incur when they are in a vehicle trying to travel between Tampa or Miami or wherever your agency wants to send them based on the fact that we do not have the ability to care for them at a VA hospital in central Florida, that is where my concern lies.

So I have a couple of questions and I would love for some quick answers because I do not want to go over my time.

But, Dr. Petzel, if you could, please, just answer yes or no. Congress passed the Veterans Health Care Facilities Capital Improvement Act of 2011, but in your 2013 budget submission, it did not include any of the additional information required by law; is that correct?

Dr. PETZEL. Congressman, I would have to go back and look. I do not know.

Mrs. ADAMS. Well, the charter for this Committee says that it is not included. So I think maybe you need to take a close look at that.

Dr. PETZEL. We will.

Mrs. ADAMS. And I saw, Mr. Haggstrom, you said it was your decision not to fill the position and it was an act, the Veterans Benefits Health Care and Information Technology Act of 2006 that created this position that Mr. Neary is sitting in.

And it is my understanding it has been since 2007 that it has been filled with a permanent position, correct?

Mr. HAGGSTROM. When I arrived in VA in 2008, that position was filled by a qualified individual in accordance with the law.

Mrs. ADAMS. Is that Donald Gordon?

Mr. HAGGSTROM. That individual departed in February 1st, 2010 and Mr. Neary has been occupying that position since.

Mrs. ADAMS. Okay. And did I hear correctly that you are applying the integrated master schedule to the Orlando VA?

Mr. HAGGSTROM. Yes, we are.

Mrs. ADAMS. Have you given any of that information to this Committee?

Mr. HAGGSTROM. Not to my knowledge.

Mrs. ADAMS. What about the direct CFM to conduct a schedule risk analysis? You said you were applying that also to the Orlando VA?

Mr. HAGGSTROM. If I could ask Mr. Neary to address that.

Mr. NEARY. Sure. We have implemented in our architect and engineer contracts and our construction contracts more robust risk analysis. In the case of Orlando, we completed a risk analysis. I believe it was in December of 2011.

Mrs. ADAMS. And did you provide that to this Committee?

Mr. NEARY. I do not know that we have, but we would be glad to.

Mrs. ADAMS. What about a cost risk analysis for all major construction projects? These are all three that the 2009 GAO report suggested that you make. So you are now doing them. Is that also applied to the Orlando VA clinic?

Mr. NEARY. It probably does not apply because of the situation we are in.

Mrs. ADAMS. Because of the delays and the different drawings, the multiple drawings?

Mr. NEARY. Pardon me?

Mrs. ADAMS. Because of the multiple drawings over and over again?

Mr. NEARY. We are doing risk analysis both in terms of schedule and cost in Orlando. The General Accounting Office recommendation was that at the outset and periodically through the entire life of a project we assess the risks associated with those two and we are implementing those across the enterprise.

Mrs. ADAMS. Okay. So, Dr. Petzel, just to recap, we have two separate Federal laws regarding VA construction projects that you are not complying with.

Next we have a GAO report that you are using under-qualified people to do analysis on these projects which are recommended, three major changes in VA which you say you have started to implement, but, to my knowledge from me listening today, they have not been given to this Committee.

And then, finally, I have about 300,000 veterans in the central Florida area that are paying every single day for the VA's incompetence.

So tell us why VA is choosing to ignore Federal law and Congress and who should I hold responsible for the gross mismanagement of the Orlando VA facility?

Dr. PETZEL. The responsibility for the Orlando VA hospital rests with us and with the Federal Government. There is from my perspective no single individual that you could, as you wish, blame for what has happened.

Mrs. ADAMS. Well, I just want to leave you with one thing. Our veterans deserve the care and they need this facility to come online. They have served our country well. They deserve this care.

And I look forward to hearing more about your agency getting this facility back on track and completed as quickly as possible for their benefit, our veterans' benefit.

Thank you, and I yield back.

The CHAIRMAN. Ms. Brown.

Ms. BROWN. I would like to be associated with the remarks of the young lady from Florida, Ms. Adams.

But in addition to that, let me just say that the construction industry is down. I do not understand why we are not getting a better bang for our buck right now because so many people—I mean, the industry is down. So it is lots of people that want to do work and will give us a good, you know, cost for the dollar.

Have we been able to benefit in the VA from this?

Mr. HAGGSTROM. In terms of the pricing in the industry, I believe VA has benefited from this.

Ms. BROWN. It also should include expediting of the work. If you are not doing a lot of work, then you should be willing to work night, day, weekends, overtime. I do it.

Mr. HAGGSTROM. And we absolutely agree with you, ma'am. We have taken steps to allow Brasfield & Gorrie to extended work, to allow extended work hours and weekend work with regards to the roofs so we can get this facility dried in.

And we also fervently believe that with the provision of providing these additional drawings Brasfield & Gorrie will be allowed to again begin work on this hospital at the levels that will allow us to complete this.

Ms. BROWN. Thank you.

Mr. Chairman, can I share something for the Committee's benefit? I just returned from LA visiting the VA facilities our there. I visited three of them.

And one of the things that came to my attention was on the main campus of the VA facility in LA, there is four new housing facilities, brand new that the state built. However, they do not have money to operate them. And so we have all of those homeless veterans and veterans that need housing. You have four new buildings sitting there empty.

Is there a possibility that the government actually can work together? Is there anything that we can do, and I am putting that on the table for you, Mr. Chairman, and you, Mr. Ranking Member, to look into it?

I was just appalled. Beautiful facilities, a hundred per unit. One, two, three, four, four hundred units sitting there empty because I guess the State of California is broke. However, we have all of those homeless veterans. Why can't we partner?

And so these little trips do—you cannot find that information. So four facilities, 400 units sitting vacant because the state does not have money to operate. And we need to service these veterans.

The CHAIRMAN. I think your point is well taken. We will look into it. It would be interesting to know what type of coordination was done between VA and the state upon the construction of these facilities. I would hope that the state would not have proceeded forward to build them without an agreement, the fact that there would be dollars to support them. We do need to look into that.

So I appreciate you investigating that for us and we will look into it.

Ms. BROWN. Good. The state built them. I guess we have some kind of partnership with the state. They build the facilities. And they are very nice facilities, but they are sitting there empty. So it does not make sense. But I do not know that we always make sense.

Thank you.

The CHAIRMAN. Thank you very much.

Any other questions?

Ladies and gentlemen, thank you for being here today. Thank you for your testimony.

I would like to request the entire contract file for New Orleans, Denver, and Orlando.

Do you foresee any problems with the Committee receiving the entire contract file?

Mr. HAGGSTROM. I do not believe so.

The CHAIRMAN. Can you give us an idea of how long it will take you to reproduce those files?

Mr. HAGGSTROM. Could I ask for 30 days, Mr. Chairman, to reproduce all those files? These are very thick files. With all our contracting, they have the history of the entire project.

The CHAIRMAN. Thirty days may be a little bit long. Again, you have copy machines and we will be glad to lend you ours also. I will check with staff and see if they think that is acceptable and I will get back to you. I can tell you it will be not more than 30 days, but it could be less. I think we can all work on it.

I think it is important that the Committee has these documents so we can look at and see where we have been, where we are going, and certainly on some other projects that are out there, where we may be going.

I would ask unanimous consent that all Members would have five legislative days to revise and extend their remarks and add any extraneous material. Without objection, so ordered.

And, once again, I want to thank you to the witnesses for being here to testify today.

And with that, this hearing is adjourned.

[Whereupon, at 1:08 p.m., the Committee was adjourned.]

APPENDIX

Prepared Statement of Chairman Jeff Miller

Good morning, and welcome to today's Full Committee hearing "From the Ground Up: Assessing Ongoing Delays in VA Major Construction."

Before we begin, I would like to ask unanimous consent for our colleagues from Florida, John Mica, Sandy Adams, and Daniel Webster to sit at the dais and participate in today's proceedings.

I would also like to ask unanimous consent that a statement from Charles Boustany, our colleague from Louisiana, be entered into the record.

Hearing no objection, so ordered.

Thank you all for joining us.

We are here this morning to examine the status of on-going Department of Veterans Affairs (VA) major construction projects and leases and to assess management and oversight issues which have led to significant setbacks in recent projects.

The VA's FY2013 Budget Submission shows that four major medical facility projects in Denver, Las Vegas, New Orleans, and Orlando have experienced significant cost increases and schedule delays from the original authorization.

Although, all of these projects were authorized between fiscal years 2004 and 2006, none are open for business today.

Additionally, there are 55 major medical facility leases that have been authorized in recent years with a total start-up cost of $442 million.

However, only five of those facilities are now open. Thirty-eight are behind schedule, with fourteen of these falling three or more years behind their intended target.

As the VA health care system has grown, it appears that we have come to a point in VA's major construction program where the administrative structure is an obstacle that is not effectively supporting the mission.

As a result, our veterans are the ones who are left without services and our taxpayers are the ones left holding the check.

A case in point, on October 24, 2008, VA broke ground to build a new medical center in Orlando, Florida with a scheduled completion date of October 12, 2012.

Yet, this past December, I learned of serious and significant issues surrounding the construction of this new facility to better care for our veterans. It was not the VA, but the contractor who came to me out of frustration.

When VA confirmed a few days later that the project was indeed going to be delayed, I quickly scheduled a visit to Orlando to see the situation for myself.

Needless to say, what I saw was a startling and unacceptable disconnect between what VA Central Office was telling me about the extent of the delay and the day-to-day reality on the ground.

Clearly, there are problems with the design, procurement of specific medical equipment, change orders and how they all fit together.

The issue of pointing fingers has to stop.

We cannot and must not allow the problems in Orlando, or elsewhere, to persist.

It is vital that reputable, long-standing companies want to work with VA on these significant flagship projects that are so important to the delivery of care.

Today's plans and projects are tomorrow's hospitals and clinics, and—whether it is by building the new, renovating the old, or leasing the existing—our allegiance must always be to the veterans who rely on VA to provide the benefits and services they need to lead healthy, productive lives.

Prepared Statement of Hon. Bob Filner, Ranking Democratic Member

Good morning everyone. Thank you for attending and for your continued interest in veterans' issues. I also want to thank you Mr. Chairman for focusing the Com-

mittee on the critical issue of the VA construction program. It is clear to me that the Department needs to shore up their process of managing the construction and completion of significant projects that are important to every single person on this Committee.

At issue today is an all too familiar theme of these oversight hearings - lack of management, control, accountability and oversight. I would say that most of the problems that have been encountered during the construction of the facilities we are looking at today could have been avoided with proper management and vigilant project oversight. Let me just take Denver, for example, a facility that received appropriated funds as far back as Fiscal Year 2004. As of November 2011 VA announced that the target completion date for this hospital is 2015 – 11 years after first receiving funds and an increase of at least 29 percent in the cost – and it isn't even built yet.

Denver is not alone. The Las Vegas facility has increased in cost from the original estimate by at least 110 percent; Orlando 89 percent, and New Orleans, 45 percent. These increases represent over a billion dollars in funding.

Too often we hear of cost increases such as those I have just discussed, delayed or suspended construction activities, inadequate design plans and very little communication between VA and its partners. Communication that I understand would have helped to clear up some misunderstandings at certain construction sites such as Orlando.

It is hard for me to believe that VA would refuse to meet with contracting officials concerning any construction project much less one that is behind schedule and beset with problems, yet that is what I am being told.

VA's testimony points to the fact that it has been 18 years since they have built a medical center. That may be true, but it does not excuse poor management and basic oversight responsibilities.

I would like to hear more detail from Dr. Petzel on the integration of risk management into the core project management functions. I believe this was one of two recommendations from the Government and Accountability Office's December 2009 report on project cost estimations.

I am sure everyone would agree that we have to do better than this. We expect better than this, veterans deserve better than this and I hope today's hearing will help shed light on the barriers and challenges that VA faces during the construction process.

As we move forward, I look forward to working with VA on improving the construction program and ensuring more transparency and efficiency in the process.

Thank you.

Prepared Statement of Hon. Corrine Brown

Thank you, Chairman Miller and Ranking Member Filner, for calling this hearing today.

Central Florida has waited for over 25 years for the VA to build a VA Medical Center.

I am ecstatic the VA Medical Center will be co-located with the new University of Central Florida medical school and near an urban medical complex. The new center, along with the Burnham Institute, will create a biotech cluster at Lake Nona, allowing the area to become one in which doctors and researchers can work together on the needs of our area veterans. It is known that teaching hospitals provide the best health care available, which is invaluable for the VA and Central Florida's veterans.

25 years is too long for those men and women who have defended this country and the freedoms it holds dear. Too long for the oldest veteran population to wait for proper care.

When Jesse Brown was the Secretary of the VA under President Clinton, he visited Orlando and I convinced him that he needed to keep the hospital at the base for the VA. I hope we can keep that clinic to augment the services here at the Medical Center.

However, that clinic was never adequate to serve the veteran population of the Central Florida region.

In 2009, Chairman Filner held a field hearing in Orlando where Mr. Robert Neary, who is with us here today and the Orlando VA Medical Center Director, Timothy W. Liezert, testified. It was a wonderful hearing and everyone was very pleased that this Medical Center was finally moving forward. Everyone was con-

fident that this facility will be the feather in the cap of the VA as an example of the positive moves the VA has been making to put our veterans first.

Then the reports began of problems at the worksite, with the workers and the roof.

I have spoken to Secretary Shinseki and have been assured that the problems have been fixed.

And yet here we are. Do not be mistaken, this is a political hearing. I have never been involved in a hearing where we are discussing one project. It is time for the VA to get to work and build this Medical Center.

I do not want to have to wait another one, three or any number of years for this Medical Center to open. I want it open now.

I look forward to hearing your testimony.

Prepared Statement of Hon. Silvestre Reyes

- Thank you Chairman Miller for convening this important hearing. One of the most critical functions of this Committee is to ensure that we provide the necessary oversight of the Department of Veterans' Affairs major construction projects. Oversight is crucial especially during times when we must be financially prudent, while at the same time ensuring our veterans are able to access the facilities they deserve.
- Today, I am particularly interested in hearing how the Department will deal with the issue of long range planning and management in regard to its major construction projects that have been authorized and appropriated, but yet timelines are not being met and additional funds were requested.
- Since 2004, the VA has received appropriations for 86 major construction projects. However, of the 86 projects, only 32 are complete; 30 are under construction; 20 are under design; and 4 are in the planning stages. I am interested in hearing from VA if there is a time line and integrated master schedule for these projects and what is the current total cost for the 86 major construction projects.
- Each of the four locations being highlighted today; Las Vegas, Orlando, New Orleans, and Denver all experienced some degree of delays in scheduling and all have increased in cost since the initial estimate. Those that pay the price are our veterans who rely on the VA for their medical needs.
- It is imperative that we meet the needs of our nation's veterans and this requires effective long range planning that reflects fiscal responsibility. Had these delays and/or extensions been prevented, the Department could have spent the funds providing more benefits and services to veterans. The Department must improve its management of these major construction projects to ensure that they are completed on time and within the allotted budget. We fail to help our veterans when these projects meant to assist them are delayed in their dates of completion.
- Thank you

Prepared Statement of Hon. Charles Boustany, Jr., M.D.

Chairman Miller, Ranking Member Filner and Committee Members——

Thank you for providing me the opportunity to submit written testimony. I am honored to provide remarks regarding this very important issue.

Louisiana veterans should not have to drive for hours to receive care in VA Community Based Outpatient Clinics (CBOC). As a cardiothoracic surgeon with previous experience treating veterans in U.S. Department of Veterans' Affairs (VA) facilities, I know they deserve better, localized care, so I've worked hard to speed veterans' access to local medical clinics. I am outraged to learn VA errors will delay the construction of two new CBOCs in my district - Lafayette and Lake Charles.

In a January 7, 2011 bi-monthly status update from the VA, Louisiana Director Gracie Specks states in regard to the Lake Charles CBOC, "Proposals have been received in response to the solicitation for offer (SFO). Purchasing and Contracting is in the process of reviewing these proposals. Evaluation team selection is to begin on January 10, 2011. Once assembled the source selection team will begin the evaluation of the proposal, establish the competitive range, negotiate and select the successful offeror. The evaluation and selection of offeror will take anywhere from 30 to 60 days. It is anticipated that any build out will take approximately 13 months

from the date of award. We anticipate the opening of the Lake Charles CBOC to patient care in July 2012."

In addition, on March 9, 2010, the following bi-monthly status update from Director Specks stated in regard to the Lafayette CBOC, "A Technical Evaluation Board (TEB) was established to review the proposals received in response to the solicitation for offer (SFO). The TEB is responsible for evaluating and ranking the proposals based on the evaluation criteria in the SFO.

The TEB will prepare a report with the decision/final evaluation and selection of offeror. The decision has been made and the offeror selected will be notified on or about June 3, 2011 and the negotiations between the parties (the VAMC and selected offeror) will commence at that time. It is expected that negotiations will take 30–60 calendar days to complete."

On March 26, 2010, after noticeable delays in the solicitation process for both the Lafayette and Lake Charles CBOCs, I called VA Central Office Real Property Service officials into my office for an explanation. The meeting was productive and I received a commitment from the VA Real Property Services that the CBOCs in my district were a high priority and would be followed with a close eye from VA Secretary Eric Shinseki.

However, almost two years later on March 7, 2012, I received an update from Director Specks stating, "Regrettably during the legal review of the Lake Charles CBOC lease package, it was determined that there were significant errors in the Solicitation For Offers (SFO). This same SFO was used for the Lafayette CBOC as well." Making matters worse, these "errors" reportedly happened because VA officials completed the wrong form at the start of the process.

Director Specks continues, "These issues have necessitated the cancellation of both SFO's for Lake Charles and Lafayette CBOC's and a re-announcement of a revised SFO for both clinics. In order to avoid the same issues with the revised SFO's, VA Central Office's Real Property Service will be responsible for the SFO's and subsequent contracting process and execution of the lease. As a result, there will be further delays associated with the opening of the Lake Charles and Lafayette CBOC's. Real Property Service has indicated that it may take a minimum of 12 months to complete the procurement process." According to the VA's own estimated time and errors, it will be at least three years until the opening of the clinics from the time VA Real Property Service pledged to me to carefully guide and expedite the process and when the doors will open at each clinic.

It is time for VA upper management to fully explain why it allowed this to happen. With so much at stake for veterans, why didn't the VA require its employees to double check for their own errors long before they submitted a completed proposal to VA attorneys for final approval? I suspect Lake Charles and Lafayette aren't isolated examples, and that they are a symptom of larger management problems with the VA. Congress should demand more transparency and accountability.

VA officials claim they will try to expedite the new solicitation for offers. However, Louisiana veterans deserve specifics from the VA Secretary – not more empty assurances and bureaucratic jargon. I hope this Committee will press the VA Secretary to explain plans to speed the construction of promised clinics and to tell us how he will prevent this avoidable error from affecting any veteran in the future.

The Committee should use this unique opportunity to make the changes that need to be made now – so that future solicitations for veterans' facilities will not be compromised at the expense of those who fought for our freedom.

Prepared Statement of Miller Gorrie

I am Miller Gorrie, Chairman of Brasfield & Gorrie, a General Contractor that operates throughout the Nation but primarily in the South. Our annual revenue averages around 2 billion dollars; approximately 50% of our work is construction of health care facilities. Last year we were the #2 general contractor in the Nation in terms of health care revenues. We are the only contractor in the Nation who has been in the top 3 for the past 15 years; for 6 of the last 15 years we were the #1 general contractor nationally in health care revenues.

We were selected to build the VA Hospital in Orlando on the basis of a competitive Best Value proposal, which means we submitted a proposal based upon what was purported to be a complete set of documents; our resume for health care construction was also considered. The VA awarded the contract to us after determining our proposal represented the overall best value to the Government in both price and technical factors.

The VA awarded 6 separate contracts to complete the overall facility and we were awarded 3 of the contracts – these included: the concrete frame, the garage & warehouse, and the hospital & clinic. The total amount of our contracts for these 3 contracts was $336,375,189.

Not long after we began construction in October 2010, it became apparent that the drawings the VA provided to us were incomplete. We had some hint of this during the bid process but our ability to request information about the documents was limited due to bid restrictions and time constraints of the VA bid process.

After beginning construction, we began asking for missing information. In November 2010, we asked for key missing medical equipment information, since the contract required us to coordinate installation of the equipment with the VA. Over the past two months we have begun to receive a considerable amount of information, however, as of today, we have not received all of the missing information regarding the medical equipment.

The original VA basis of design for the medical equipment at bid time was mostly discarded and the VA allowed the Medical Center User Group to change what they wanted. Hence, we never knew what was going to be selected and more importantly, the architects did not know either. The architect could not put the details on the contract working drawings that we needed to construct the building and ensure that the spaces provided in the building were adequate.

We received the Notice to Proceed to begin work for the hospital & clinic 18 months ago. We have waited 18 months to receive a completed set of contract working drawings from which we can complete the project. Last week we received over 200 drawings which the VA represented to be the last of the contract drawings. The VA was obligated to give us a completed set of documents before we began work but they did not. The VA failed to provide the required medical equipment information. To compound matters, the electrical documents for the hospital were inadequate. The number of electrical drawings alone has increased from 889 originally issued to more than 2,700 today. Since the contract award for the hospital & clinic, the total number of drawings has increased from 4,532 to more than 10,000. As a result of the lack of completed design for the hospital, it was impossible to construct the hospital efficiently and therefore the entire project efficiently.

Rather than help us work through the process by extending the contract time and covering the added costs we are incurring, the VA has attempted to deflect the responsibility including their own Medical Center Agency. We have received only 114 days additional time for a job that has been impacted for 18 months. The critical path of the approved schedule for construction was put on hold for over 12 months of the past 18 months while the Architect completed the drawings and equipment necessary for construction.

Commencing in the spring of 2011, the lack of information began to seriously impact construction progress and we had to reduce our workforce over a period of months from approximately 1,000 to 500 as we had were ran out of areas where we could work either efficiently or where work wouldn't have to be removed later due to changes in design.

Because the VA staff on site was limited and unable to resolve these issues, we requested a meeting with the Contracting Officer and Senior Contracting Officer in May, 2011. This meeting did not result in any substantial change. We requested another meeting with the Senior Contracting Officer in August, 2011. Our meeting request was denied. We met again at the job site with both Contracting Officers in November, 2011, which also did not produce results. By this time we were one year into the job, neither the equipment selection nor the design process was anywhere

near complete. We were not able to manage a workforce on the job efficiently as we had limited space to work; also, the work was suspended in major areas to allow for design completion.

In early January we requested a meeting with the highest levels of authority at the VA to ensure the facts of the project were heard. As a result, on January 19, 2012, one of the Executive Directors of the VA issued a directive to the designers to complete the design by February 29, 2012. The designers accelerated the design process, so between January 19 and March 19, 2012, we received over 50 RFPs (requests for proposal) that contained over 950 new or revised drawings. According to the VA, the documents released on March 19th were supposed to be the last of the required design documents, but it is not.

After waiting 18 months to complete the project design, the VA is pressuring us to proceed. We have thousands of drawings to check for revisions. After the review, the new materials and equipment shown on the drawings must be purchased, shop drawings checked and deliveries scheduled. These activities, which have already been completed once before, will require some time (8 to 12 weeks) to complete properly. Also, the cost and time impacts of this added work will have to be settled.

The problems on this job are unprecedented in our company's forty-eight year history. These problems are different from anything that we have experienced on any jobs that we have constructed, including the first two packages of the Orlando VA project. On the hospital and clinic project, we were supposed to have completed documents to build by in August 2010; however, the drawings for this project were incomplete and under major revision until last week, March 19, 2012.

The VA's process for resolving the changes, both time and money, has not been timely and must be corrected and improved. Our company and our subcontractors cannot be responsible for funding this project for the VA which is what is currently happening.

The exact amount of the time and money needed to resolve these issues has not been determined, but it is significant.

We need resolution of the above issue to avoid further cost and time impacts and to avoid irrevocable harm to contractors working on the hospital & clinic.

Prepared Statement of John P. O'Keefe

Chairman Miller, Ranking Member Filner, Members of the Committee, My name is John O'Keefe and I am the President of the National Group for Clark Construction Group, LLC. I would like to thank the Committee for the opportunity to address two Veterans' Administration (VA) hospital construction projects, the VA Hospital in Las Vegas, Nevada and the VA hospital in New Orleans, Louisiana.

Clark/Hunt Collaboration

In 2008, the Department of Veterans Affairs selected the joint venture of the Clark Construction Group and the Hunt Construction Group to construct the new Medical Center in Las Vegas, Nevada. The Clark/Hunt team has over thirty years of experience working together to deliver a number of successful projects for our clients.

Clark Construction Group, LLC, founded in 1906, is today one of the nation's most experienced and respected providers of construction services, with $4 billion in annual revenue and major projects throughout the United States. In 2011, we ranked ninth in the United States on the Engineering News Record Top 400 list.

Clark Construction performs a full range of construction services throughout the United States from small interior renovations to some of the most visible architectural landmarks in the country. Some notable completed projects include Walter Reed Medical Center in Washington DC, and the San Antonio Military Medical Center in San Antonio, Texas. The foundation of all of our construction work is a solid relationship with both public and private clients who have the confidence to rely, time and again, on our experience, and in-house expertise to make their vision a reality.

We approach each project with a cooperative mindset, working with clients, architects, subcontractors and the community toward the common goal - successful project delivery. Our diverse construction portfolio and specialized divisions and subsidiaries ensure that each project is matched with appropriate resources and expertise. Through technical skill, pre-construction know-how and self-performance capability, we anticipate project challenges, develop solutions that meet clients' objectives and ultimately deliver award-winning projects. In this way, our work today

continues to meet the stringent standards of safety, quality and integrity, which have been the Company's core values since its founding.

Hunt Construction Group ("Hunt"), another of the country's largest construction companies, has been in business for over sixty-six years and is headquartered in Scottsdale, Arizona. Hunt was built on a simple, yet powerful philosophy, "do the job right". This philosophy has proven to be Hunt's lasting foundation. With over $1.7 billion in revenues, in 2011 Hunt ranked twenty seventh in the United States on Engineering News Records Top 400 list.

Strong client relationships are as important to Hunt as Hunt's construction expertise. Both are needed to get the job done on time, in a cooperative manner, and in a way that meets the client's needs. Hunt and their clients understand that at the end of the day they want the same thing, something both the client and Hunt are proud to put their names on.

Hunt's portfolio encompasses nearly every type of project. Significant projects include the San Antonio Military Medical Center hospital in San Antonio, Texas, and other health care facilities, as well as a variety of stadiums, government buildings, infrastructure and other significant projects throughout the United States.

VA Medical Center, Las Vegas Nevada

The Las Vegas VA Medical Center Project was awarded to Clark/Hunt, a Joint Venture in September 2008, and the notice to proceed was issued on October 22, 2008. The original contract completion date was August 22, 2011, and due to time extensions granted for changes to the project, the contract completion date was extended to December 12, 2011. The project was completed on time. The VA has begun their activation of the project including installation of medical equipment, training and maintenance of facilities. The VA has informed us that the Las Vegas VA Medical Center will begin treating patients by mid-summer of this year.

With the original contract work now complete, we are in the final stages of the punchlist and commissioning. Clark/Hunt also received a change to modify the Mental Health Ward to accommodate revisions to the VA Design Guide issued after the September 2008 contract award. This work is well underway and scheduled to be completed next month. These revisions will not affect activation or occupancy.

The VA Medical Center in Las Vegas maintained the schedule throughout the project including adjustments for modifications requested by the Veterans Administration. On this project, Clark/Hunt and the VA had an outstanding relationship. Our relationship and the open communication between Clark/Hunt and the VA proved critical in making this Project a success. Working through the VA Medical Center's liaison, we were able to actively coordinate the early stages of occupancy including services provided by their independent suppliers and the delivery of materials and equipment for activation. We believe that this project was a great success for both Clark/Hunt and the VA.

Clark McCarthy Collaboration

In 2009, the Department of Veterans Affairs selected Clark McCarthy Healthcare Partners in association with Woodward Design+Build and Landis Construction, as the contractor for the New Orleans VA Replacement Hospital. The team of Clark Construction Group, LLC, and McCarthy Building Companies, Inc. and New Orleans-based business partners, Woodward Design+Build and Landis Construction has a combined successful history of more than 400 years of continuous health care construction operations.

McCarthy Building Companies, Inc. ("McCarthy"), founded in 1864, and headquartered in St. Louis, Missouri, is the oldest privately held construction firm in the United States as well as one of the nation's leading health care builders. Current projects for the VA include the Southeast Louisiana Veterans Healthcare System Replacement Hospital, New Orleans, Louisiana, the 80 Bed Acute-Psychiatric Facility in Palo Alto, California and the Design Build Cogeneration Facility in Dallas, Texas. McCarthy is proud to be a 100% employee-owned firm, currently employing over 1,400 professionals and providing a wide range of construction related services under construction management, general contract and design/build contractual arrangements. McCarthy has successfully managed projects in 45 states and has annual revenues approaching $3 billion.

McCarthy has been building hospitals for over a century and is the largest American-owned Healthcare Builder in the United States. The company has been ranked among the top health care construction managers in the Nation for the past 25 years, each and every year since they began keeping lists. McCarthy has provided construction services for over 650 major hospital projects. Over the last three years, McCarthy has delivered or is currently constructing over $2.4 billion in Federal con-

struction projects. With each project, McCarthy focuses on serving our military and Federal clients by bringing state-of-the-art construction innovation to each project.

The Clark McCarthy joint venture has successfully provided construction services since 2002. In the past 10 years, the two firms have realized a total of nine projects completed or underway together, representing over $4.5 billion in construction value. In addition to the New Orleans VA Replacement Hospital, Clark McCarthy is also building the Marine Corps, Camp Pendleton Replacement Hospital in Oceanside, California, the Stanford University Medical Center Adult Replacement Hospital in Palo Alto, California, and the California Department of Corrections and Rehabilitation/California Prison Health Care Services Health Care Facility in Stockton, California.

In short, the Clark/McCarthy joint venture is a proven, integrated team whose systems, protocols and most importantly – relationships and culture – have been successfully merged delivering outstanding results for clients and partners.

Southeast Louisiana Veterans Healthcare System Replacement Hospital, New Orleans, Louisiana

The Joint Venture of Clark McCarthy Healthcare Partners proposed on the Southeast Louisiana Veterans Healthcare System Replacement Hospital and received notice of award on October 1, 2009. The contract utilizes an Incentive Price Revision Successive Targets Contract, using a Target Price and a Ceiling Price approach to manage costs. Almost immediately upon award, but prior to a notice to proceed, the project was protested to the U.S. Government Accountability Office by one of the other proposers. While the protest was ultimately denied, it delayed the Notice To Proceed and the start of the preconstruction services until February 11, 2010.

We mobilized in New Orleans and the preconstruction services began in February 2010 immediately upon receipt of the Notice to Proceed. In addition to contractually required deliverables, Clark McCarthy worked closely with the design team, the VA Construction and Facilities Management Office and the VA Medical Center staff to manage and reduce overall project cost, expedite procurement activities, and mitigate the impact of the time lost during the protest.

Originally it was contemplated that the preconstruction services would run concurrently with the first phases of construction. Because of the protest and further design development, preconstruction services were extended by approximately one year through mutual agreement between Clark McCarthy and the VA. The start of the first phase of construction was further delayed, as there were problems related to the land acquisition by the VA. The Pan American Life Building, originally slated to be turned over to the VA by the City of New Orleans in November of 2010, was not in the VA's possession until August of 2011. In an effort to reduce the impacts of the time lost, Clark McCarthy worked closely with the VA to develop an early demolition and abatement package for the Pan Am building. We received Notice to Proceed with this work on September 30, 2011. The early package was critical in ensuring that the Pan American Life insurance building could be renovated and turned over early for VA Medical Center administrative offices. The remaining property was originally scheduled to be available for construction in April of 2010, but was delayed until July 2011. During that time period, Clark McCarthy worked with the team to obtain final designs for the first phases of the earthwork, allowing Clark McCarthy to procure the work prior to the state's completion of the property turnover. The delays caused by the property turnover, along with the continual refinement of the design necessitated that the preconstruction effort would continue through the end of 2011. The VA was able to provide Clark McCarthy with a Notice to Proceed on the first phases of earthwork on May 12, 2011.

During the final phases of the property turnover, and after the original Notice to Proceed for the earthwork was issued, the Louisiana State Historical Preservation Office began to investigate the cleared site to determine if any items of historical significance were discovered on the property. Work at the site was suspended after articles of historic significance were located. The archeological investigation began in July 2011 and continued until December 2011. During the investigation contaminated soils and underground storage tanks were also identified. While largely concurrent, these discoveries, not unusual to large urban sites, were dealt with in cooperation between Clark McCarthy, the VA, their consultants and the Louisiana Department of Environmental Quality. The property, once free of encumbrances, was fully released to Clark McCarthy for construction commencement on February 12, 2012, and work resumed on February 22, 2012. Our team was able to quickly mobilize and begin work on the site due to the preplanning and coordination between Clark McCarthy and the VA, which helped mitigate further delays. As of this date work is underway and moving along in accordance with our plan and schedule. Completion of the project is planned to occur in 2016.

The Clark McCarthy team and the VA are determined to complete our work as quickly as possible while maintaining our stringent standards for safety, quality and integrity. To ensure a timely completion of this important project, cooperation, coordination, and effort will be required from all parties.

I want to thank you for this opportunity to testify today and would welcome any questions you may have.

Thank you.

RELEVANT FEDERAL PROJECTS AWARDED DURING FEDERAL FISCAL YEARS 2010, 2011, OR 2012

The following Federal contracts were awarded within Federal fiscal years 2010, 2011, or 2012, and are relevant to the subject matter of the testimony:

Southeast Louisiana Veterans Healthcare System Replacement Hospital, New Orleans, LA

- Agency: Department of Veterans Affairs
- Contract No. VA–101–09–RP–0123
- Contract Award Date: September 30, 2009
- Initial Contract Award Amount: $3,319,000
- Entity: Clark/McCarthy Healthcare Partners, a Joint Venture

Camp Pendleton Naval Hospital, Marine Corps Base Camp Pendleton, CA

- Agency: Department of the Navy, Naval Facilities Engineering Command Southwest
- Contract No. N62473–10–R-0001
- Contract Award Date: September 1, 2010
- Initial Contract Award Amount: $393,883,000
- Entity: Clark/McCarthy, A Joint Venture

Co-Generation Energy System, VA Medical Center, Dallas, TX

- Agency: Department of Veterans Affairs
- Contract No. VA701–C-0171
- Contract Award Date: September 14, 2011
- Initial Contract Award Amount: $22,865,715
- Entity: McCarthy Building Companies, Inc.

Prepared Statement of Robert A. Petzel, M.D.

Chairman Miller and Ranking Member Filner thank you for the opportunity to testify on the status of the Department of Veterans Affairs' (VA) major construction and leasing programs, as well as the management and oversight of major construction project design, construction, and activation. Accompanying me today is Glenn Haggstrom, Principal Executive Director, Office of Acquisition, Logistics and Construction.

I will begin my testimony with a description of the scope of our construction programs and some of the challenges inherent in this or any major construction effort by a large organization. I will then lay out several of the actions we have taken to address these challenges, to put projects that have fallen behind schedule back on track, and to make sure that these same problems don't hinder our efforts in the future.

Construction

The goal of VA's construction and leasing programs is to ensure that there are appropriate facilities to provide benefits and services to our Nation's veterans. With the support of the Congress, VA is engaged in one of the most significant capital improvement programs in our history, and overall, we are succeeding. Candidly, we have experienced challenges in managing our complicated, new medical projects; partly because it has been 18 years since the last VA hospital was built and activated. But, we have identified the issues, are taking steps to mitigate them, and using them as learning opportunities to avoid making the same mistakes again.

Since 2004, VA has received appropriations for 86 major construction projects, that is, those projects with costs of over $10 million. These include various types of projects, such as: outpatient clinics; spinal cord injury centers; community living centers; polytrauma centers; seismic safety corrections; and most notably four large, full-service inpatient hospital facilities in Las Vegas, Nevada; Orlando, Florida; New Orleans, Louisiana; and Denver, Colorado. Of the 86 projects, 32 are complete; 30 are under construction; 20 are under design; and 4 are in the planning stages.

Hospital Projects

Four major hospital projects are currently in different stages of construction. In Las Vegas, Nevada, we are in the process of accepting the recently completed construction of the new medical center. The facility consists of 90 inpatient beds, a 120-bed community living center, primary and specialty care, surgery, mental health, rehabilitation, geriatrics and extended care. VA will begin serving Veterans at the Las Vegas facility this summer, and expects to serve more than 61,000 Veteran enrollees.

The Orlando project includes 134 inpatient beds, an outpatient clinic, a 120-bed community living center, a 60 bed domiciliary, parking garages and support facilities all located on a new site. While phases of the project have been completed or are nearing completion, it is the construction of the final phase—of the clinic, diagnostic, treatment and inpatient facilities—that will delay the opening of the new medical center. Three primary factors are contributing to the delays: errors and omissions in the original design; equipment coordination and design issues; and contractor performance. Errors in the initial design along with procuring and integrating specialized medical equipment into the existing design, both VA responsibilities, affected the contractor's schedule. This resulted in inefficiencies and delays that contributed to the extension of the original contract completion date. Construction quality and manpower issues have also significantly affected the project timeline. VA believes that the project can be completed in the summer of 2013, and expects to serve nearly 113,000 Veteran enrollees. We are working with the contractor to determine a completion date.

The new 1.5 million square foot facility in New Orleans, Louisiana, will accommodate the Southeast Louisiana Healthcare System's needs for primary care, mental health, and specialty care. The project includes 200 beds, an outpatient clinic, and research facilities along with support infrastructure. This project has experienced delays as the City of New Orleans and State of Louisiana acquired the site's property under a Memorandum of Understanding between the City and VA. Additionally, VA has had to remediate environmental issues on the site, which the City of New Orleans had agreed to remedy prior to the transfer of the property. This has required additional time not originally built into the schedule. VA now has title to the site with the exception of one parcel, which includes a historic property. While VA is working with the City to acquire this final piece of land, we are not delaying the project. Construction has already begun; the project is scheduled for completion in spring 2015, with the goal of serving more than 130,000 Veteran enrollees starting in the fall of 2015.

The Denver replacement hospital is a 182-bed full service tertiary care medical center that includes a spinal injury/disorder center, community living center, research building, central energy plant and parking structures, as well as inpatient and outpatient services. Construction of the new facility recently began, and it is expected to be completed in the spring of 2015. The new Denver facility will begin serving its more than 119,000 Veteran enrollees in the fall of 2015.

In addition to construction, the leasing of medical clinics is essential to providing Veterans access to state-of-the-art health care services. Leasing provides VA an additional tool and increased flexibility to serve our Nation's Veterans with both the space and timely services closer to where Veterans live. Since 2008, VA has opened 180 leased medical facilities, 50 of which are major facilities, or those with an annual rent exceeding one million dollars. VA currently leases approximately 13.4 million square feet in support of its health care system.

VA's Way-Forward

To date, VA has taken several steps to improve the management and oversight of major hospital construction projects. Several organizations within the Department have responsibility for various elements of construction, which include defining facility requirements, budgeting and strategic capital investment planning, authorization and appropriation, design and construction procurement and oversight, specialized equipment procurement and facility activation. Historically, one office has not been identified as the "accountable organization" for major construction projects from beginning to end. This has led to difficulties with communication and shortfalls in project oversight. To address these issues going forward, the Secretary has designated the Office of Acquisition, Logistics and Construction as the single point of project accountability within the Department.

VA has learned that we do not have enough site engineers to properly oversee our current volume of major construction efforts. Therefore, in Fiscal Year (FY) 2012, VA is hiring approximately 30 additional on-the-ground, site engineers who are needed to properly manage and oversee our ongoing major construction projects, bringing the total number of VA site engineers up to 190. Congress recently appro-

priated the funding for these engineers in the Major Construction and Medical Facilities accounts. VA is also integrating risk management into the core project management functions. This will help identify potential cost and schedule impacts at an earlier point in time so that issues can be mitigated sooner and/or managed better. In the Veteran Health Administration (VHA) an oversight board has been enhanced, which will now be the central, key strategic communication path for risk management issues, and which will enable VHA leadership to act at an earlier point in time. VA is augmenting project reporting based on experiences from the large projects discussed above to improve performance within VA's construction program, including medical equipment procurement.

Finally, with the submission of the FY 2012 budget, VA began implementing a new, Department-wide planning process, called the Strategic Capital Investment Planning Process (SCIP), to prioritize the Department's future capital investment needs. With SCIP, VA develops an annual, single, integrated prioritized list of proposed projects covering all capital investment programs (major construction, minor construction, leases and VHA non-recurring maintenance (NRM)). SCIP is designed to enable VA to strategically target its limited resources to most effectively improve the delivery of services and benefits to Veterans, their families and survivors by addressing VA's most critical needs and performance gaps and investing wisely in VA's future.

Conclusion

VA has a strong history of learning from past experiences and adapting our approaches when necessary to accomplish its mission to serve Veterans. The lessons learned from our recent construction challenges will lead to improvements in the management and execution of our capital program as we move forward. We are committed to meeting VA's responsibility to design and build quality facilities that provide care and services to our nation's Veterans. I look forward to answering any questions the Committee has regarding these issues.

Question For The Record

To Hon. Eric K. Shinseki, Secretary, U.S. Department of Veterans Affairs, from Bob Filner, Ranking Democratic Member

March 28, 2012

The Honorable Eric K. Shinseki
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Mr. Secretary:

In reference to our Full Committee hearing entitled, "From the Ground Up: Assessing Ongoing Delays in VA Major Construction" that took place on March 27, 2012; I would appreciate it if you could answer the enclosed hearing questions by the close of business on May 7, 2012.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for materials for all Full Committee and Subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively and single-spaced. In addition, please restate the question in its entirety before the answer.

Due to the delay in receiving mail, please provide your response to Carol Murray at *Carol.Murray@mail.house.gov,* and fax your responses to Carol at 202–225–2034. For additional questions, please call 202–225–9756.

Sincerely,

BOB FILNER
Ranking Democratic Member

CW:cm

1. The Government Accountability Office's Report of December 2009 entitled *"The VA Is Working to Improve Initial Project Cost Estimates, but Should Analyze Cost and Schedule Risks",* recommended that in order to provide a realistic estimate of when a construction project may be completed as well as the risks to the project

that could be mitigated the Secretary of Veterans Affairs should direct the Office of Construction and Facility Management (CFM) to:

a. Require the use of an integrated master schedule for all major construction projects. This schedule should integrate all phases of project design and construction.

b. Conduct a schedule risk analysis, when appropriate, based on the project's cost, schedule, complexity, or other factors. Such a risk analysis should include a determination of the largest risks to the project, a plan for mitigating those risks, and an estimate of when the project will be finished if the risks are not mitigated.

Has this been done and if so, when was it implemented?

How do you plan to manage these recommendations and ensure that they are being followed?

2. I have been informed that we have asked for copies of the letters of intent to exceed 10 percent of the authorized amount for Orlando, Las Vegas and New Orleans that are referenced in the FY 2013 budget submission. It is my understanding that the budget submission reflects that VA has sent these letters to the Committees in November 2011. Please provide these letters to the Committee. Thank you.

3. In testimony, Brasfield and Gorrie state that the Senior Contracting Officer refused to meet with them in August, 2011. Is this true? If it is true, what would be the reasoning for refusing to meet with the contractors on a project that is already behind and beset with problems?

4. What is the exact amount of appropriations VA has received for the 86 major construction projects you reference in your testimony?

5. In the spirit of transparency, please provide the Committee a spread sheet on the 86 major construction projects, authorizations for those projects, appropriations for those projects and any bid savings, carry over funding, or supplemental funding that is being applied to those projects.

6. As an agency, do you believe the lease process is one that is advantageous to assist in fulfilling your mission? If you could change the lease program, what would it look like?

7. With regard to Orlando, please explain to me what happened between the hearing in April 2009 and the beginning of the problem in the spring of 2011. What problems and lack of communication contributed to the delay? What is being done now to make sure this does not happen again?

8. I was concerned with the lack of communication when it was determined the Orlando VA Medical Center was going to be delayed. The VA Central Office did not notify me or my staff of this development. My district staff was notified by a public relations staff member who then asked up here if that was the case.

9. My concern is that VA Central Office did not have sufficient oversight of the Orlando project and if they had, the delays and lack of communication could have been avoided. What are your thoughts regarding communication between the Central Office and regional efforts considering what we have discussed here today?

10. You know Fort Bliss is growing by tens of thousands of troops, and soldiers are leaving military service and more and more they will be staying El Paso. Our local veteran population is growing and will probably increase at a much faster rate than anywhere else in the country in the coming years. The Army is constructing a new medical center to replace the existing facility which is currently a joint DoD–VA facility. The VA will need to make a decision about how to deal with this increased veteran population and with the need to expand their existing facility or move to a new location. I believe that the best location for a new VA hospital in El Paso is co-located with the Texas Tech Medical School on the campus of the Medical Center of the Americas. This would give the VA access to top notch research and clinic assets - proving cutting edge care to veterans by partnering with the medical school and others. How is the VA planning for new facilities in areas like El Paso that are seeing major growth?

Responses to Bob Filner, Ranking Democratic Member from Hon. Eric K. Shinseki, Secretary, U.S. Department of Veterans Affairs

Question 1: The Government Accountability Office's Report of December 2009 entitled *"The VA Is Working to Improve Initial Project Cost Estimates, but Should Ana-*

lyze Cost and Schedule Risks", recommended that in order to provide a realistic estimate of when a construction project may be completed as well as the risks to the project that could be mitigated the Secretary of Veterans Affairs should direct the Office of Construction and Facility Management (CFM) to:

a. Require the use of an integrated master schedule for all major construction projects. This schedule should integrate all phases of project design and construction.
b. Conduct a schedule risk analysis, when appropriate, based on the project's cost, schedule, complexity, or other factors. Such a risk analysis should include a determination of the largest risks to the project, a plan for mitigating those risks, and an estimate of when the project will be finished if the risks are not mitigated.

Has this been done and if so, when was it implemented? How do you plan to manage these recommendations and ensure that they are being followed?

VA Response: The Office of Construction and Facilities Management (CFM) accepted the findings in early 2010 and proceeded to study the issue and develop a plan for implementing the findings on Integrated Master Scheduling and Cost Risk Analysis. CFM studied other agencies to learn from their implementation of Integrated Master Schedules (IMS) and Risk Analysis. VA issued guidance to modify architect/engineer (A/E) contracts to include submission of a cost loaded design schedule along with a construction cost risk analysis in August 2010. CFM changed the requirements in VA's Program Guide 18–15, A/E Design Submissions Requirements, in October 2010 to formally include the requirement for schedule and cost analysis as deliverables under the A/E contract.

A memorandum dated March 30, 2012 **(Attachment A)**, was issued to all CFM Regional Directors and Project Managers requiring the development of a complete IMS for all projects that obtained initial funding in fiscal years (FY) 2011 or 2012. Schedules contain planning activities and milestones for procurement, design, construction, medical equipment procurement, and activation. The Project Managers completed the schedules requested at the end of June 2012. Those projects that received funding in a prior year have truncated schedules based on where they are in the planning, design or construction process. This requirement applies to all future projects. CFM has started to analyze the schedules to identify risk areas and develop mitigation plans. The memorandum of March 30, 2012, also required that a project cost risk analysis be conducted for all projects in the FY 2012 and FY 2013 budgets. CFM's Cost Estimating Service conducted the analysis. The results of the cost risk analysis are being briefed to CFM leadership and an action plan is being developed to implement the recommendations. Project managers are taking actions on the project-specific-risks identified. The action plan for systemic risks is expected to be complete in December 2012.

Question 2: I have been informed that we have asked for copies of the letters of intent to exceed 10 percent of the authorized amount for Orlando, Las Vegas and New Orleans that are referenced in the FY 2013 budget submission. It is my understanding that the budget submission reflects that VA has sent these letters to the Committees in November 2011. Please provide these letters to the Committee.

VA Response: Footnote 1 on page 6–47 of Volume 4 of the FY 2013 Budget Note Submission **(Attachment B)** states: 'Authorization extended under P.L. 109–461. Notification letter sent to the Committees in November 2011 of intent to exceed 10 percent of the authorized amount **(Attachment C)**.' The second sentence of the footnote only applied to Syracuse, NY, and not the other projects associated with footnote 1. Adding the second sentence to Footnote 1 was in error. A separate footnote regarding the notification letter should have been created that applied only to Syracuse.

Question 3: In testimony, Brasfield and Gorrie state that the Senior Contracting Officer refused to meet with them in August, 2011. Is this true? If it is true, what would be the reasoning for refusing to meet with the contractors on a project that is already behind and beset with problems?

VA Response: CFM has a strong history of partnering with its contractors and encourages open communication between the contractor's representatives and CFM staff. Specifically regarding the timeframe in question, there was a written request from Brasfield & Gorrie (B&G) dated September 13, 2011, to the senior contracting officer requesting a meeting to discuss seven (7) project matters affecting the respective project teams. The senior contracting officer responded to B&G on September 15, 2011, and arranged a meeting in Orlando on September 20, 2011. VA and B&G held a follow-up meeting on November 17, 2011, in VA Central Office. Further, Mr.

Robert Neary, Acting Executive Director, Office of Construction and Facilities Management met with B&G on January 5, 2012. The contracting officer continues to meet with B&G bi-weekly. Mr. Neary and Mr. Glenn Haggstrom, Principal Executive Director, Office of Acquisition, Logistics and Construction, have met with B&G in a series of meetings since the beginning of 2012. VA continues to engage the Committee and provide updates on a regular basis.

Question 4: What is the exact amount of appropriations VA has received for the 86 major construction projects you reference in your testimony?

VA Response: VA received $7.4 billion for these 86 projects.

Question 5: In the spirit of transparency, please provide the Committee a spread sheet on the 86 major construction projects, authorizations for those projects, appropriations for those projects and any bid savings, carry over funding, or supplemental funding that is being applied to those projects.

VA Response: See spreadsheet on the 86 projects **(Attachment D)**. This information can also be found in Volume 4 of 4 of VA's 2013 Budget Submission. Appropriations are summarized in Appendix F – History of VHA Projects (pages 10–58 to 10–61) and Appendix G – History of Non-VHA Projects (pages 10–102 to 10–105). The Status Report for Authorized Major Medical Facility Projects is summarized on page 6–45.

Question 6: As an agency, do you believe the lease process is one that is advantageous to assist in fulfilling your mission? If you could change the lease program, what would it look like?

VA Response: The leasing program is a valuable tool that allows VA to effectively manage its capital assets while adapting to changing needs of our ultimate customer – the Veteran. Leasing allows VA flexibility in response to changing needs within the Veteran population. VA can adapt to growing demands for services more rapidly without the significant capital investment and time involved in the major construction process. Leasing also allows VA to right-size facilities on a periodic basis to address changes in health care delivery. Leasing ensures VA does not have the fiscal responsibility for an aging asset. Leasing prevents VA from adding permanent assets to the portfolio. Permanent assets may become a burden to maintain and operate in the future and are difficult to dispose of once they are no longer needed. This allows VA greater flexibility to meet the needs of the ever-changing Veteran population.

Currently, VA only has authority to lease for medical space, as defined in 38 USC Section 8101. The Department continues to seek ways to improve the leasing process. On April 2012, the Secretary of Veterans Affairs established the Construction Review Council (CRC) to periodically review the Department's development and execution of its real property capital asset programs. The CRC gives VA an opportunity to anticipate possible issues and create solutions without hindering a project.

The CRC identified four areas of VA's construction program in which VA would pursue improvements in order to allow for facilities to be delivered on time and within scope. These four areas - Requirements, Design Quality, Funding, and Program Management- have been analyzed by the CRC in relation to the leasing program, and have resulted in the following changes.

Regarding requirements definition, additional agency-wide emphasis is being placed on the requirements planning process in the very preliminary planning stages. VA is committed to close consideration of baseline cost and size estimates for leased facilities within the FY13 and FY14 budgets, as well as future budget years, in order to correctly reflect the requirement to meet the need of the current Veteran population.

For design quality, VA has implemented a pilot program in which CFM's planning office engages the A/E firm performing VA's schematic design, to ensure that VA is receiving a high quality of service by its A/E firms, and that VA's requirements are interpreted correctly into the very early stages of the procurement process.

Regarding funding coordination, CFM is taking steps to have the funds required for initial due diligence funding to be held in a centralized location, to mitigate potential delays in receipt of required due diligence items within the procurement process.

Finally, for Program Management, CFM's Leasing Project Managers are now required to be FAC–P/PM level III certified. Currently, almost 75% of RPS project managers have completed all required courses for FAC–P/PM certification, with the remaining project managers currently participating in the training.

Question 7: With regard to Orlando, please explain to me what happened between the hearing in April 2009 and the beginning of the problem in the spring of 2011. What problems and lack of communication contributed to the delay? What is being done now to make sure this does not happen again?

VA Response: During the period, VA completed two phases of the project – the site utilities and infrastructure, and the foundations and superstructure of the main hospital. VA also made significant progress with the central energy plant, community living center and domiciliary, and the warehouse and parking garages. The main hospital build out package was awarded to B&G, the prime contractor, in August 2010 and a notice to proceed was given in October of that same year. The electrical design issues discovered post award were just being resolved in April of 2011, and the timeliness of information regarding equipment procurement started to emerge shortly thereafter. Additionally, during that same period, the prime contractor was confronted with quality control problems as significant deficiencies were discovered with the roofing and interstitial steel. The converging challenges with contractor performance contributed greatly to the delay. The Government rectified the design and owner-furnished equipment problems. The prime contractor has yet to provide adequate manpower for the trades on site. The prime contractor has also failed to continue diligent prosecution of the work while awaiting resolution of potentially disputed issues.

VA's architect-engineer joint venture team and construction management firm have provided additional staff to expedite any possible future design revisions and to analyze time and money impacts of change orders. They are on site and easily accessible, monitoring the ongoing activity daily. There are several meetings held each week for the sole purpose of removing impediments to progress. VA has gone to great lengths to respond to B&G's requests for information and to facilitate recovery. Additionally, senior leadership, from both VA and B&G meet regularly.

Our mission is to serve Veterans, which includes delivering first-rate facilities on time. VA bears the responsibility to manage all projects efficiently, meet deadlines, and be good stewards of the resources entrusted to us by Congress and the American people. VA is committed to completing the Orlando VA Medical Center as soon as possible and is working collaboratively with the prime contractor to get construction completed as soon as practicable.

Questions 8 & 9: I was concerned with the lack of communication when it was determined the Orlando VA Medical Center was going to be delayed. The VA Central Office did not notify me or my staff of this development. My district staff was notified by a public relations staff member who then asked up here if that was the case. My concern is that VA Central Office did not have sufficient oversight of the Orlando project and if they had, the delays and lack of communication could have been avoided. What are your thoughts regarding communication between the Central Office and regional efforts considering what we have discussed here today?

VA Response: CFM has regular communications with the regional offices. CFM VACO senior staff have routine weekly interaction with the Resident Engineer staff on site to ensure communication continues to improve and issues are resolved as quickly as possible. Field staff did discuss the delays with senior staff in VACO which resulted in many actions including: management concurrence in proposal postponement; review and approval of modifications; and strategic decisions on suspension of work. We believe the foundation for effective communications is in place and it will continue to be exercised.

Question 10: You know Fort Bliss is growing by tens of thousands of troops, and soldiers are leaving military service and more and more they will be staying El Paso. Our local veteran population is growing and will probably increase at a much faster rate than anywhere else in the country in the coming years. The Army is constructing a new medical center to replace the existing facility which is currently a joint DoD–VA facility. The VA will need to make a decision about how to deal with this increased veteran population and with the need to expand their existing facility or move to a new location. I believe that the best location for a new VA hospital in El Paso is co-located with the Texas Tech Medical School on the campus of the Medical Center of the Americas. This would give the VA access to top notch research and clinic assets - proving cutting edge care to veterans by partnering with the medical school and others. How is the VA planning for new facilities in areas like El Paso that are seeing major growth?

VA Response: Veterans Integrated Service Network 18 has several initiatives underway to meet the needs of the current workload, the projected workload and

any additional influx from the William Beaumont Army Medical Center (WBAMC) at Ft. Bliss activities as outlined below:

Underway/Potential Projects:

- A 27,000 gross square foot (GSF) clinical building on El Paso VA Health Care System (EPVAHCS) grounds is currently under design for the expansion of dental, prosthetics/orthotics, and administration services. Construction is anticipated in FY 2013.
- The Las Cruces CBOC leased space is scheduled to be expanded in FY 2014 from its current size of 5,000 net usable square feet (NUSF) to 9,000 NUSF. Additional services are being finalized with a projected completion date of a new lease in 2014.
- Joint Incentive Fund with WBAMC endoscopy expansion is currently under construction. Activation is anticipated to be October 2012.
- New Primary Care Telehealth Outpatient Clinic lease has been submitted for approval in the FY 2014 Strategic Capital Investment Process to address rural areas; anticipated location is Marfa, TX (approximately 194 miles from El Paso, TX).
- Contracts are being developed with community hospitals to provide overflow for inpatient and outpatient needs. Contract development began the week of April 4, 2011. Statements of Work have been developed and are in the process of being sent to Contracting for further processing.

Attachment A

Department of Veterans Affairs — Memorandum

Date MAR 3 0 2012

From: Acting Executive Director, Office of Construction & Facilities Management (003C)

Subj: Requirement for Integrated Master Schedules and Cost Risk Analysis

To:Regional Directors and Project Managers

1. The GAO issued a report in December 2009 recommending that VA implement integrated master schedules and conduct a cost risk analysis for each major construction project. VA accepted these recommendations.

2. In addition, VA initiated project management training for VA Project Managers. This training addresses the need and methods for developing integrated master schedules and conducting cost risk analysis. Over 50 percent of CFM's assigned Project Managers have achieved certification in this training.

3. VAFM has been studying the issue of adding risk management and integrated schedules to the standard process for the last 2 years. The Project Management Plan included chapters for risk management and schedules. In light of these actions Integrated Master Schedules shall be created for all projects that obtained initial funding in Fiscal Years (FY) 11 or FY 12. These schedules will contain planning activities and milestones for procurement, design, construction, medical equipment procurement, and activation. The schedules shall be completed by the Project Manager and submitted to the Office of Programs and Plans (003C6) not later than June 29, 2012. Specific implementation instructions will be issued by (003C6) within 10 days of this directive

4. Integrated Master Schedules shall be created for all projects that obtained initial funding in FY 11 or 12. These schedules will contain planning activities and milestones for procurement, design, construction, medical equipment procurement, and activation. Projects that obtained initial funding prior to FY 11 will have a truncated integrated master schedule developed based on the stage of the project. All projects with at least 75 percent of all construction complete are exempt from this requirement. For projects with less than 75 percent of all construction complete, the schedules will be created by the Project Manager. The Integrated Master Schedules will be completed by Project Managers and submitted to (003C6) not later than June 29, 2012. Specific implementation instructions will be issued by (003C6) within 10 days.

5. Project cost risk analysis will be conducted for all projects in the FY 12 and FY 13 budgets. The analysis will be conducted by Cost Estimating Service. However, I expect each Project Manager to work with the Cost Estimating Service to obtain the completed analysis not later than June 1, 2012. Project Managers will submit the cost risk analysis to (003C6) for review by June 1, 2012. Specific implementation instructions will be issued by (003C6) within 10 days.

6. Control of our construction projects is extremely important. These tools, while allowing leadership a view into the development of the project, are designed to assist you in managing your work activities. I strongly encourage each of you to use these tools to help us to more quickly deliver a quality product that serves the Department's needs and provides quality services to our Veterans.

Robert L. Neary, Jr.

Attachment B

Location	Description	Authorization	Approp. Available Through FY 2012	FY(s) Authorized	Status
Syracuse, NY [1]	Spinal Cord Injury (SCI) Center	77,700	92,469	2007	CO
Tampa, FL [3]	Polytrauma Expansion & Bed Tower Upgrade	231,500	231,500	2008	CO
Walla Walla, WA	Multi-Specialty Care	71,400	71,400	2010	CO
West Los Angeles, CA	Seismic Corrections of 12 Buildings	35,500	35,500	2012	CD

[1] Authorization extended under P.L. 109–461. Notification letter sent to the Committees in November 2011 of intent to exceed 10 percent of the authorized amount.
[2] Orlando, FL project was authorized for $656,800,000; available funding is $665,400,000 and is within the 10% allowance per Title 38, Section 8104.
[3] Included under P.L. 110–252 in 2008.
[4] Long Beach, CA project was authorized for $117,845,000; available funding is $129,545,000, and is within the 10% allowance per Title 38, Section 8104.
[5] San Antonio, TX Ward Upgrades and Expansion project was authorized for $19,100,000; available funding is $20,994,000 and is within the 10% allowance per Title 38, Section 8104.

1999 projects were authorized in P.L. 105–368. 2002 projects were authorized in P.L. 107–135. 2004 and 2005 projects were authorized under P.L. 108–170, which expired September 30, 2006. Projects authorized in P.L. 108–170 that did not have construction awards prior to the expiration date required reauthorization. 2004 and 2005 projects with expired authorization were reauthorized in P.L. 109–461, as well as the 2006 and 2007 projects. Atlanta, GA was authorized in P.L. 110–168. The 2009 projects were authorized in P.L. 110–387. Walla Walla, WA, was authorized by P.L. 111–98 in 2010. All other 2010 projects were authorized in P.L. 111–163. 2011 projects were authorized in P.L. 111–275. 2012 projects were authorized in P.L. 112–37.

Attachment C

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 14, 2011

The Honorable Tim Johnson Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The purpose of this letter is to notify you that in accordance with 38 U.S.C. Section 8104 (c), the Department of Veterans Affairs (VA) is providing notification of the intent to obligate funding in excess of 10 percent of the original authorized

project amount of $77.7 million for Phase II of the Spinal Cord Injury/Disease (SCl/D) Center project at the VA Medical Center in Syracuse, New York. The current total funding to date for the project is $85.4 million. Additional funds in the amount of $5 million needed to complete this project will be provided from the Major Construction Working Reserve.

The SCl/D project includes a new supply processing and distribution (SPD) department to support seven new operating rooms. The original plans for the SPD used 2008 criteria. A newly revised SPD design criterion was issued in 2010 and included many significant changes. SPD provides for the sterilization of medical instrumentation and other products utilized in surgery. It is critical that the latest criteria for SPD be available to ensure patient safety. An estimated $2 million will be needed to support design and construction costs to complete the modified SPD.

Phase II, the Addition for SCl/D Center, is 75 percent complete. While the new construction associated with the project is nearly complete, there is a significant renovation phase to follow and insufficient contingency funds remain on hand to cover unanticipated modifications that may be required during the renovation phase. Historically, renovation has a higher risk of unforeseen changes than new construction. The additional funds will permit completion of the renovation work in accordance with the original requirements. An additional $2 million is needed for construction contingency. An estimated $1 million will be utilized to contract for necessary construction management service support.

This notification has been sent to the appropriate leadership of the House and Senate Committees on Appropriations.

Sincerely,

Eric K. Shinseki

[THIS LETTER WAS ALSO SENT FROM ERIC K. SHINSEKI TO THE FOLLOWING INDIVIDUALS:]

The Honorable John Culberson
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Mark Kirk
Ranking Member
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Sanford D. Bishop, Jr.
Ranking Member
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Attachment D

See the following pages.

CFM 2004 - Present
Dollars in Thousands

Location	State	Description	Status	TEC	Authorization	Total Appropriated Funds	FY04 Actual	FY05 Actua
		VHA PROJECTS						
American Lake	WA	Seismic Corrections-NHCU & Dietetics	PC	38,220	38,220	38,220		
American Lake	WA	Seismic Corrections of Bldg. 81	DD	52,600	N/A	5,260		
Anchorage	AK	Outpatient Clinic	PC	75,265	75,270	75,265	11,755	
Atlanta	GA	Modernize Patient Wards (OV)	CO	24,534	20,534	24,534		20,534
Bay Pines	FL	Outpatient Clinic (Lee County)	CO	89,800	131,800	87,800		6,498
Bay Pines	FL	Inpatient/Outpatient Improvements	CO	158,200	194,400	158,200		
Biloxi	MS	Restoration Of Hospital/Consolidation of Gulfport (OV)	CO	304,000	310,000	304,000		
Biloxi	MS	Gulfport - Enviornmental Cleanup (OV)	PC	35,919	Hurricane supplemental	35,919		
Brockton	MA	Long-Term Care Spinal Cord Injury (SCI) (OV)	DD	188,000	N/A	24,040		
Bronx	NY	Spinal Cord Injury Center (SCI)	CD	225,900	N/A	8,179		
Canandaigua	NY	New Construction and Renovation	S/DD	370,100	N/A	36,580		
Chicago	IL	Modernize Inpatient Space	PC	98,499	98,500	98,499	98,499	
Cleveland	OH	Brecksville Consolidation (OV)	PC	102,300	102,300	102,300	15,000	
Columbia	MO	Operating Suite Replacement	CO	25,830	25,830	25,830		
Columbus	OH	Outpatient Clinic	PC	94,689	94,800	94,689	94,689	
Dallas	TX	Clinical Expansion for Mental Health	DD	156,400	15,640	15,640		
Dallas	TX	Spinal Cord Injury (SCI)	CD	155,200	in 2013 request	8,900		
Denver	CO	New Medical Center Facility	CO	800,000	800,000	800,000	30,000	
Des Moines	IA	Extended Care Building	PC	25,550	25,000	25,550		24,800
Durham	NC	Renovate Patient Wards	PC	9,100	9,100	9,100	9,100	
Fayetteville	AR	Clinical Addition	CO	90,600	90,600	88,100		
Gainesville	FL	Correct Patient Privacy Deficiencies	PC	114,200	136,700	101,575	8,800	
Indianapolis	IN	7th & 8th Floor Ward Modernization Add (OV)	PC	27,400	27,400	27,400	27,400	
Las Vegas	NV	New Medical Facility	CO	584,655	600,400	584,655	60,000	
Long Beach	CA	Seismic Corrections/Clinical,B-7 & 126	CO	129,545	117,845	129,545	10,300	
Long Beach	CA	Seismic Corrections - Mental Health & Community Living	DD	258,400	N/A	24,200		
Louisville	KY	New Medical Facility	MP	1,100,000	75,000	75,000		
Menlo Park	CA	Seismic Corrections - (Building 324)	PC	32,934	33,200	32,934		32,934

CFM 2004 - Present
Dollars in Thousands

l	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	Comments
		38,220						
				5,260				
	63,510							
				4,000				
3	4,000		9,890	111,412	(42,000)		(2,000)	Lee County, FL, $42 million were transferred to the Filipino Veterans Compensation Fund in 2010 per P.L. 111-212. Per the FY 2012 budget, $2 million were made available to support other VA major project initiatives. Excess funds from unsued contingencies, impact items, etc. were transferred to the working reserve.
				17,430	96,800		43,970	
	310,000				(6,000)			Biloxi, MS, received $17.5 million in regular appropriations and another $292.5 million in emergency supplemental appropriation from P.L. 109-148 in 2006. $6 million was transferred to the Filipino Veterans Compensation Fund in 2010 per P.L. 111-212.
	35,919							
					24,040			
				8,179				
					36,580			
	87,300							
		25,830						
				15,640				
				8,900				
	25,000	52,000	61,300	20,000	119,000	450,700	42,000	
		750						Des Moines, IA, received $750,000 in a reprogramming action in 2007.
	5,800		87,200		(2,400)		(2,500)	Additional funding was received in the 2008 Omnibus Appropriation, P.L. 110-161 for: Fayetteville, AR; Gainesville, FL; Orlando, FL; Palo Alto, CA Seismic Building 2; and Pittsburgh, PA. Fayetteville, AR, $2.4 million were transferred to the Filipino Veterans Compensation Fund in 2010 per P.L. 111-212 Per the FY 2012 budget, $2.5 million were made available to support other VA major project initiatives. Excess funds from unused contingencies, impact items, etc. were transferred to the working reserve.
	76,400		51,500	(7,700)	(14,800)		(12,625)	Additional funding was received in the 2008 Omnibus Appropriation, P.L. 110-161 for: Fayetteville, AR; Gainesville, FL; Orlando, FL; Palo Alto, CA Seismic Building 2; and Pittsburgh, PA. Gainesville, FL, $7.7 million were reprogrammed to Syracuse, NY in 2009. $14.8 million were reprogrammed from this project in 2010: $11.7 million to Long Beach, CA Seismic Buildings 7 & 126 and $3.1 million to the San Juan, PR Seismic Corrections project from 1999, which is not represented on this History table. Per the FY 2012 budget, $12.6 million were made available to support other VA major project initiatives. Excess funds from unsued contingencies, impact items, etc. were transferred to the working reserve.
	199,000		341,400		(6,900)		(8,845)	Las Vegas, NV $6.9 million were transferred to the Filipino Veterans Compensation Fund in 2010 per P.L. 111-212. Per the FY 2012 budget, $8.8 million were made available to support other VA major project initiatives. Excess funds from unsued contingencies, impact items, etc. were transferred to the working reserve.
		97,545		10,000	11,700			Long Beach, CA, in 2010 $11.7 million in bid savings were reprogrammed from Gainesville, FL.
					24,200			
				75,000				

CFM 2004 - Present
Dollars in Thousands

Location	State	Description	Status	TEC	Authorization	Total Appropriated Funds	FY04 Actual	FY05 Actua
Milwaukee	WI	Spinal Cord Injury Center	PC	29,500	32,500	27,581		
Minneapolis	MN	SCI & SCD Center	PC	20,438	20,500	20,438	20,500	
New Orleans	LA	New Medical Facility (OV)	CO	995,000	995,000	995,000		
Omaha	NE	Omaha- Replacement Facility	DD	560,000	N/A	56,000		
Orlando	FL	New Medical Facility	CO	665,400	656,800	616,158	25,000	
Palo Alto	CA	Seismic Corrections, Bldg. 2	CO	54,000	54,000	54,000	34,000	
Palo Alto	CA	Livermore Realignment (OV)	S/DD	354,300	55,430	55,430		
Palo Alto	CA	Centers for Ambulatory Care/ Polytrauma-Blind Rehabili	CO	716,600	716,600	294,777		
Pensacola	FL	Pensacola Outpatient Clinic	PC	55,056	55,500	55,056		55,05
Perry Point	MD	Replacement CLC	S/DD	90,100	N/A	9,000		
Pittsburgh	PA	Medical Center Consolidation (Overview)	CO	295,594	295,600	282,594	19,994	
Reno	NV	Correct Seismic Deficiencies and Expand Clinical Services	AE	213,800	N/A	21,380		
Sacramento	CA	Alameda Outpatient Clinic	S/DD	208,600	N/A	17,332		
Saint Louis	MO	New Bed Tower, Research Building, Parking Garage (OV)	S/DD	443,400	43,340	43,340		
San Antonio	TX	Ward Upgrades And Expansion (OV)	PC	20,994	19,100	20,994	19,094	
San Antonio	TX	Polytrauma Center, & Renovation of Exist Bldg. 1 (OV)	CO	66,000	66,000	66,000		
San Diego	CA	Seismic Corrections - Bldg. 1	PC	47,874	48,260	47,874		47,874
San Diego	CA	SCI, Seismic Corrections - (Overview)	DD	195,000	N/A	18,340		
San Francisco	CA	Seismic Corrections, Bldg. 203	PC	41,168	41,500	41,168		41,168
San Francisco	CA	B-1,6, 8 & 12 Seismic Correction	AE	224,800	N/A	22,480		
San Juan	PR	Seismic Corrections Bldg. 1 (OV)	CO	277,000	277,000	277,000		14,880
Seattle	WA	Correct Seismic Deficiencies B100, NT & CLC	CD	51,800	51,800	51,800		
Seattle	WA	B101 Mental Health	CD	222,000	in 2013 request	17,870		
St. Louis (JBD)	MO	Med Facility Improv & Cem Expansion (OV)	CO	366,500	346,300	111,700		

CFM 2004 - Present
Dollars in Thousands

l	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	Comments
		32,500			(3,000)		(1,919)	Milwaukee, WI, $3 million were transferred to the Filipino Veterans Compensation Fund in 2010 per P.L. 111-212. Per the FY 2012 budget, $1.92 million were made available to support other VA major project initiatives. Excess funds from unsued contingencies, impact items, etc. were transferred to the working reserve.
					(62)			
	625,000					310,000	60,000	New Orleans, LA, was funded through two emergency supplemental appropriations: $75 million from P.L. 109-148 and another $550 million from P.L. 109-234.
						56,000		
			49,100	220,000	371,300		(49,242)	Additional funding was received in the 2008 Omnibus Appropriation, P.L. 110-161 for: Fayetteville, AR; Gainesville, FL; Orlando, FL; Palo Alto, CA Seismic Building 2; and Pittsburgh, PA. 6 Per the FY 2012 budget, funds were made available to support other VA major project initiatives. Funds were transferred to the working reserve from projects nearing completion with unused contingencies, impact items, etc. In 2012, Orlando transferred $49.2 million, Pittsburgh transferred $13 million, and Tampa transferred $2.7 million.
			20,000					Additional funding was received in the 2008 Omnibus Appropriation, P.L. 110-161 for: Fayetteville, AR; Gainesville, FL; Orlando, FL; Palo Alto, CA Seismic Building 2; and Pittsburgh, PA.
					55,430			
			164,877			54,000	75,900	Palo Alto, CA, Ambulatory Care/Polytrauma Rehab and Tampa, FL, Polytrauma/Bed Tower projects received funding in the 2008 emergency supplemental, P.L. 110-252.
6								
					9,000			
	82,500		130,700	62,400			(13,000)	Additional funding was received in the 2008 Omnibus Appropriation, P.L. 110-161 for: Fayetteville, AR; Gainesville, FL; Orlando, FL; Palo Alto, CA Seismic Building 2; and Pittsburgh, PA. 6 Per the FY 2012 budget, funds were made available to support other VA major project initiatives. Funds were transferred to the working reserve from projects nearing completion with unused contingencies, impact items, etc. In 2012, Orlando transferred $49.2 million, Pittsburgh transferred $13 million, and Tampa transferred $2.7 million.
							21,380	
						17,332		Alameda Point, CA total estimated cost includes $2 million in non-construction costs for niche covers from the Compensation and Pensions appropriation.
					43,340			
				1,900				San Antonio, TX, Ward Upgrades and Expansions received $1.9 million, in a reprogramming action in 2009.
			66,000					San Antonio, TX, Polytrauma Center received $66 million in reprogramming action in 2008. The project was required by P.L. 110-161.
					18,340			
S								
							22,480	
)	(4,000)		59,000	64,400	42,000		100,720	
				4,300			47,500	
				17,870				
		7,000		5,000	19,700		80,000	

CFM 2004 - Present
Dollars in Thousands

Location	State	Description	Status	TEC	Authorization	Total Appropriated Funds	FY04 Actual	FY05 Actua
Syracuse	NY	Addition For SCI Center (OV)	CO	87,469	77,700	92,469		53,469
Tampa	FL	Upgrade Essential Electrial Dist. Sys.	PC	49,000	49,000	46,259	49,000	
Tampa	FL	Polytrauma Expansion/Bed Tower	CO	231,500	231,500	231,500		
Temple	TX	IT Building	CO	10,552	56,000	10,552		55,55
Walla Walla	WA	Multi Specialty Care (Overview)	CO	71,400	71,400	71,400		
West Los Angeles (BRNT)	CA	Seismic Corrections - Various Bldgs.	CD	346,900	35,500	35,500		
West Los Angeles (BRNT)	CA	Construct New Essential Care Tower / B500 Seismic Corr	MP	1,027,900	N/A	50,790		
						$ 6,803,696		
		NCA PROJECTS						
Annville	PA	Indiantown Gap National Cemetery- Phase 4 Expansion	CO	23,500	NCA	23,500		
Bakersfield	CA	New National Cemetery- Phase 1B	PC	16,232	NCA	19,500		
Barrancas National Cemetery	FL	Barrancas Natl Cem - Gravesite Development	PC	11,929	NCA	12,429	11,929	
Bayamon	PR	Puerto Rico Natl Cem -Gravesite Exp & Cemetery Improv	CO	33,900	NCA	23,900		
Birmingham	AL	Alabama Natl Cem - New National Cemetery- Phase 1B D	PC	14,445	NCA	17,343		
Bourne	MA	Massachusetts Natl Cem -Gravesite Expansion & Improv	CO	20,500	NCA	20,500		
Bushnell	FL	Gravesite Expansion (Bushnell)	PC	19,840	NCA	20,504		21,34
Calverton	NY	Gravesite Expansion And Columbaria	PC	30,535	NCA	29,220		600
Columbia/Greenville	SC	Ft. Jackson Natl Cem -New National Cemetery- Phase 1B	CO	16,196	NCA	14,880		
Dallas	TX	Phase II Gravesite Expansion	PC	13,000	NCA	13,000		
Detroit	MI	Great Lakes Natl Cem - Phase 1B Development	PC	13,566	NCA	13,566		
Elwood	IL	Abraham Lincoln Cem - Phase 2 Gravesite Expansion	CO	39,300	NCA	25,471		
Ft. Sam Houston	TX	Gravesite Development	CO	18,400	NCA	29,400		
Honolulu	HI	NMCP - Columbarium & Cemetery Improvements	DD	23,700	NCA	23,700		
Houston	TX	Gravesite Expansion & Improvements- Phase 4	CO	35,000	NCA	19,749		
Jacksonville	FL	New Cemetery- Phase 1 B Development	PC	16,166	NCA	16,138		
Kent	WA	Tahoma National Cemetery- Phase 2 Expansion	AA	25,800	NCA	25,800		
Los Angeles	CA	Columbarium Expansion	CD	27,600	NCA	27,600		
Minneapolis	MN	Gravesite Expansion	PC	24,659	NCA	24,654	24,654	

CFM 2004 - Present
Dollars in Thousands

l	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	Comments
			23,800	7,700	2,000	500	5,000	Syracuse, NY, received $7.7 million in a reprogramming action in 2009 from the Gainesville, FL project. In 2010, $2 million were reprogrammed from the Major Working Reserve. In 2011, $500 thousand were transferred from the working reserve account. In 2013, $5 million were reprogrammed from the working reserve account.
							(2,741)	Per the FY 2012 budget, funds were made available to support other VA major project initiatives. Funds were transferred to the working reserve from projects nearing completion with unused contingencies, impact items, etc. In 2012, Orlando transferred $49.2 million, Pittsburgh transferred $13 million, and Tampa transferred $2.7 million.
			231,500					Palo Alto, CA, Ambulatory Care/Polytrauma Rehab and Tampa, FL, Polytrauma/Bed Tower projects received funding in the 2008 emergency supplemental, P.L. 110-252.
2			(45,000)					Temple, TX, received $56 million in 2005. In 2008 a planning decision about the future of the Waco, TX, facility diminished the need for major construction activities at Temple and $45 million was reprogrammed from the project. The remaining $10.55 million will construct an IT facility.
				71,400				
				15,500			20,000	West Los Angeles, CA Seismic Retrofit of 12 Buildings, $20 million were made available in 2012 from prior year funds in order to complete the renovations of Building 209 to house homeless programs.
							50,790	
						23,500		
			19,500					
						500		$500K was reprogrammed from working reserve in FY 2011
				33,900			(10,000)	Per the FY2012 budget, $10M was made available for other uses in support of the major construction program.
			18,500				(1,157)	Per the FY2012 budget, $1.2M was made available for other uses in support of the major construction program.
				20,500				
0							(836)	Per the FY2012 budget, $0.8M was made available for other uses in support of the major construction program.
			935	29,000			(1,315)	Per the FY2012 budget, $1.3M was made available for other uses in support of the major construction program.
			19,200				(4,320)	Per the FY2012 budget, $4.3M was made available for other uses in support of the major construction program.
		13,000						
		16,900		(3,334)				
		1,000			38,300		(13,829)	Per the FY2012 budget, $13.8M was made available for other uses in support of the major construction program.
			29,400					
							23,700	
					35,000		(15,251)	Per the FY2012 budget, $15.3M was made available for other uses in support of the major construction program.
			22,400	(4,181)			(2,081)	Per the FY2012 budget, $2.1M was made available for other uses in support of the major construction program.
						25,800		
						27,600		
								Minneapolis, MN, $62 thousand were reprogrammed to the working reserve in 2010.

CFM 2004 - Present
Dollars in Thousands

Location	State	Description	Status	TEC	Authorization	Total Appropriated Funds	FY04 Actual	FY05 Actua
Philadelphia	PA	Washington Crossing Natl Cem -New Cemetery- Phase 1	CO	23,636	NCA	26,300		
Rock Island	IL	Burial Area Expansion	FC	10,118	NCA	10,118		10,11
Sacramento	CA	New National Cemetery - Phase I Development (overviev	PC	21,727	NCA	21,727		21,42
San Diego	CA	Miramar Natl Cem -Master Plan and Phase I Developmer	CO	26,450	NCA	25,937		
Sarasota	FL	New National Cemetery - Phase I Development (OV)	CO	27,800	NCA	23,195		
Schuylerville	NY	PHASE II GRAVESITE IMPROVEMENT	PC	6,340	NCA	13,991		13,991
						$ 522,122		
STAFF OFFICE PROJECTS								
Martinsburg	WV	Capital Region Data Center	PC	33,700	STAFF OFFICE	35,000		
VA/DoD SHARING PROJECTS								
North Chicago	IL	Surgical Suite/Emergency VA/DoD Sharing	FC	13,000	VA/DOD sharing	11,781	13,000	
						$ 7,372,599		

Note: NCA, Staff Office and VA/DoD sharing major construction projects do not require authorization.

Status Codes:
AE - Selection of the AE Firm for Design
MP - Master Plan
AA - Advertise & Award
CD - Construction Documents
S/DD - Schematic Design
DD - Schematics/Design Development
CO - Construction
FC - Financially Complete
PC - Physically Complete

CFM 2004 - Present
Dollars in Thousands

l	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	Comments
			29,600				(3,300)	Per the FY2012 budget, $3.3M was made available for other uses in support of the major construction program.
8								
7		7,300		(7,000)				Funds appropriated $21.427 Million in FY 2005, funds of $7.3M transferred from NCA working reserve in FY 2007, $7.0M removed from project and placed in NCA working reserve in FY 2009.
	19,450			7,000			(513)	Funds in the amount of $7M were transferred from the NCA working reserve in FY 2009 and per the FY2012 budget, $513k was made available for other uses in support of the major construction program.
			27,800				(4,605)	Per the FY2012 budget, $4.6M was made available for other uses in support of the major construction program.
		35,000						
				(1,219)				North Chicago, IL, in 2009 $1.219 million was transferred to the Major Working Reserve.