DENVER VA MEDICAL CENTER: CONSTRUCTING A WAY FORWARD

HEARING

BEFORE THE

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U.S. HOUSE OF REPRESENTATIVES

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Accompanied by:

Stella Fiotes, the Executive Director of the Office of Construction and Facilities Management

Dennis Milsten, the Director of Operations for the Office of Construction and Facilities Management

DENVER VA MEDICAL CENTER: CONSTRUCTING A WAY FORWARD

Wednesday, April 15, 2015

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, Lamborn, Roe, Huelskamp, Coffman, Wenstrup, Abraham, Costello, Brown, Takano, Brownley, Titus, Kuster, O'Rourke, Rice, and Walz.

OPENING STATEMENT OF CHAIRMAN JEFF MILLER

The CHAIRMAN. The committee will come to order. Welcome to today's full committee hearing entitled Denver VA Medical Center: Constructing a Way Forward.

I cannot imagine a better day to hold this hearing than today, tax day. As millions of Americans prepare to send their hard-earned taxpayer dollars to Washington by midnight tonight, we gather here to discuss the myriad of ways those dollars have been squandered by the Department of Veterans' Affairs in the last several years in Aurora, Colorado.

Discussions surrounding the construction of a replacement Denver VA Medical Center date back to 1999. In the ensuing 15 years, the project has been marked by failures, delays, and mismanagement that has culminated in VA's recent announcement that an additional $830 million in funding and a total authorization of $1.73 billion triple the original authorization as needed by mid May in order to continue progress on the project.

And if that wasn't enough, VA informed the committee that Denver has a significant space need now of more than 550,000 gross square feet that is above the space that will be provided in the new medical center.

To simplify all of that for us, the Denver project that has been discussed for 15 years is a billion dollars over budget, several years behind schedule, and on the day it opens, it will apparently be too small.

At a full committee hearing on Denver in January of this year, Congressman Roe stated that this project is a FUBAR on steroids. I could not have said it better myself. While Denver represents a historic construction catastrophe for the department, it did not come without warning.

Three years ago, this committee held a series of hearings about the replacement medical center project in Orlando, Florida that uncovered serious deficiencies with VA's major medical facility construction management and its oversight. Admittedly the problems in Orlando yesterday are different from the problems in Denver today.

But they should have signaled a lightbulb moment for the department and served to usher in an era of improved VA leadership surrounding construction projects. Instead, VA failed to heed the committee's calls for action then which allowed Denver to balloon into the billion-dollar budget debacle that it is now.

Deputy Secretary Gibson agrees noting in his prepared testimony that, quote, "Course correction opportunities were missed." Yet, to add insult to injury, none of the VA executives involved have been held accountable, none. This is not acceptable.

Glenn Haggstrom, a former VA construction executive who played a key leadership role in the Denver project, was recently allowed to retire. But make no mistake, failures of this magnitude represent systemic problems above and beyond the work of a single person and much more house cleaning and a top-to-bottom reform is needed before we can even consider whether VA is competent to manage a construction program.

However, the question at hand remains. What do we do about Denver? Well, depending on who you ask, the project is either 62 percent complete, 50 percent complete, or 40 percent complete.

I have heard press reports over the last two days that indicate that VA is considering allocating a portion of the $5 billion provided for staffing and space in the Choice Act to the Denver project.

Then with no forewarning or comment, VA emailed the committee at about 6:45 last night draft construction authorization language that would increase the authorization for the Denver project to $1.73 billion, amend the authorization to include a psychiatric residential rehabilitation treatment program, and allow unobligated Choice funds to be used to fund the completion of the Denver project.

Last year, VA indicated that there were critical staffing and space shortages throughout the VA healthcare system that limited veteran access and required emergency funding. I had then and still have now serious doubts about the need and the justification for those dollars. Nevertheless, Congress provided emergency funding per VA's request.

With the language sent late yesterday evening, VA officials are communicating that they would rather avoid identifying savings that undoubtedly exist in the department's $163 billion budget, the second largest in the Federal Government, by instead utilizing money that they claimed just eight months ago was needed to increase access across the country and all to complete a bloated construction project that includes a glass concourse that covers three and a half football fields and now apparently includes a secret psychiatric residential rehabilitation treatment program that has never been discussed previously and is not listed on the reprogramming worksheet VA provided three weeks ago in support of the needed additional funding.

Over the last several weeks, I have asked VA via letters to the secretary and pre-hearing questions for the record to provide us key demographic workload and cost-benefit data to identify potential alternatives and to locate possible funding sources within the department's vast budget.

I have also asked for meeting minutes from VA's Construction Review Council in order to learn who among VA senior leadership was aware of the problems in Denver yet failed to take advantage of the course correction. The responses I received have either been nonexistent or inept for a project with a cost overrun exceeding a billion dollars.

Veterans across the country should be appalled that VA allowed this project to get so out of hand. Forwarding a last-minute proposal absent supporting detail or justification and simply stating like the department does in their prepared testimony that VA takes full responsibility for the situation in Denver is not enough to convince me that VA leaders have done the necessary work to identify what went wrong and how to fix it.

It may be that allocating a portion of Choice Act funding to complete the Denver project is the best option to move forward. I am not closing the door on the possibility of that proposal, but I cannot in good conscience advocate spending hard-earned taxpayer dollars by throwing good money after bad without receiving much more information from VA.

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

And with that, I yield to the Ranking Member, Ms. Brown, for her opening statement.

OPENING STATEMENT OF RANKING MEMBER CORRINE BROWN

Ms. BROWN. Thank you, Mr. Chairman.

Today, we start the process of figuring out how to fix the mess in Denver. I know from painful experiences with my Orlando facility what it means to wait years for a facility to be completed and to open. I know what the veterans in Colorado are feeling waiting for their facility to open. There will be time another day to figure out who should be blamed. Today, we must focus on how to fix the mess we have.

We have been told that VA will reach its authorizing level next month. We have been told by VA that the only good option is to more than double this authorization level and come up with an additional $900 million in order to complete this project.

Let me clear. This committee, at the end of the day will take care of our veterans in Colorado like we have take care of all our veterans across the country. But in order to do this, and to make sure that actions we take in regards to Denver do not unduly harm veterans in other areas of the country, we must have an honest discussion as to what our options are, and a time line of what we must do, as a Committee and as a Congress.

I look forward to having this frank discussion today, and working with the VA and our veterans to fix this mess. What are all of our options?

I also look forward to beginning to figure out how we make sure that this does not happen again, where veterans have to wait years and years for a promised facility and taxpayers are on the hook for hundreds of millions more than planned.

Thank you, Mr. Chairman, and I yield back the balance of my time.

[THE PREPARED STATEMENT OF RANKING MEMBER CORRINE BROWN APPEARS IN THE APPENDIX]

The CHAIRMAN. Thanks very much, Ms. Brown.

Joining us on our first and only panel today is Lloyd Caldwell, the director of Military Programs for the U.S. Army Corps of Engineers. Mr. Caldwell is joined in the panel by the Honorable Sloan Gibson, deputy secretary for the Department of Veterans Affairs, and he is accompanied by Stella Fiotes, the executive director of the Office of Construction and Facilities Management, along with Dennis Milsten, the director of Operations for the Office of Construction and Facilities Management.

Thank you all for being with us today. Mr. Caldwell, you are recognized for your opening testimony.

STATEMENTS OF LLOYD C. CALDWELL, DIRECTOR OF MILITARY PROGRAMS, U.S. ARMY CORPS OF ENGINEERS, U.S. DEPARTMENT OF THE ARMY; SLOAN D. GIBSON, DEPUTY SECRETARY, U.S. DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY STELLA FIOTES, EXECUTIVE DIRECTOR, OFFICE OF CONSTRUCTION AND FACILITIES MANAGEMENT, U.S. DEPARTMENT OF VETERANS AFFAIRS, DENNIS MILSTEN, DIRECTOR OF OPERATIONS, OFFICE OF CONSTRUCTION AND FACILITIES MANAGEMENT, U.S. DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF LLOYD C. CALDWELL

Mr. CALDWELL. Thank you, Mr. Chairman and members of the committee. It is good to have the opportunity to appear before you again on behalf of Lieutenant General Thomas Bostick, the Chief of Engineers.

The Corps recognizes the importance of the service of members of the Armed Forces and the service of our veterans in sustaining the strength of our Nation. As I have previously testified, the Corps has significant construction management capabilities and experience in delivering medical facilities.

Today I will address the actions we are taking in partnership with the Department of Veterans Affairs to complete the construction of the Denver hospital.

The Department of Defense Construction Program utilizes designated construction agents of which the Corps of Engineers is one who procure and execute the design and construction of projects to deliver the department's infrastructure requirements as authorized by law.

Interagency collaboration is an important element of the Corps' work and the Corps provides interagency support to non-defense agencies as part of our service to the Nation.

The Economy Act provides the necessary authorities for the Corps to assist the Veterans Administration with construction re-

quirements whether it be minor or major construction to include the completion of the Denver hospital.

There are currently three lines of effort associated with the Corps' support to the VA in its major medical program. That includes the completion of the Denver hospital as serving as the construction agent.

We are also undertaking a review to identify lessons learned from the Denver hospital and three other major projects, the Las Vegas, Orlando, and New Orleans projects which may be used by the Veterans Administration to assess their organizational structure, processes and controls for executing major projects.

In addition to that, we are engaging with VA leadership in discussion regarding the application of best practices and execution of their program as appropriate.

In December of 2014, the Veterans Administration and the Corps entered into an Economy Act agreement to allow the Corps to assess the Denver hospital project. Subsequent modifications to this agreement have provided funding and the authority which will permit the Corps to develop a contract to complete the construction.

We are working now with the VA on a new agreement that would allow the Corps to award the contract at the appropriate time and to manage that contract as the construction agent when authorized.

Beginning in January, we had a number of technical experts that visited the site and assessed the completed work and the contracting documents. Subsequently we are using those experts as well as other teams of professionals to undertake the steps that will lead to award of a new construction contract as well as to manage that contract through completion.

We have identified a preferred course of acquisition and in February, we issued a public notice of intent to negotiate and award a sole-source contract to the current joint venture Kiewit-Turner.

We have prepared and submitted the appropriate justification and approval documentation per the federal acquisition authority to the approval authority within the Department of the Army.

As we work toward a new contract award, we continue to assess the detailed requirements of this project and the plans for completion with the Veterans Administration taking into account that the construction is continuing under a separate VA contract currently with Kiewit-Turner.

The Corps of Engineers provided a preliminary estimate for completing construction at Denver and that preliminary estimate was one component of the increased authorization requirement reported to Congress by the VA. The VA included the Corps' estimate along with other VA costs for the project.

Meanwhile, we are developing an independent estimate which will be suitable for negotiation of the new contract and next week, we will have our first meeting with Kiewit-Turner to begin discussions about the way forward on the next contract.

As the actions for a new contract are proceeding, the Corps is also advising the VA on the management of the interim construction contract which the VA has with Kiewit-Turner. The interim contract permits continued progress on the project while the Corps prepares to assume construction agent responsibility.

Although the Corps will assume a lead role in the construction of the Denver hospital, the Veterans Administration as the project's proponent is still responsible for project requirements, resourcing, and facility transition to full operations. We believe by using our project delivery process, we have confidence that the Corps can complete construction of the Denver hospital in the most effective way.

We have other projects not related to the Denver hospital that we continue to execute for the Veterans Administration and that association predates the current requirement for the Denver hospital.

We are committed to working with the VA as the construction agent as well as to assist them with future major medical projects as required.

Mr. Chairman, that concludes my statement and I will be glad to answer questions from you or other members of the committee.

[THE PREPARED STATEMENT OF LLOYD C. CALDWELL APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much, Mr. Caldwell.

Mr. Gibson, you are recognized.

STATEMENT OF SLOAN D. GIBSON

Mr. GIBSON. Thank you, Mr. Chairman.

Our priorities are to get this medical center complex finished and make the best use of resources needed to get the job done. We are grateful for the help of the members of this committee and other Members of Congress, the Corps of Engineers, Kiewit-Turner (KT), and the leaders of many Veteran Service Organizations (VSO).

VA made mistakes on this project going back years producing an unacceptable result for veterans and taxpayers who deserve better from their VA. I apologize again.

This project has a long history going back to the mid 1990s. My record testimony provides a detailed account, but let me briefly cover some of the major decision points.

In 2006, VA developed a plan for 1.4 million square feet of facility in Denver. That plan was subsequently revised to 945,000 square feet. And in 2010, VA requested $800 million for the project.

We hired an architect engineer joint venture to complete design with an estimated construction cost at award of $583 million. The original acquisition strategy for the project was to complete 100 percent design and then solicit construction proposals to build the project, but VA in a misguided effort to get work underway changed strategies to a contract mechanism known as early contractor involvement also referred to as Integrated Design and Construct (IDC).

The idea behind this contract structure is to bring the contractor onboard early to participate in the design. In August of 2010, VA entered into a contract with Kiewit-Turner to perform design, constructability, and cost reviews with an option to award facility construction to the contractor. But at the time of this contract award, the design work had already been underway for 15 months, limiting the ability of KT to influence design and cost.

KT maintained that the project could not be built for the established cost. Months of negotiations ensued, but significant differences remained.

Under pressure to move the project forward, VA and the contractor executed an option in November of 2011 to construct the project. That option was known as supplemental agreement 07 or SA07 for short. The design at that time was roughly 65 percent complete.

Under SA07, VA committed to deliver a design that could be built for $583 million and KT committed to build the project at the firm target price of $604 million. VA's promise to ensure that the design would meet the contract cost and KT's commitment to a firm target price became the centerpiece of diverging interpretations and conflicts between VA and the contractor.

While poor project and contract management and increasingly strained relationships contributed, these two watershed events, the selection of the IDC contract form and VA's commitment to deliver a design that could be built for less than $600 million were critical.

KT filed a complaint with the Civilian Board of Contract Appeals in July of 2013. In December of 2014, VA was found in breach of contract for failure to provide a design that met the contract price.

That brings us to where we are today. After analysis by the Corps of Engineers, we informed the committee that the total estimated cost of the facility will be $1.73 billion. That includes $899 million already spent or available to be obligated to get the project to the stage it is now, a little over 50 percent complete.

The Corps estimates an additional $700 million to complete construction and we estimate $130 million is required to close out the original contract and complete the PTSD residential treatment facility.

The $1.73 billion total would require an authorization increase of $930 million and additional funding of $830 million. This significant increase in cost in my opinion results from several factors.

First, VA not locking down design early in the process, some design aspects that clearly added to cost, and increases to construction costs in the Denver market. At the same time, we had not effectively negotiated a firm target price, and premiums paid to contractors for their perceived risk due to a history of problems on the project.

That is an explanation, not an excuse. It is where we are. But I want to be absolutely clear this is totally unacceptable and will not happen again, at least not on my watch.

After consulting with our partners in reviewing the status of the project, we believe the best option for veterans and for taxpayers is to contract with KT to complete the project. This option leverages the 100 percent design, KT's knowledge of the project, their presence on the site, and existing subcontractor relationships.

In considering options to move forward, we have considered cost, risk, time to complete, the scope and scale of the project, and the fact that it is halfway complete. Now we must work with this committee and with others to secure funding.

We have proposed funding the increased cost by requesting authority to use funds provided to VA in the Veterans Access Choice and Accountability Act. The act provided $5 billion in mandatory

funding to increase healthcare staffing and improve physical infrastructure.

We propose adjusting that language to fund completion of the project. We believe this is the best approach among the difficult choices before us. This hospital complex is an important part of VA infrastructure and completing it will improve access to care.

We understand that accountability is central to ensuring that the department never repeats the mistakes that led to delays and cost overruns. We owe it to veterans, taxpayers, and the huge majority of VA employees who do the right thing every single day.

As stated earlier, I believe the two most critical decisions leading to the current situation were made in 2010 and 2011. None of the people who were in positions of responsibility at that time are still in those positions from the secretary, the deputy secretary, the head of acquisition, logistics, and construction, the director of CFM, the CFM director of operations, all the way down to the project executive and the CFM contracting officer. In fact, of all of those, only the former project executive is still with VA and that is after being moved from the project and reassigned to non-supervisory duties at a lower grade.

Additionally, our ongoing Administrative Investigation Board deposed Mr. Glenn Haggstrom under oath on March 23rd. On the morning of March 24th, he came to work with the required paperwork to retire from federal service effective immediately.

I recognize that his retirement has been criticized and is frustrating to many. The law allows federal employees to retire if they are eligible and decide to do so. And, frankly, as I reflect on 30 years of experience in the private sector, that is pretty much the way it works there too.

So while I understand and share in the frustration, I will continue to pursue accountability actions wherever the evidence from our ongoing Administrative Investigation Board supports it.

As previously discussed during the hearing in January, the Corps of Engineers is also conducting a broader detailed examination of VA's largest construction projects. We expect them to complete their review and report their findings next month.

In addition to the Corps' review of our large hospital projects, an independent third-party organization is conducting a comprehensive assessment of VA's entire construction program as part of the Choice Act legislation and will report their findings to Congress by September of 2015.

Last week, we named Mr. Greg Giddens as the new executive director of the Office of Acquisition, Logistics, and Construction. Greg has broad experience in both acquisition and construction at VA, the Department of Defense, the U.S. Coast Guard, the Department of Homeland Security, and with Customs and Border Protection where he managed a multibillion dollar portfolio with over a thousand facilities. OALC under Greg's leadership will report directly to me.

We are now in the process of transitioning responsibility of the project to the Corps of Engineers. Once that transition is complete, we will still be the customer, but the Corps will be in charge in Denver on a day-to-day basis to make sure the project is completed.

We have a long history of working with the Corps. We have got a fully designed facility and the Corps' acquisition strategy is to stay with the general contractor that knows the project, all of which augurs well for reducing risk and ensuring the completion of the project.

In the future, I would expect to see a very strong collaboration and a major role for the Corps in any comparable hospital projects of this scope and scale.

Mr. Chairman, like you and the members of this committee, I remain committed to doing what is right for veterans and here I believe that means getting the Denver medical facility completed in the most effective and cost-efficient way from where we are right now.

Thank you. We are ready to answer your questions.

[THE PREPARED STATEMENT OF SLOAN D. GIBSON APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much.

Mr. Caldwell, I will start with the first set of questions. Do you think that your team has had access to all of the information to make a fully informed determination as to the progress in the future for the Denver project?

Mr. CALDWELL. Yes, sir. So far as we are aware, we have had full access to all of the records and information that are available at the project site. And that has been the primary source of the information working both with the VA staff on-site as well as with the designer of record, the construction contractor, and the firm that was the construction management support contractor for the VA.

The CHAIRMAN. Do you concur with VA's estimated authorization increase and request for additional funding?

Mr. CALDWELL. Sir, I do. I cannot speak to the content of the costs that have been incurred prior to the estimate that the Corps provided. The Corps provided an estimate which was based fundamentally on an estimate that was made by Jacobs Engineering as the foundation.

We made adjustments to that estimate based on what we thought would be escalation rates for the increased time of construction and other overhead costs associated for the contractors being on the site. So we have made adjustments to that estimate and that was the basis that was used by the VA for the reprogramming request.

Now, we are in the process of making a separate independent estimate. That estimate is not going to be completed probably for another couple of months. That estimate will be a more refined estimate. It will be a later estimate and that will be the estimate that we will use as the basis for entering into the contract with Kiewit-Turner.

The CHAIRMAN. So could I assume that that estimate, refined estimate could be higher than the estimate that the department has put forth?

Mr. CALDWELL. Sir, I do not expect it to be higher. Our objective is to come lower than the numbers that you have seen projected heretofore.

The CHAIRMAN. I know you would like to come in lower, but could it come in higher?

Mr. CALDWELL. Sir, I can't say that is not possible, but I do not expect that to be the case. I expect the number to be lower and that will be our objective and that is what we are driving to.

The CHAIRMAN. Mr. Deputy Secretary, you know where we are on accountability. We think that is the cornerstone in many of the issues that have plagued VA over the years.

And I want to talk to you a little bit about an article that was in the Denver Post yesterday about an individual, a former VA individual, Adelino Gorospe, who asserts that he emailed high-ranking VA officials to warn them that the Denver project was running significantly over budget. And I think today we are all aware that that, in fact, was true.

In return for the foresight and attempt to raise the red flag, he was fired by Glenn Haggstrom. We also know today he was at the root of many of the problems that exist within the VA construction program.

Have you read the article?

Mr. GIBSON. I have seen the article, yes, Mr. Chairman.

The CHAIRMAN. Have you directed VA's Office of Accountability Review or any other office to review this gentleman's case?

Mr. GIBSON. I have not directed it yet, but I will tell you my operating assumption and I will see that it is included. There are thousands of pages of documentation that are being reviewed as part of this case and particularly becoming aware of this particular piece of evidence, I will ensure that that is part of what is considered.

The CHAIRMAN. And what is confusing is that VA leaders and individuals can make mistakes that cost billions and billions of dollars to the department and they face no accountability, yet you have a low-level employee who attempted to blow the whistle and he could be fired and yet I keep being told you can't fire people, yet the low-level guy got the ax.

So, you don't need to answer that question, but——

Mr. GIBSON. It is no more acceptable to me than it is to you, Mr. Chairman.

The CHAIRMAN. Is it fair to say that when Ms. Fiotes testified before this committee in March in relation to the project that, and I quote, "We believe that the project designs that we have delivered are, in fact, able to be constructed within the appropriated amount for this project," close quote, that was a view that you and others shared at the time?

Mr. GIBSON. The view that was held by VA at the time was based upon the interpretation of the contract terms and the reliance on the firm target price that was clearly wrong.

The CHAIRMAN. And can you tell me, and my time is running out, but the addition of the psychiatric residential rehabilitation treatment program in the draft construction authorization that we got last night to my knowledge has never been acknowledged at any point, and so my question is, why was the need for the program not communicated to the Congress in any of the numerous conversations that we have had, that this committee has asked over the last year, why is it not listed on the reprogramming worksheet that VA provided three weeks ago regarding changes that will need

to be made in Denver and why is it not listed apparently anywhere else?

Mr. GIBSON. First of all, I apologize for the poor communication. The intention had been for us to have some very deliberate conversations once the White House had cleared the formal request. Unfortunately, a lot of that leaked out and then the White House cleared the communication late last night.

As it relates to the PTSD facility, that was actually part of the original concept for the facility. It was taken out back in 2010 as part of a cost-saving measure. As we looked at where we were on the construction and had conversations with the Corps, it sits right next door to the Community Living Center (CLC), the nursing home, and the idea was construct those two at the same time because you can do it more efficiently and economically. That is the reason that it was added at this point.

The CHAIRMAN. Mr. Takano.

Mr. TAKANO. Thank you, Mr. Chairman. I think we both know what bipartisan heartburn means.

Mr. Gibson, I know that you are contrite. I know that this project spans three administrations and I don't even know how many secretaries it spans.

My question to you is, so talk about firing and who we fire and we can't fire. I mean, that is of some interest to me, but it seems to me that is kind of a look back. I am worried about the structure of accountability going forward——

Mr. GIBSON. Yes.

Mr. TAKANO [continuing]. And how we can get that accountability right. I mean, do you believe it is the role of a congressional committee oversight to get into the granular area of looking at change orders?

I mean, I remember doing that as a board of trustees when we suddenly got all this bonding authority and we had billion-dollar construction projects to manage. We had a big learning curve, but suddenly I had a bunch of change orders go across the board of trustees.

But is that really the role of Congress and, if not, how are we going to try to get a handle on all this?

Mr. GIBSON. Sir, it is not the role of Congress. It is only because of our failure that you even find yourself having to ask the question. I think your comment is precisely spot on.

Part of the accountability here is ensuring that we put in place the construction management practices and that includes early risk identification on a major project basis that will allow us to know very early on where we may be getting off track.

I would tell you as I came into the Department after reading countless articles and hearing testimony and (GAO) studies and (IG) reports that I came in convinced that the construction management function at VA was entirely broken.

What I found as I came in was that many of the practices that are reflected in a project like Denver have been changed over the past several years and that is not how we manage projects prospectively.

Mr. TAKANO. Well, how do we——

Mr. GIBSON. I think we have got to earn back that trust.

Mr. TAKANO. These projects seem to span a good deal of time.

Mr. GIBSON. Yes.

Mr. TAKANO. And some by necessity, but how do we try to construct a structure of accountability that can span administrations, span secretaries? Do we need to create something like, you know, an inspector general for construction? I mean, somebody that has one person who can't diffuse accountability that Congress can go to and hold accountable? What are your thoughts on that?

Mr. GIBSON. Well, I would say at this point that one person is me.

Mr. TAKANO. Okay.

Mr. GIBSON. And I would tell you anticipating a question later on, there has been a lot, you know, back and forth about the Construction Review Committee. That committee hasn't met since I was the acting secretary. I don't believe it is an effective decision forum. I don't believe it is the right forum for exchange of information. And I believe it does exactly what you just described, that it diffuses responsibility.

So I wind up meeting directly with the head of Construction and Facilities Management every single week. I am involved directly with contractors. I specifically ask for feedback directly from contractors so that I know what is going on on our major projects.

Mr. TAKANO. My time is coming close to running out, but I want to ask questions about other projects like that same article in the Denver Post asserts that there is a possible huge overrun, cost overrun in New Orleans. And I am concerned about this reprogramming of money from the $5 billion in the Choice Act.

What projects stand to not be funded that are in the queue because of not only this project but other projects down the road? It is better for us to all have the bad news up front.

Mr. GIBSON. Sure. I understand. The New Orleans project is now over 70 percent complete. Stella and I were both on the ground there about 40 days ago meeting directly with the senior leadership of Clark/McCarthy Construction, the joint venture team there.

Clearly the project in its very earliest days ran into a number of challenges and problems associated with site acquisition and site contamination. But since the dollars were appropriated by Congress for the construction of that contract, we have remained on time and on budget, over 70 percent complete with an expected completion date of next year.

Mr. TAKANO. Well, I am interested in knowing going forward just how we propose to put forward a new structure of accountability that this committee can have confidence in, that the Congress can have confidence in. I want my colleague from Colorado to know that I am committed as I think most members of the Committee to do right by all our veterans including those in Denver and across the country.

But we must start getting this accountability right and an effective accountability so that I don't have to worry about do I need to get into the granular level of asking the VA for these change orders.

Mr. GIBSON. I agree. We owe that to this committee. We owe it to the American taxpayer and to veterans. And I am hoping that the future state that you are describing is informed by the work

that the Corps is doing right now as well as the work being undertaken by the independent third party under the Choice Act.

Mr. TAKANO. Thank you, Mr. Chairman. My time is up.

The CHAIRMAN. Thank you.

Mr. Lamborn, you are recognized.

Mr. LAMBORN. Thank you, Mr. Chairman. Thank you for having this important hearing.

Mr. Gibson, do you agree with Representative Coffman's legislation to turn over all future major construction projects away from the VA to the Army Corps of Engineers?

Mr. GIBSON. Currently we have got more than 50, quote, "major construction projects." Major construction goes all the way down to $10 million. I don't think it makes sense to pull the Corps in on every single project over $10 million.

I do think it makes sense for the Corps to be our construction agent on construction of this kind of size and complexity and, frankly, on a number of other larger projects where between the Corps and VA we sit and look at the elements of that particular project and conclude that their expertise is best utilized there.

Mr. LAMBORN. Well, I will just say that my colleague, Representative Coffman, has been a leader on so much of this and has other proposals——

Mr. GIBSON. Yes, sir.

Mr. LAMBORN [continuing]. Like how to pay for this that we——

Mr. GIBSON. Yes, sir.

Mr. LAMBORN [continuing]. Need to seriously consider. And I don't even know where to begin. This is just beyond my comprehension how we got to this point. I am appalled and angry. I think all of us here are.

How much have you considered and explored commonly-used methods to keep costs down like value engineering or constructability reviews or something I am familiar with as a layman on small residential projects that I have run downgrading plans midstream to less costly alternatives or deferring some of the construction until you have got the money later?

You know, when I built a house, we said, oh, we will just finish the basement in the future and just left that out.

Mr. GIBSON. Many of the items you have discussed, in fact, are practices that we have adopted including constructability reviews that are undertaken at every single design stage for all major construction.

We did look at value engineering, or I shouldn't say we, the Department looked at value engineering opportunities back in 2012, is that correct, 2013, value engineering opportunities back in 2013, many of which did involve material changes to scope on the project. And for that reason, they were not accepted.

Mr. LAMBORN. So the problem would have been worse, but I am just still amazed that we are at this point.

What about the specific plan or possibility of the plan to have the parking on-site as opposed to keeping the shuttle going, which is currently the case, which is less costly?

Mr. GIBSON. Well, the two parking decks are the two structures that are virtually complete. They are the farthest along. And so, you know, as you look at this particular project, it is ultimately, as-

suming we build the CLC and the posttraumatic stress rehab facility, a 14-building complex and work is very substantially underway on 12 of those 14 structures.

So the ability even at a relatively early stage to go in and make major changes to design were fairly limited. That was the point I made in my opening remarks that we selected an IDC form of contract and then waited 15 months before we hired the contractor to come in and be involved in the process. And at that point, it was very difficult to make the kind of major changes that you are referring to.

Mr. LAMBORN. Thank you.

Lastly, Mr. Caldwell, did I hear you correctly when you said it will still be several more months before you have the final cost analysis and timing analysis?

Mr. CALDWELL. Sir, the schedule for completion is associated with the cost for completion. In other words, those are related, so that assessment is ongoing. We expect that estimate to be completed in June to the point that we can have discussions with the contractor. We think that will give us a fairly tight estimate of what the cost to complete is at that point in time, so June.

Mr. LAMBORN. Okay. June. Okay.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Ms. Brown.

Ms. BROWN. Thank you. I am going to start with Mr. Caldwell.

Next month, the VA will run out the authority to go forward with any additional funding. How important do you think it is for members of Congress to extend that authority and give them the additional authority that the VA needs to move forward? Or should we just stop this project and wait for the additional information?

Mr. CALDWELL. Ms. Brown, we know that if the project were stopped there would be an increased cost associated with the project, in addition to the potentially increased cost to complete when it would be restarted at some point in the future. It is not as simple for a project of this nature just to say, let's stop everything.

There is a cost associated with the contractors picking up their tools and so forth, and closing up what they are doing and leaving the site. There is a public safety aspect of this to ensure that we don't leave any hazards there. There is the aspect of ensuring that the buildings are tight, so there is no deterioration of facilities that are already constructed, due to weather and so forth. So there is a lot of aspects of costs that would be incurred if the project would be stopped.

And of course you know well that, unless the authorized amount for the project is increased, there is not an ability to spend additional funds on it in any case.

Ms. BROWN. Yes, I think it is important that everybody understand where we are with this project.

The current estimate is at $1.73 billion to complete the project. Is that your estimation? Mr. Secretary I would like to hear your comments as well.

Mr. CALDWELL. Ma'am, let me clarify that the 1.73 appears to be——

Ms. BROWN. Is that the high side? That is what I want to know.

Mr. CALDWELL. That appears to be what the total costs of the project would be at the point when it is completed. Our estimated cost to complete the project is much less than that.

Ms. BROWN. Okay.

Mr. CALDWELL. This project, we have determined, has a complete design. So we are confident that everyone, us and the contractor, understand what the final objective is for completion of the project. The challenge that we have, that is the Corps of Engineers, in getting a final cost to complete is we are getting on a moving train, if you will, is the term that some have used. The construction is continuing as we talk. So as we determine what our final cost to complete is, to a large extent that will depend on how much work is being accomplished by the time we get to that point as well.

Ms. BROWN. All right. Secretary?

Mr. GIBSON. Yes, ma'am.

Ms. BROWN. Can you answer that question for me? What happens—well, I don't want to talk about—you need the additional authority to move forward; is that correct?

Mr. GIBSON. Yes, ma'am, we do. We need the additional authorization and we need additional funding in order to be able to bridge—even just to be able to bridge the period of time between now and when we would expect the Corps to have completed negotiation of a contract to complete the facility.

Ms. BROWN. What my colleagues have expressed to me is they want to make sure that as we move forward that, depending on where we take the funds from—not the authorization, the funds from—it doesn't affect other projects throughout the country.

Mr. GIBSON. Yes, ma'am.

Ms. BROWN. What comfort level can you give us?

Mr. GIBSON. Well, the plan—and we owe the committee a revised spending plan on the $5 billion—the expectation is that we would take all of the $830 million in funding from the portion of the $5 billion devoted to non-recurring maintenance and to minor construction, which would be scattered over many, many, many projects, very small projects scattered all over the country. That would leave about, round numbers, about a billion dollars in non-recurring maintenance and minor construction funding available still under the Choice Act funding.

Ms. BROWN. I have some concerns about taking the money from that particular pot. I know that is something we need to have discussions on. The feedback I am getting from around the country, is that VA has have many projects that they need additional spaces, are VA needs to hire additional physicians. I mean, Congress is doing what we need to do. I have a concern that Congress would jeopardize the entire VA to deal with this project, not that we don't need to deal with this project.

Mr. GIBSON. Yes, ma'am. I wish there were an easier answer and I am not aware of an easier answer for funding.

Ms. BROWN. Well, perhaps I will get additional time in another round.

I yield back.

The CHAIRMAN. Thank you very much.

Mr. Coffman, you are recognized.

Mr. COFFMAN. Thank you, Mr. Chairman, for holding this very important hearing. It is essential that the VA is held accountable and that this hospital gets built. Our veterans who have bravely served our Nation have waited years for its completion. It is essential that we come up with a deficit-neutral solution that will not compromise veteran healthcare and holds the VA accountable.

To do so, I have introduced a plan that uses VA bonuses to pay for the cost overruns on the hospital in Aurora. Mr. Gibson, you have called this plan, quote, "a lousy idea," unquote, but the only lousy idea I have heard is allowing the VA to continue paying bonuses to bureaucrats who have overseen secret waiting lists, billions of dollars in construction cost overruns, and other travesties that have seriously endangered our Nation's veterans.

This replacement facility is supposed to directly serve veterans across many states, including Montana, Wyoming, Utah, Colorado, and parts of five other states. But this isn't just a regional problem and, unfortunately, this is not the VA's only construction failure. The VA has a systemic pattern of failures.

The bill I introduced, the VA Construction Accountability Reform Act, goes beyond the Rocky Mountain region and addresses the broader problems VA has with its major construction projects. The GAO recently found that the hospital construction project in Las Vegas was $260 million over budget. The hospital project in Orlando is $362 million over budget. A hospital project in New Orleans is $370 million over budget. And of course the Aurora, Colorado facility is more than $1 billion over budget. In fact, for over 30 years numerous GAO reports and Congressional hearings have detailed significant cost overruns, project delays, and a general lack of accountability in the VA construction program.

In 1981, the GAO concluded the cost of new hospitals built during the 1970s averaged 58 percent more than their original estimates. In 1993, the GAO found that 40 percent of VA construction projects encountered cost overruns. In 2009, even before VA broke ground on the Aurora hospital, the GAO found that five projects had experienced a cost increase of over 100 percent.

Of each of these and many other occasions, just like today, the VA proudly announces some reform or initiative that will allegedly fix the problems. Unfortunately, it is clear that the results of those reports, hearings and reorganizations have consistently failed to improve VA's construction program. In fact, the problems have only gotten worse. As the Associated General Contractors of America has boldly stated, "VA construction should be out of the VA's hands."

The bill I propose gets this hospital built for our nation's veterans and gets VA out of the construction business once and for all.

The GAO has spoken highly of the Army Corps of Engineers and I believe it is the most qualified Federal agency to build VA's hospitals on behalf of American veterans and taxpayers. The Corps has successfully built a $648 million hospital at Fort Bliss, an $870 million hospital at Fort Belvoir, and it is my understanding that the Corps is planning to build a hospital for the government of Kuwait. Although I understand that the Corps may have some reservations about taking on a new responsibility, I believe that it is

absolutely necessary and in the best interest of our taxpayers and veterans.

I look forward to working with the Corps and the construction trade associations who support this legislation to ensure a responsible and effective transition of VA's construction authority.

Mr. Gibson, given VA's well-documented failures in construction management that spans decades, why is VA qualified to build a lemonade stand, let alone a multi-million dollar facility? Mr. Gibson.

Mr. GIBSON. I see I have two seconds left for a response here, sir.

As I have said before, my expectation is that we would ask the Corps to serve as our construction agent on our largest hospital construction projects. They have a great track record, as you point out, they have deep experience. They have gotten a lot of the experience over the last 10 or 15 years in that particular area. I don't believe it is the optimal solution for them to come in and work on all construction activity at VA, in part because of the large number of projects that are undertaken, many at a much smaller level.

The CHAIRMAN. Thank you very much, Mr. Coffman. We will have a second round.

Mr. Walz, you are next. Five minutes.

Mr. WALZ. Thank you, Mr. Chairman and Ranking Member for holding this, and thank you all for being here.

My only glimmer of optimism, Mr. Gibson, is my personal faith in you. It is not very widespread right now and I am incredibly skeptical. I think Mr. Coffman showed great restraint in his angst and anger, and I think there is an appropriate place for this, because this is nothing new. The gentleman from Colorado has been speaking about this for years. There are many of you in this room heard us three years ago over with the Senate Joint Committee saying that the Corps needs to be involved or someone else. So I think it is appropriate.

I can't help but thinking that someone should probably dust off Senator Proxmire's golden fleece, because it is one for the next decade on this thing, that is pretty clear.

But those of us who care deeply for veterans know we need to get answers and we need to get this thing done. And the thing that is most frustrating to me, I have had the privilege and the honor of being here since 2006, and I went back to look at one of the first hearings that we had on this as it was in process.

This is November of 2007 and here is the question that was asked. "In recent years, the VA has experienced significant cost escalation in construction of medical facilities. For example, the estimated construction of the new facility in Denver is almost doubled to $646 million. What are the causes of this increase and what steps have the VA taken to prevent such escalation in the future?"

We were asking, we did it here over eight years, if I am the taxpayer, I think—again, my faith in you is strong, I know you are there, but I think we would be remiss in our job here if we believed in any way this isn't going to go further, it is not going to get fixed and it is going to happen again.

So I would suggest, and this is more for my colleagues, I would suggest that—I agree with Mr. Gibson, I don't think the role of Congress is to look at these change orders, but I think it is our re-

sponsibility. And I think we should seriously consider, week-by-week, before a check is written, come up here, clean that table off and put the books out there, and get into this thing at the granular level. Because I for one know the situation we are in. Those veterans in Colorado need this hospital. I feel terrible for them that—I see a gentleman in the paper apologizing because he advocated for this hospital. It wasn't his fault. He did it and the Legion backed him up.

So we are at this point now, we are not going to leave half-empty buildings. And we all know, I feel like this is the shakedown and you are going to get the money, but if I am going to give it, I want to know damn well where every dollar is going. So I don't know what the suggestion is, I don't know what the procedure is. I certainly agree it is not our role, but I am having great angst. And everything that has been said here is correct. We need to figure out things going forward, you need to do all that, but this is a big problem. And I understand the tough job you are in, but I feel like now we have got to do this.

What would you suggest we do, Mr. Gibson? Because I trust your instinct on this, but my taxpayers are going to be asked to come up with a billion dollars more and that is on us now.

Mr. GIBSON. As I have said, it is unacceptable, unacceptable to this Committee, to taxpayers and to veterans.

I think some of what we have seen historically in terms of, what I will call it, creep in time line and in cost oftentimes has to do with the fact that we in the past did not take the step of going to a 35-percent design with an identified site in place with costing and constructability reviews before we ever even come to Congress to ask for funding.

You know, when you look at the history of Denver, I am astounded that the project has had more incarnations than I can count, going all the way back to the mid-1990s when we talked about buying the old Fitzsimmons Army Hospital from them, and each one of those had a cost associated with them that was based on somebody's rough back-of-the-envelope estimate.

So even if we wind up working with the Corps in the future, we have got to get to the point where we have locked down requirements, we understand what it is in general terms that we are going to build, before we even come to Congress and ask for funding. And that has been part of our problem. It is not an excuse, it is not an excuse.

Mr. WALZ. We kept asking for collaboration with like University of Colorado and things. And I agree and I think we need to—but this is, I would suggest again, as I give my time, this is a point of leverage for this Committee, the power of the purse on this one. If you want things to be done differently, this is the moment.

So I agree with what the undersecretary is saying, but I think this is the time for us to step forward, because this is on us now. Whether we are frustrated or not, we own this thing and we've got to figure it out.

I yield back.

Mr. GIBSON. I think that one other point for the Committee's——

Mr. WALZ. Yes, sir.

Mr. GIBSON [continuing]. Consideration is that the Corps is going to be managing this project, not VA. And so part of this is a function of what the Committee's confidence is in the Corps to effectively manage the project.

Mr. WALZ. I agree and I would say this, which I do have great confidence, but I would suggest this too, I have Corps projects in my district that are having a little issue too. So I am not certain that that is the out on this. Again, the trust but verifying. We own this now and before we put our name on 800, I would ask to use our leverage.

I yield back.

The CHAIRMAN. Thank you, Mr. Walz.

Dr. Abraham, you are recognized.

Dr. ABRAHAM. Thank you, Mr. Chairman.

Mr. Caldwell, I will ask you first. In the last few years in the Denver area, St. Anthony's, St. Joseph's, the University of Colorado, they have completed some private hospital projects and they have come in at a cost of under $2 million per bed and a cost of $350 to $750 per square foot. Now, we fast forward to this project here and the VA, and we are looking at over $10 million per bed and over $1500 per square foot. Why the great disparity between what private can do and what the VA can do?

Mr. CALDWELL. Sir, I don't really have an answer for that. I think to answer that question would require some sort of exhaustive audit of decisions that were made long ago.

Dr. ABRAHAM. We are not doing that now?

Mr. CALDWELL. Sir.

Dr. ABRAHAM. Aren't we reviewing the VA's construction?

Mr. CALDWELL. We are not doing an audit of decisions and costs. What we are doing is looking at their processes and their policies and how they do business, and how those impacted this project. We are making comparisons with how Defense does business as a good business model for the same sorts of facilities.

But that is looking at what are, and attempting to identify what are, best business practices in this business of designing and building medical facilities, and that is just different than looking at how decisions were made and how the funds were being——used

Dr. ABRAHAM. I might suggest we could maybe look in that direction.

Deputy Under Secretary, do you have a comment, sir?

Mr. GIBSON. I just wanted to add one thought. In my opening statement, I ticked off four different things that I think contributed to the rise in the cost in this particular facility. I think the one other point of reference as you compare whether it is a VA facility or another Federal Government facility is that there are other construction requirements that we impose. Some of them are Federal Government requirements around facility hardening that add additionally to cost, others of those have to do with sustainability costs, the ability to operate without external power supply, the ability to operate without fresh water coming in in a disaster kind of situation, and that also adds materially to costs. And, quite frankly, I think we need to be looking at all of that.

Dr. ABRAHAM. Okay. Now, I am a little confused in your testimony and please just clarify. On this particular project in Colorado, is the Corps or is the VA the construction agent?

Mr. CALDWELL. Currently, the VA is the construction agent. At the point in time that a decision is made and the Congress approves the VA going forward with this project, the expectation is that the VA and the Corps will enter into an agreement at that time for us to become the construction agent to go forward.

So, in other words, we will not award a contract. We are doing all of the preparatory work that would lead us to the point of being ready to award a contract, but we will not award a contract until the point that the VA authorizes us to do that, and at that point in time we become the construction agent.

Dr. ABRAHAM. Okay. And, Mr. Sloan, I would echo Mr. Walz's confidence in you and certainly Secretary McDonald. You all have——

Mr. GIBSON. Thank you.

Dr. ABRAHAM [continuing]. Met when we asked you to meet, and I also have confidence in you two for sure.

But let's talk about moving money from the Choice to this project.

Mr. GIBSON. Yes, sir.

Dr. ABRAHAM. In my district, we have many, many veterans that are utilizing this Choice program, and so personally I am opposed to that particular aspect. And I guess the question is, if you don't get that money from the Choice program, where are you going to get that money from to shore up Aurora?

Mr. GIBSON. Two quick points. First of all, we are not touching any of the $10 billion that is funding the actual Choice program, delivery of care in the community. The portion we are talking about is the $5 billion that was provided to increase staffing and to improve facilities.

Dr. ABRAHAM. But that goes still back to the Veteran in a roundabout way.

Mr. GIBSON. It does. Absolutely, it does, yes. There is a consequence associated with doing that.

Dr. ABRAHAM. Right.

Mr. GIBSON. And I would tell you, I don't have a Plan D, if you will.

Dr. ABRAHAM. Okay.

Mr. GIBSON. So if we don't get the funding here, I don't know where we get the funding from.

Dr. ABRAHAM. Okay. Thank you.

My time is up, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you.

Ms. Kuster, you are recognized.

Ms. KUSTER. Thank you very much, Mr. Chairman. And thank you to the panel for being with us today.

I share the bipartisan angst and this is really challenging for all of us. I was just looking at our side of the aisle here, seven out of nine of us are new within the last term. So this is something that we have to take on the accountability that my colleague Mr. Walz has directed.

And I want to say, with all due respect to my colleague from Colorado, I am speaking on behalf of constituents and veterans across the entire country and certainly taxpayers across the entire country. So I think, you know, obviously we want to serve our western colleagues and constituents and veterans, but the trouble that I have is that taking this funding out of other construction. Most facilities are over 50 years old, I know certainly the facilities in my area, and we have needs as well.

And one of the questions that I have, and this is to learn going forward, how did we end up with a design that has an atrium, a lobby that is four football fields long? I think the quote in here is, "perhaps the longest in the world for a healthcare facility," costing $100 million. Who is accountable for that decision?

And, you know, I have a new role as ranking member on the Oversight and Investigation Committee and I guess I would like to say we do need—I don't want every change order, but I want to know when somebody is putting together a $100 million lobby. It is not that our veterans don't deserve the best, but let's focus the best on healthcare and, you know, let's not be going for architectural awards. So can you talk to me about that process?

Mr. GIBSON. I would be glad to. First of all, Bob McDonald and I both had the same reaction following our first visits to—Bob hasn't seen Denver yet, but he has been to Orlando, and his reaction there was the same as my reaction in Orlando and Denver.

Ms. KUSTER. I don't want to interrupt you, but can you tell me when Orlando is going to open? Because we just heard from Representative Brown about her 25-year experience with this and, you know, it would be great for her to be able to go to a ribbon cutting to serve her veterans.

Mr. GIBSON. We have actually made, working very closely with Brasfield & Gorrie, we made great progress. They have turned over virtually all buildings. We are actually already beginning to see some number of patients and we are looking I think at a couple of different dates for ribbon cutting. Do we have a date?

Ms. KUSTER. I think if you could lock down that, you would go a long way with pleasing this committee.

Mr. GIBSON. We need to give you a date——

Ms. KUSTER. Thank you.

Mr. GIBSON [continuing]. Soon.

Ms. KUSTER. Yes, and one that she can rely on.

Mr. GIBSON. I was down in Orlando visiting the project and meeting with the general contractor down there three weeks ago—is that about right?—with Stella.

And really the other issue that we have been working in Denver is resolving some of the contractor disputes there and we have been working those amicably.

Ms. KUSTER. Well, let me ask you, would it be helpful if members of our Committee, and I guess I would ask the chair for this as well, if we were to visit these sites? Maybe this oversight committee, we could come on a more regular basis and sit down with you, so that we won't end up with $100 million atriums?

Mr. GIBSON. Well, let me get back to that—first of all, I think it is wonderful to visit. We actually are hosting a Senate Veterans

Affairs Committee field hearing at the Denver site a week from Friday.

Ms. KUSTER. And I think we would——

Mr. GIBSON. So and I have——

Ms. KUSTER [continuing]. It would be great to get our committee out there as well.

Mr. GIBSON. And I have strongly encouraged that, because I think having an opportunity to see the project is very important.

Back to my comments earlier about the form of contract that we use, Integrated Design and Construct. The whole idea is you bring the builder in at the very beginning, so that they are involved in the design effort. And it is that kind of constructability engagement very early on that helps you avoid what I am going to term extravagant features in facility design.

The other thing, even where you don't use IDC, because we are not using that anymore, and so——

Ms. KUSTER. Yes, I think——

Mr. GIBSON [continuing]. We don't use that——

Ms. KUSTER [continuing]. That open-ended, open-pocketbook approach is a problem.

Mr. GIBSON. Imposing the constructability review by an independent construction agent at the 35-percent design stage and at additional stages along the way helps mitigate that risk.

Lastly I would tell you, I look at these things on the front end. I have already looked at conceptual drawings for Louisville and the first thing that jumps off the page is functional design.

Ms. KUSTER. Good. Well, thank you very much.

My time is up, but I will get to it in the next round, just say that I also don't want to take this out of the hides of hardworking folks in the Veterans Administration all across the country.

So, thank you, Mr. Chair.

The CHAIRMAN. Dr. Roe.

Dr. ROE. Thank you all.

Today is a significant day in America, it is April 15th, and a lot of hardworking taxpayers are sending checks off today. And where I live, the per capita income is lower than the average across the country. And it is embarrassing to me to go home and to look those folks in the eye who work as hard as they do and write the checks they do to see this big of a disaster, financial disaster.

And let me tell you exactly why it is that way, it is because nobody at the VA is spending their own money. If you were, you wouldn't behave like this. And nobody would spend their own money like this.

And Dr. Abraham said, look, you heard me say it before, I have been in the middle of a lot of medical construction, there is no way to explain this incompetence. There are obviously some architects who are going to retire and buy places in Vail a lot cheaper than this thing is costing. It is $1600 a square foot. That is astounding when you look at that.

And we are caught up in this, we can't stop. You put us in the ultimate Catch-22. We don't want to go ahead and we can't quit. So that is exactly where we are and you have made us a part of it.

And to Mr. Takano, I don't want to be a project manager. That is not my job. I have been a mayor, I wasn't the project manager of anything. We hired people to do that, we trusted them, they brought it in under budget. I am just one lowly Congressman out of 435, but as long as I am in the Congress I will never vote to see the VA do a major project again. That is just me, but I am not ever going to be involved in that again, to have to go home and explain it.

And I agree with also what others have said. This is not your fault, Mr. Secretary. You are getting the brunt of this criticism. It is not your fault and I understand that. And certainly you have been in the private sector and have done a great job there. So I am not casting aspersions on you at all. But we are going to have to go out there and complete this project.

And let me tell you what I did last night, I had a telephone town hall meeting. The second call I got was a veteran who can't be seen for 120 days. The third call I got was a veteran who had had four primary care physicians in the last year, because they can't find enough. To everybody's comment up here, we are taking money away. This billion dollars could have provided a tremendous amount of healthcare for needy veterans and deserving veterans, of which they are not getting.

And now we are talking about, even though this is one-time money you are talking about in this $5 billion pot, it could go to other things. It could be redirected to patient care, to PTSD care. And I guess I didn't realize it had a four-football-length atrium. Nobody on the planet who is spending their own money would have ever spent the money like that. You would have put it into examining rooms and bigger operating rooms and more functional ICUs, that is what you would have spent the money on.

So I don't know how you prevent this. I mean, I have watched this fiasco unfold for the last six years. And I don't see how we do anything but go ahead and provide the resources to finish this, but I feel like I need a bath after this, I feel that bad. And I don't know how you explain to people, it hasn't been explained to me yet. And every single member, I want to associate my remarks with every single person who said a thing up here, I couldn't agree more with everything they have said. So I don't know what we do.

I would like to go out and see it, just to see what it looks like and see what the project is. And I don't know who it was that said this, but a veteran—oh, maybe it was Mr. Walz—a veteran apologizing who brought this, one of the VSOs who brought it up, it is not their fault, it is not our fault.

And so, anyway, I think that is where I am with this. I am past frustrated and to see this enormous amount of money being spent that could have been spent for patient healthcare. As a physician, I always look at it about how could I help increase the care? How much medicine could I have bought? Surgeries, veterans that are waiting. I met a veteran the other day still waiting three years to hear from a disability claim. Those are the kind of things we could do to really help people, which is what I thought we were, not to build monuments.

So with that, I have editorialized and I have gotten it off my chest, sort of, I don't think it will ever be.

I yield back.

The CHAIRMAN. Thank you, Dr. Roe.

Mr. O'Rourke.

Mr. O'ROURKE. Thank you, Mr. Chairman.

Mr. Secretary, I have a number of questions, so I will start right into them without making a statement.

Assuming we needed the $5 billion originally that was requested that was appropriated, why not ask for a new appropriation? Because if we really needed that money, then we are not going to fund something that you thought we needed. If we didn't really need that money, that brings up some really serious questions and concerns. Why not ask for a new appropriation?

Mr. GIBSON. I think in the fiscal environment that we are in right now the sense was that that was going to go nowhere. Just like the original idea of tapping into the $10 billion went nowhere.

Mr. O'ROURKE. Yes.

Mr. GIBSON. And so, again, this from our perspective is the least worst alternative that we have got in order to be able to do what we need to do, which is finish the project.

Mr. O'ROURKE. Last week, the AP reported that wait times for all intents and purposes have not changed, have not improved. There was a story in each one of our districts in El Paso, we were second and third in the state for wait times. Like Dr. Roe, I am hearing from constituents who still are not able to get in.

You visited El Paso and I thank you for that. You called the conditions in our facility there unacceptable, in your own words. And yet you are going to take money from potentially facilities like those that serve the veterans that I represent. We are going to divert funds that could potentially be used for what I think is a more urgent crisis, which is seeing veterans who have mental healthcare needs, who have physical care needs, who are not being seen today. That to me is unacceptable.

I would be much more inclined to support a new appropriation than to take money from veterans who need to be served in communities like mine and communities like those represented by others here. So I wanted to ask you that question and make that point.

Mr. Caldwell and Secretary Gibson, I am not totally sold that the choice is a binary one, either we fund this to $1.7 billion or we don't fund it and it just is left an empty shell. Are there any other partners that we could work with? I understand that when this was originally envisioned we were going to work with an academic institution and co-flag, co-brand, co-locate a facility there. Why not explore that today?

I mean, if I am only offered those two choices, you know, then perhaps we have to fund it, but I think there has got to be a more creative solution to this, it is not either/or.

Mr. GIBSON. As part of that process, we have actually engaged a firm to explore a number of different alternatives, including partnerships, including identifying other sites, including trying to refurbish the existing facility. We have got a preliminary analysis back that strongly indicates that completing the facility is the optimal choice. And once we get the final of that back, which we expect next week, we will provide that to the committee, so that you have

got the opportunity to be able to see that. And it includes the option of looking at fee-in care out into the community instead of building a facility.

Mr. O'ROURKE. And I want to associate myself with all of my colleagues who praised your leadership and that of Secretary McDonald, I can't argue with that, but I also cannot leave it up to your discretion or the discretion of a future secretary to make some of these judgments. And so I have got to agree with my colleague from Colorado when he laid out the litany of past construction mistakes at the VA. The VA just should not be in this business.

And so I would love your recommendation back to us or the secretary's recommendation on a dollar amount above which the VA should not be involved in design and construction and only the Corps of Engineers or some other third party.

I would also like to hear some creative, innovative suggestions about maybe we should no longer be building stand alone veterans' facilities, maybe we should be forced to co-locate. If somebody else had skin in this game, there is no way it would have gone to $1.7 billion, absolutely no way. That could have been a public partner, a private partner, they would not have allowed this to happen. The VA will do this because the VA has always done this. So I no longer trust the VA. It is not that I do not trust you, I do not trust the VA's ability to construct these facilities.

In El Paso, with 80,000 veterans very poorly served in an inadequate facility with very long wait times, it is very hard for me to go forward without you coming back or this committee deciding on some very bold, honest changes to this system, and those that have been offered to date do not meet that mark. And with my colleague from Minnesota, this one is on us. The first 800 million was on you, this 800 million is on me, any future overruns are on me. I will not allow it to happen.

So I would love to work with you constructively, hear your ideas on how we do something a little bit more bold, make some more significant changes, acknowledge that we should not be in this business, and then I think we can work together. And I think there are some creative solutions to this that are out there and look forward to working with you on that.

Mr. GIBSON. Yes, sir.

Mr. O'ROURKE. Mr. Chair, I yield back.

The CHAIRMAN. Thank you very much.

Dr. Huelskamp.

Dr. HUELSKAMP. Thank you, Mr. Chairman.

I would like to jump in quickly with questions. I do have a lot of them and they follow after four years of earlier questions, Mr. Secretary. And I recognize that you have only been with the VA since February of 2014, but as I understand, in the time since then until Mr. Haggstrom retired with full benefits that he reported directly to you; is that accurate?

Mr. GIBSON. He did, yes.

Dr. HUELSKAMP. And he testified that he briefed you and the secretary monthly on the status of the Denver project. And what did he tell you? Did he tell you these cost overruns were coming? Because he certainly didn't share them with the committee. And so

I want to know, did he tell you or did he lie to you? And I just would like for you to share that with the committee.

Mr. GIBSON. I think the general sense that was being presented at the time was that there was a heavy reliance on the firm target price that was in the contract between KT and VA. And on that basis and the reliance on that contract interpretation, there was still this sense that, you know, it is going to be built for this amount.

And I will tell you, as I waded into all of this, starting really in the summer, in June and July as the acting secretary, I began at that point to engage directly with the general contractors on all three of these projects, Orlando, New Orleans and Denver, all three. I began to become much better read in on these projects. So by the time we got to late summer, very early fall, actually before early fall, you know, in my mind the conclusion was there was no way that we were going to get this project built for $600 million.

Dr. HUELSKAMP. Did Mr. Haggstrom ever admit that to you or was he still—on the day he retired with full pension, full benefits and also taking in $50,000 of bonuses during this time period, did he ever say, you know what, Mr. Secretary, we are going to have a massive cost overrun?

Mr. GIBSON. I don't recall that that was ever his conclusion. It was really——

Dr. HUELSKAMP. Did he ever indicate to you this email from Mr. Gorospe and presumably others that, hey, we have got folks below me that I have to listen to and say, hey, they are predicting massive cost overruns four years ago, did he ever bring that to your attention?

Mr. GIBSON. No. And I would tell you, I also don't believe that that was in the evidence file that I reviewed when I was reviewing the case associated with Mr. Haggstrom, which I did the day after he was deposed. But there was other information that made it very clear that there were clear warnings about estimated disparities in what different parties thought it was going to cost to complete the project.

Dr. HUELSKAMP. Absolutely, and I appreciate that. And I think I am going to term this the Haggstrom principle. We just had a hearing earlier this week in which whistleblowers, again three whistleblowers, and you might have seen the interchange and exchange numerous folks had with the VA representative. But we remain concerned that whistleblowers are targeted, they are intimidated and they are retaliated against.

And here we have just the same week that probably the biggest cost overrun in the history of the VA, we have an email, I am looking at it here, that said this was going to happen. He said $500 million. I mean, he even low-balled the estimate on that, and apparently he was ignored. Not only was he ignored, he was fired, perhaps for that reason. And we look forward to the VA telling us what happened in that situation. He was fired. The guy that fired him, oversaw him, got a promotion, benefits, full bonuses. And so the VA seems to be punishing the whistleblowers, intimidating them, and then highlighting and giving bonuses to the guys who are screwing it up.

Now, where is the accountability in that situation, Mr. Secretary, particularly with the Haggstrom principle?

Mr. GIBSON. In that situation, there was no accountability, period.

Dr. HUELSKAMP. You did say Mr. Haggstrom was deposed, I was unaware of this. What was he deposed for? What is the situation?

Mr. GIBSON. As I mentioned in my opening statement, he was deposed as it relates to the Denver project on Monday the 23rd of March. I took the evidence binder home with me Tuesday night and Wednesday morning learned that he had retired.

Dr. HUELSKAMP. Wow. Well, and I will direct you to his comments to the committee and to me. We talked a little bit about a bonus issue. Again, it is $54,000 worth of bonuses. He said, quote, "I think you need to put those cost overruns in context."

And again, the cost overruns at that time were minimal compared to what we have learned here. And so we have a construction chief apparently covering this up. Again, retiring with full bonuses, full pension, and helping, it looks like, intimidate and retaliate against the guy that was exposing that. So that is the principle, the Haggstrom principle, that has to be changed.

I look forward to learning some more, if we could, about Mr. Adelino Gorospe and hopefully he will come before the committee, but I would like to also hear from Mr. Haggstrom and hopefully will visit with the chairman. Maybe that is something that maybe he would come voluntarily. I guess that would probably not be the case, as the secretary talked at that deposition, but I look forward to that in the future.

I yield back, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Huelskamp.

Ms. Rice, you are recognized.

Ms. RICE. Thank you, Mr. Chairman.

I would like to continue in the line of the issue of accountability that Mr. Huelskamp has raised, but I first think it is important for us to remember what is really important here. And I want to underscore a fact that is very disturbing that I see as a direct result of all of the shenanigans that are going on in the building of this facility. Community-based outpatient clinics near the Denver VA have some of the worst wait times in the entire country. Enough said right there.

Now, after our last hearing, my colleague Mr. Walz and I sent a letter to Ms. Fiotes on March 20th, 2015 that said, in sum and substance, we were requesting a detailed account of what has been mishandled, who is responsible for the construction delays, and how the mismanagement of our constituents' hard-earned money has been allowed to continue for so long.

On April 1st, I received a response from you, Mr. Gibson. And you talked about how the Administrative Investigation Board (AIB) AIB, the report, was not complete, so it was not available to be shared at this time. But in the paragraph above that you talked about how the AIB had interviewed four individuals on March 23rd, 2015, and on the 24th, and it included Mr. Haggstrom and three other individuals that you did not name.

Can you please tell me the names of the three individuals that you spoke to on that day?

Mr. GIBSON. I did not interview them, the AIB interviewed them.

Ms. RICE. Well, I understand that, but you were able to identify Mr. Haggstrom as one of the individuals who was interviewed. Who were the others?

Mr. GIBSON. That is because I had his sworn testimony in my evidence binder. I can't——

Ms. RICE. Why did you not have the sworn testimony of anyone else?

Mr. GIBSON. It may not have been relevant to the case. In the course——

Ms. RICE. Well, it——

Mr. GIBSON [continuing]. In the course of—there are hundreds, if not thousands of pages of evidence that are reviewed in the process of an investigation, particularly of this nature, but actually of any nature. What winds up coming to me when I am taking an action on a senior executive is the binder that basically takes and culls the relevant testimony that is relevant to the particular, what ultimately will become the charges that are levied and that are the basis for removal.

Ms. RICE. Okay.

Mr. GIBSON. So I can't tell you offhand who the other three were.

Ms. RICE. I just want to say, and I don't know if I can speak for Mr. Walz, but this was an insulting boilerplate form letter that contained absolutely no information and was nonresponsive to our request. And I am going to reiterate our request to get the information. I want to see the depositions, I want to see the testimony.

So here is the issue. And again, you have said under the title of accountability, Mr. Gibson, "The VA established an administrative investigation board," AIB, "to look at the actions and processes that resulted in the current situation and the employees responsible for those actions and decisions. At this juncture while the investigation is ongoing, it is premature for VA to identify who may be subject to appropriate disciplinary action."

My question—now, by the way, I think this is curious, because you have already said that most of the people who were involved in this project prior to today's date have been removed. So I am not exactly sure why or maybe you don't see that as disciplinary action, but let me tell you my concern. We are not just talking about the possibility—well, it is obvious that there was clearly some negligence, waste, abuse, all of that, but I believe, and maybe this is my background, that it is very likely that there are criminal implications here.

Now, I am going to tell you—you have made mention of the private sector before. This would never happen in the private sector. I am going to tell you what would happen in the private sector. If a similar project happened in the private sector like this and there were hundreds of millions of dollars wasted—because I think it is fair to say that it is wasted—this is what would happen. They would make a very quick determination about criminality. Right? They would either prosecute or they would defer prosecution and then what they would do is they would institute a Federal monitorship.

And that is what I, today, am going to ask this Commission to do. I think the VA needs to have a Federal monitorship. And what

that is going to do is it is going to force the VA once and for all to change its practices, to get rid of the culture of putting the VA first and the veterans last. And that is the only way that we are going to know—I actually think this is maybe ripe for criminal review. Has there been a referral, a criminal referral to a local law enforcement agency by the VA regarding this case?

Mr. GIBSON. There has been absolutely no evidence of any criminal wrongdoing uncovered at any point in this (indiscernible)——

Ms. RICE. And who is making that determination?

Mr. GIBSON. That gets uncovered by investigators and at any point I——

Ms. RICE. Investigators who work for whom?

Mr GIBSON. The investigators work for VA.

Ms. RICE. Okay. So what I am suggesting is a real law enforcement agency. The VA is not a general contractor, and they are not a law enforcement agency, so that is not a satisfactory answer. I do not think it is crazy to say that there could be some criminality here. And I can tell you that I will never vote for one more red cent to go to this project until once and for all someone sitting at that table can tell all of us why this happened. And I just have not heard it. So let me just talk——

Mr. GIBSON. Just out of curiosity, ma'am, what did you think my opening statement was?

Ms. RICE. So let me talk about your opening statement because in the writing, your written statement, your final paragraph was, "As we approach design in the future——

Mr. GIBSON. I am referring to my opening statement, ma'am——

Ms. RICE. "As we approach design in the future, VA's emphasis will be on clear up-front definition of requirements, functional design for easier use by veterans and staff, simple forms for more efficient and cost-effective construction, and standardization to the maximum extent possible." My question is why wasn't this paragraph—all of these standards, why weren't they a part of the original project?

Mr. GIBSON. Ma'am, I wish I could change history, but I cannot.

Ms. RICE. No, no. I am not—I know you——

Mr. GIBSON. They weren't part of the construction——

Ms. RICE. But I am asking you in the——

Mr. GIBSON [continuing]. Management practices.

Ms. RICE [continuing]. In all of the reviews——

Mr. GIBSON. I have——

Ms. RICE [continuing]. You have done on thousands of papers——

Mr. GIBSON [continuing]. I have acknowledged the——

Ms. RICE [continuing]. Why——

Mr. GIBSON [continuing]. The weak management.

Ms. RICE. Sir——

Mr. GIBSON. I have acknowledge——

Ms. RICE [continuing]. I am asking you one simple question. I am asking you, in your opinion, why do you think that these standards were not employed in the original proposal, or under the original construct of how the VA operates?

Mr. GIBSON. I think part of the challenge for VA is they had not built a major hospital project in, I am going to say, 17 years. That is the number that I am remembering. When we started with Las

Vegas, and the organization frankly had lost the competency to be able to do that. The business had changed dramatically in the intervening years, and so what happened is we sort of caught the bow wave of Las Vegas and Denver and New Orleans and Orlando, and we weren't ready for it as an organization, and we bungled it.

Ms. RICE. Okay.

Mr. GIBSON. We screwed it up.

Ms. RICE. Okay. On quick thing.

Mr. GIBSON. We did not have those good practices in place at the time.

Ms. RICE. I appreciate you accepting responsibility even though you were not responsible. But you also said that you made a point in your written submission that the VA has delivered 75 major construction projects valued at over $3 billion successfully. You said this is not to diminish our serious concerns over the mistakes that led to the current situation on the Denver project, but only to emphasize that we have successfully managed numerous projects through our major construction program. It begs the question, why is Denver not one of your many success stories?

Mr. GIBSON. Because of the complexity, the scope, the scale of the project.

Ms. RICE. Is that the largest project ever in VA history?

Mr. GIBSON. In cost it certainly is, and in square footage it probably——

Ms. FIOTES. Second to New Orleans.

Mr. GIBSON. Second to New Orleans.

Ms. RICE. I appreciate that. But that cannot be the only reason why it is not the most—it is not on the success list. Thank you, Mr. Chairman.

Mr. GIBSON. Well, the success list, major projects, as I mentioned earlier, include projects all the way down to $10 million. We do those routinely and have been doing those routinely for decades. It is just building close to $1 billion hospital projects has not been something that VA has done in its recent past until these four projects.

The CHAIRMAN. Thank you, Ms. Rice. Ms. Brownley.

Ms. BROWNLEY. Thank you, Mr. Chairman. I want to express what my colleagues have already expressed, their tremendous amount of angst and accountability that I feel at this moment in time without question. And I also want to reiterate that I feel like the only hope we have at this particular moment is you and your oversight, Mr. Secretary, in making sure that we move forward and move forward in a correct manner that is going to complete this project somehow, some way, successfully from this point forward.

I will say one other point of optimism I probably should express is that I do have a level of confidence that the Army Corps of Engineers is not in the business of building Taj Mahals. I do not think they have a reputation of building Taj Mahals. They are engineers. I think they prioritize function over form, and I hope that that acumen will be built into this project.

So I guess a very simple question that I have for you is at this moment in time with the estimation that you are saying to complete the project, do we have a complete design of the project?

Mr. GIBSON. Yes, ma'am, we do. And I am echoing one of Lloyd's comments, and the Corps' perspective, they also concluded that we have a completed design.

Ms. BROWNLEY. So we have a completed design and we know that complete design is not a Taj Mahal. It is a functioning hospital that is, you know, that does not have all of the gold plated sinks and everything else that might be included, or originally included. I am not saying that they had gold-covered sinks, but——

Mr. GIBSON. No.

Ms. BROWNLEY [continuing]. The atrium that has been spoken of.

Mr. GIBSON. Well, the completed design basically reflects the design, and so if you go out to the project and visit the project, all 12 of those buildings are up. The steel is up, all of the steel, or virtually all the steel, virtually all the concrete is hung. And so basically what you have got is already the existing frame of the project. My——

Ms. BROWNLEY. So——

Mr. GIBSON [continuing]. Earliest conversations with both the Corps and with KT were are there any plausible, meaningful value engineering opportunities that we should consider at this point in the project? And the answer from both parties was, "No. We are too far along and to try to enter into those now, you are going to wind up costing more money and costing further delay than you would save."

Ms. BROWNLEY. It seems to me that I was not here for your earlier testimony, but my staff gave me a note saying that Director Caldwell talked about we won't have complete cost estimate for completing the Denver project, that they won't be able to happen for another two months. Was that accurate, it would be two more months before you could have the complete estimate?

Mr. CALDWELL. Yes, ma'am. Actually, the estimate probably will not be complete in two months, but it is going to be close enough that we really know that we can depend on it for our negotiations. But, yes, that is correct.

Ms. BROWNLEY. Well, doesn't that seem that we are following a path that we followed earlier by, you know, asking for an amount of money where we don't know what the final estimates are?

Mr. CALDWELL. Ma'am, the way the process plays out on any capital project is that the first estimate on which the programming and appropriations decisions are made are generally based on parametric estimates, that is based on your experience from similar projects in recent years in that locale. It is after the project is authorized and appropriations available that you begin the hard work of determining what the precise requirements are and the precise costs. So that is a normal process. The difference in this case is that because we are taking on the project in the mid-point, we are not using a parametric estimate for purposes of reprogramming. We have used an engineering estimate that was made about two years ago, and now we will be making our independent estimate to get that more precise estimate.

Ms. BROWNLEY. Thank you. And I just want to make one final comment in that I agree with Mr. O'Rourke. We should not have the only proposal to us be one that is binary, either this appropriation or not to complete the project, that there should be other solu-

tions here that we can analyze and look at. So with that, I will yield back my time.

The CHAIRMAN. Thank you very much. Ms. Titus.

Ms. TITUS. Thank you, Mr. Chairman. Thank you, Mr. Gibson, I am sorry you are always the one who has to take the brunt of this when you aren't responsible. But we appreciate your cool demeanor and expertise.

Mr. GIBSON. It is always a pleasure, ma'am.

Ms. TITUS. I am sure it is. Anyway, thank you for being here. At the risk of sounding like I am piling on, we are really being presented with a Hobson's choice here. We have either got to move forward with this project, finish it, and spend money that could go to other veterans' programs, or we either stop and waste the money that has already been spent that could have gone to other veterans' programs. It is not a very good choice, obviously. But it is one that we have to make.

And so I am inclined to agree with Mr. O'Rourke in that if we go forward and spend this money, it has got to be accompanied by some real reforms, that we can say this will never happen again, because we have legislated, put in place, things that will prevent it from occurring. And so those two things have to go together. We can't just write another check and hope that whoever comes along next will do a better job.

Now, having said that, I want to ask you again about Las Vegas. You know, I worry about it. And it has been mentioned several times here. We know that while Denver apparently got the big atrium, Las Vegas got an emergency room that was too small before it even opened. And so we have had to now go back in and build a second emergency room or department, and I am afraid that other parts of the facility are also going to turn out to be too small, because we underestimated the use. Usually you build a hospital and use increases two to three percent. We built that hospital in Las Vegas, use increased by 19 percent.

Mr. GIBSON. Yes.

Ms. TITUS. So I hope these other facilities that are part of this complex aren't also too small. But the thing that really bothers me is the timeline. When you gave me a timeline before in April of 2014, you said it was going to be fully operational by the middle of this summer. Now that timeline has slipped, and it is not going to be fully activated until next spring. Now, there has not been a nexus drawn between pushing the timeline for Las Vegas and taking the funds for Aurora, and I just want to be assured that that is not the case, first. And, second, that this timeline isn't going to keep getting pushed back as you focus all your energy and resources and efforts on this fiasco in Colorado.

Mr. GIBSON. Yes, ma'am. I would like to ask Ms. Fiotes to respond to the question on Las Vegas.

Ms. FIOTES. Congresswoman, the delay in schedule that you are referring to is the difference between construction completion and actual activation. We always estimate an amount of time between when we turn over the facility and when the medical center is actually able to operate it fully. That timeline is anywhere between 90 to 180 days depending on the complexity. The facility itself, the construction will be done this summer.

Ms. TITUS. Well, that is good to know. Well, thank you very much. All right. But let's work on some of those reforms that we talked about to go hand in hand with this——

Mr. GIBSON. Yes, ma'am.

Ms. TITUS [continuing]. Increased——

Mr. GIBSON. Yes, ma'am.

Ms. TITUS [continuing]. Funding. Thank you.

The CHAIRMAN. Thank you very much. Mr. Secretary, I asked in the pre-hearing, questions for the record, what, if any, alternatives had been considered to re-purpose funding from other major and minor construction projects and/or Department programs, initiatives to move forward with the Denver project without requesting additional funding. And the answer I got back was all funding available in the VHA major construction program that will not adversely impact ongoing or previously funded projects has been identified and reprogrammed to the Denver project. Now, I hear that you are also looking at other alternatives. Re-purposing leasing—I think I heard you say that. And, if so, you made news.

Mr. GIBSON. I am sorry. I did not follow the last part.

The CHAIRMAN. Are you talking anything other than full completion of the project?

Mr. GIBSON. No.

The CHAIRMAN. Okay.

Mr. GIBSON. Absolutely not.

The CHAIRMAN. Full completion? Okay.

Mr. GIBSON. Yes, sir.

The CHAIRMAN. I misunderstood. I got another question. I sent a letter on the 19th of March to the Secretary basically asking for minutes from the construction review counsel. I have yet to receive a response. I would direct your attention to the testimony that was given from Ms. Fiotes on the 25th of March of last year, where she says, "In addition to closing GAO recommendations, VA has worked diligently to address and close all the recommendations identified through the VA Construction Review Counsel, which was established in 2012, chaired by the Secretary to serve as a single point of oversight in performance in accountability."

And it goes on to say, "Through the CRC and the VA Acquisition Program management framework that provides the continual project review throughout the project's acquisition life cycle, VA will continue to drive improvements in the management of VA's real property capital programs."

And then Mr. Hagstrom testified to the Committee on April 22nd of last year on this particular project. "Both the VA Secretary and Deputy Secretary are briefed monthly on the status of this project as part of our Construction Review Council meeting." It then goes on to talk about the primary purpose of the Council, and then I think I heard you say—somebody has said—the Council has not met?

Mr. GIBSON. I believe the Council met maybe one time in July or August, if I am recalling—correct me. Is that right? And so since that time, since Secretary Shinseki's departure, other than that one occasion, the CRC has not met.

The CHAIRMAN. Why would two people from senior leadership of VA come and testify to this Committee that it meets monthly? And

then how hard is it to answer a question as to where the minutes are if the——

Mr. GIBSON. It is——

The CHAIRMAN [continuing]. The answer—wait—the answer to the question is, "There are no minutes because there were no meetings."

Mr. GIBSON. Subsequent to June or July, whenever that last meeting was June, July, or August, there have not been any additional meetings. Prior to that time, it had been meeting regularly on a monthly basis. I am aware of your request and have inquired, and I am told that there are no minutes. There are, however, decks that were used, presentation decks, that were maintained, and we have provided those to our general counsel for their review before turning the material over.

The CHAIRMAN. So I am to believe something that is designed to protect the expenditure of taxpayer money on projects to hopefully prevent the spending of a billion dollars more than was originally budgeted, to make sure that there are appropriate safeguards in place, and nobody took minutes? I mean, what is it, just a gaggle?

Mr. GIBSON. First of all, I am told that there were no minutes kept. The meeting was a very structured meeting. It included sometimes upward of 40 or 50 people in the room. As I mentioned earlier, I did not, from my perspective, view it as a constructive forum, either for the exchange of information or for making timely well-informed decisions.

The CHAIRMAN. Was there anybody from outside VA that is part of that review council?

Mr. GIBSON. I don't believe so. Correct me if I am wrong? I don't believe so.

The CHAIRMAN. So, Ms. Fiotes, your testimony then at the time was accurate that there were monthly meetings that were going on——

Ms. FIOTES. Yes, Congressman, there were monthly meetings going on until the time frame that Mr. Gibson just mentioned, the summer of last year.

The CHAIRMAN. Okay, staff, I apologize, I haven't reviewed this yet. Staff just provided it to me. But this is a document entitled "VA Construction Review Council Activity Report dated 2012 November," and in it there is a complete recollection of major construction, Denver Medical Center, as of May 16th. The purpose of the CRC meeting on the Denver replacement was to review and improve—I mean, so how do you create a document like this if there is no minutes taken?

Mr. GIBSON. Yes, if that is what I think you are referring to, I have seen a transcript actually, a transposed transcript of one meeting from 2012. And I am assuming that is a part of what you have in your hand.

The CHAIRMAN. And so there were minutes taken at a meeting at some point?

Mr. GIBSON. It was actually a transcript of a recording of the meeting.

The CHAIRMAN. But then there was never—it was never, ever——

Mr. GIBSON. No.

The CHAIRMAN [continuing]. Recorded again?

Mr. GIBSON. No.

The CHAIRMAN. Any idea——

Mr. GIBSON. It was not.

The CHAIRMAN [continuing]. Managerially why would you record one and then not——

Mr. GIBSON. I——

The CHAIRMAN [continuing]. Record anymore?

Mr. GIBSON. It would be pure speculation on my part.

The CHAIRMAN. Okay. And again, this is the first I have seen of it, and that is what it appears it is. Ms. Brown, you are recognized.

Ms. BROWN. Thank you. Mr. Secretary, I just want to clarify one thing. On the Orlando opening, do you have a date for us?

Mr. GIBSON. May 26th.

Ms. BROWN. All right. So at this time, Mr. Chairman, I would like to invite you and any of the other members that would like to come to that opening.

The CHAIRMAN. Thank you.

Ms. BROWN. And all of the former members that have worked over the 25 years of this project to attend. All right. Now, I have asked if our Democratic Members would like to go to Denver? I am asking the staff to get with you because I think it is important that we go and see a project that has gone out of proportion.

You can talk about it all you want to but unless you go and visit with these projects and sit down and talk to the VA and talk to the construction team, you really will not get a good feel, I did that with Orlando, and I am coming to the end of that project. I am hoping that some of you will find it in your busy schedule to go to Denver so that we can learn from that experience that will help us with the rest of these projects throughout the country.

Now, Mr. Secretary, we are at a, critical time, we probably need to at least authorize additional funds and authority to move this project forward. Once again, where are we going to get the resources; and there are some concerns about using that $5 billion that was supposed to be to help with veterans' facilities and accommodations throughout the country.

Mr. GIBSON. As I mentioned earlier, we owe the Committee a revised spend plan on the $5 billion as part of the support for the request.

Ms. BROWN. And I would also like to know out of that $10 billion, how much of it have we used for the Choice Program? How many veterans have been served out of the Choice Program?

Mr. GIBSON. I have not seen the most recent numbers on appointments from the program. I can tell you the total obligations thus far right at $800 million, under the $10 billion portion of the program.

Ms. BROWN. And out of the $5 billion, where are we?

Mr. GIBSON. Out of the $5 billion, $109 has been obligated, but——

Ms. BROWN. $109 million?

Mr. GIBSON. $109 million out of the $5 billion. But one quick word—two words of caution. One, about 40 percent of the total $5 billion has been planned for non-recurring maintenance and minor construction, which has a lead time associated with requirements

definition and the FAR-based contracting process. So from the time we basically release the funds to the field, we are still in that portion of the process. So not much actually obligated yet on the construction side, non-recurring maintenance and minor construction.

On the staffing side, I am told that we have already hired roughly 2,500 additional staff. The obligation—I am learning about Federal accounting here—the obligation is actually recorded at the time the payroll is processed. So it is not a—you don't obligate the full year of salary at the time you bring somebody on. You obligate it in pieces twice a month.

Ms. BROWN. We have had lots of discussions about major projects and smaller projects. Where would you find the separation, because I do think that the VA should be able to have the ability to make some decisions as far as particular smaller projects in, small communities. We don't need the Army Corps—I mean, Army Corps got a full plate, and we have to figure out—what portion to give the Corp.

Mr. GIBSON. Yes, ma'am.

Congress actually stipulates a $10 billion—excuse me—$10 million threshold, above which is deemed to be a major project. And so that is a level that hasn't changed in a long time. So it is, from our perspective, a relatively low threshold, which is why you see us at any point in time with 50 or 60 "major construction projects under way at any point in time."

Ms. BROWN. There was a facility problem down in Miami. VA had two small projects, and when you put them together, it became one big project. I felt that the Secretary should have the authority to do that because it was costing us more money trying to get it resolved.

Mr. GIBSON. I fear that what has happened over the years is that there are too many instances where we design a project right up to the $9,999,000 amount, and really if we were doing what we really needed, we would do more than that. But the perception is that that adds materially to the time frame to be able to get a project completed or approved and funded.

Ms. BROWN. I am hoping you will come back to us as soon as possible with a method as to how we are going to come up with additional——

Mr. GIBSON. Yes, ma'am.

Ms. BROWN [continuing]. Funding that you need.

Mr. GIBSON. Yes, ma'am.

Ms. BROWN. I yield back the balance of my time.

The CHAIRMAN. Thank you. Mr. Coffman, you are recognized.

Mr. COFFMAN. Thank you, Mr. Hagstrom. Ms. Brown, just one point, the——

The CHAIRMAN. You just called me Mr. Hagstrom.

Mr. COFFMAN. No, no. Oh, no. I did not? Build anything lately?

The CHAIRMAN. This hearing is adjourned.

Mr. COFFMAN. Ms. Brown——

The CHAIRMAN. We are out of here.

Mr. COFFMAN [continuing]. The threshold that I use in the legislation is the major construction and we leave VA to do the minor below the $10 million. And that is defined in statute, the $10 million threshold. Yes?

Ms. BROWN. Because when you were talking, I was wondering where do you stand on this authorization, because if you do not have the funding, it is going to stop your project?

Mr. COFFMAN. That is right. The number has to be increased.

Ms. BROWN. It—will. You didn't mention that in your comments.

Mr. COFFMAN. I said the hospital has to be built. The authorization is clearly part of it.

Ms. BROWN. No, no, no, sir. I didn't hear it.

Mr. COFFMAN. I did say that. Thank you. I am reclaiming my time. On January 21st, Mr. Gibson, you testified before this Committee. And you said, I'll quote, "I have direct"—this is on January 21st—"I have directed that an administrative investigation board be convened to examine all aspects of the Denver project to determine the facts that led to the current situation and gather evidence of any mismanagement that contributed to this unacceptable outcome." And so obviously at the head of all of this is Mr. Hagstrom. But Mr. Hagstrom wasn't interviewed until March 23rd, by your testimony, and then he was allowed to retire on March 24th. I mean, why the gap?

Mr. GIBSON. What we had been working to do is to request and receive approval for a detailee with appropriate subject matter expertise from another department in the Federal Government. We have been unable to secure that at this point. In the meantime, we moved ahead with the AIB based upon the resources that we had at our disposal. So that was really the heart of the delay.

Mr. COFFMAN. When is the AIB expected to be completed?

Mr. GIBSON. The honest answer is I don't know. I will tell you that what I have directed on this AIB—normally what we would do is we would charge an AIB to look at a series of issues, and they would go all the way through their work and complete their final report and then we would consider actions. What I have directed on this one is, I want them looking at certain elements of this, because we have got such a large and complex activity. And as they have sufficient evidence to be able to support taking a disciplinary action, that we move ahead on that while the AIB is still operating.

Mr. COFFMAN. The fact that he is gone, what disciplinary action can you take?

Mr. GIBSON. Against Mr. Hagstrom, none. But the AIB now proceeds looking at other individuals that were involved in various manners with the project at various levels.

Mr. COFFMAN. When was the first person deposed?

Mr. GIBSON. I don't remember the answer to that. I am sorry.

Mr. COFFMAN. How many people have been fired that are in leadership positions on major construction projects in the VA, on these major hospital construction projects?

Mr. GIBSON. I am not aware that any senior level officials have been fired.

Mr. COFFMAN. Each one is hundreds of millions of dollars over budget, years behind schedule, and nobody has been fired, except for we know a whistleblower has been fired.

Mr. GIBSON. Unacceptable.

Mr. COFFMAN. Unacceptable. This is overwhelming. This is overwhelming. Just incredible. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you. Mr. Walz?

Mr. WALZ. Well, thank you again. And I think the question—again I am like so many here, we are kind of within—I am deeply concerned. I think Mr. O'Rourke's point was on this is is I would just suggest to you Mr. Gibson maybe go back with the Secretary. I just think for accountability purposes it may be right to come for a request to this committee, for an appropriation request, because I am very uncomfortable with the proposal that's been put forward.

I see it, especially coming out of the Choice Program, why would we not enhance the Choice Program in and around the Denver proposal here with—because we know the wait times are even higher because they are waiting to get into this delayed facility.

It just seems to me that it is very hard to not talk to my constituents that because of these problems it is delaying care for veterans. Do you have a suggestion for me on this? I mean, I am just—because I understand it has to be built, and I am going to stand because this is about veterans and giving you the authority to get it done, but I just think it needs to be a clean break from what we have done.

Mr. GIBSON. I think, first of all, the fact that we have requested that the Corps come in and take over as the construction agent on this particular project. Certainly, what has been provided at this point is really the formal part of the request for funding. We owe this Committee additional information, as I have described earlier, detail on the changes in the $5 million spend plan, any additional detailed information that we can possibly provide.

I alluded earlier to the review that the Corps of Engineers is doing at our request, looking at all four of these projects, advising us on things that they believe went wrong from a policy and practice standpoint in these projects, and how we can operate more effectively.

And then secondly, at Congress's direction there is an independent review being undertaken of the entire construction project—or process—or construction program at VA as part of the Choice Act, and that report, that final report, is due to Congress in September.

So, frankly, I think under the circumstance if we are talking about a project, the management of which is going to be turned over to the Corps of Engineers, and in the meantime what we are going to be doing is going through two different independent reviews of our major construction activity to figure out how do we best operate in the future.

Mr. WALZ. And those results will be in front of us?

Mr. GIBSON. That (indiscernible), that's fine.

Mr. WALZ. And those results will be in front of us——

Mr. GIBSON. Absolutely, yes.

Mr. WALZ [continuing]. Before we are asked to spend any more money?

Mr. GIBSON. I'm sorry?

Mr. WALZ. Those will be in front of us before we are asked to appropriate more money——

Mr. GIBSON. No, sir, they won't be.

Mr. WALZ [continuing]. For this?

Mr. GIBSON. They won't be. The only way that happens is if we shut down construction on the project.

Mr. WALZ. What does that mean?

Mr. GIBSON. And Mr. Caldwell has already responded.

Mr. WALZ. Yes, a little bit. That guarantees that it opens later or?

Mr. GIBSON. What happens is you start moth balling the project. And so there are material additional costs that you wind up incurring.

Mr. WALZ. No, I understand.

Mr. GIBSON. You wind up incurring delay. I met two weeks ago in Denver with 40 or 50 of the largest subcontractors, not just the general contractor, but subcontractors. And I got to tell you if there is another walk-off on this project, they are not coming back. And so just the threat, just the threat that there is not going to be funding for this project makes it that much harder for the general contractor to be able to get these subs——

Mr. WALZ. No, I agree and I feel for them too, but I just think for all the Members to recognize it is pretty clear on this, you are going to vote for this before you hear any—and have anything in writing on a guarantee that it is going to be done and it is a devil's deal, it is a tough one, and I appreciate exactly what you said. I think——

Mr. GIBSON. It is going to be done by the Corps.

Mr. WALZ. Yep. And I think you articulated it very well.

Mr. GIBSON. That is your confidence on the $800 million. Look, I am not any happier about this than anybody.

Mr. WALZ. No, I know.

Mr. GIBSON. I am profoundly embarrassed, I am upset, I am angry. I get it, I understand that. At the end of the day, though, I believe we have to finish this facility. I think it is best from where we are it is the right thing for veterans, and I believe it is the best outcome for taxpayers, and we owe you that analysis——

Mr. WALZ. I do not disagree with you on that, Mr. Gibson. I just think that this is our time to leverage changes. I don't disagree with that analysis and to try and get there.

Mr. GIBSON. I think there is an opportunity to do that in a very informed fashion over the coming, however many—five months, however many that is, I haven't counted to September.

Mr. WALZ. Yep. Well, I appreciate that. Thank you, Mr. Chairman.

The CHAIRMAN. (Indiscernible) Does the Administration support a deficit neutral solution to this current problem?

Mr. GIBSON. The Administration supports the proposed funding using a portion of the $5 billion in Choice. And if that translates into a deficit neutral proposal, then that is—the answer is yes.

The CHAIRMAN. Thank you. Dr. Abraham.

Dr. ABRAHAM. Pointing in, I guess, on Dr. Roe's comments, the average veteran in my district, his average income is equivalent to 20 square feet of this proposed. And I have looked while we have been talking, it is about the center of this horseshoe here, much less a four football field atrium.

So the question is internally in the VA—I understand there are problems or there are issues with firing an employee in the Federal system, but has the VA internally come up with some objective paths to take if they see an employee, a contractor, an individual

go off target, off radar, to reassign or just to get them out of that area of operation?

Mr. GIBSON. I am going to ask one of you two to answer the question.

Mr. MILSTEN. Yes, we have done a number of things to look at how employees perform. We have looked at if on the—especially on our critical projects, if the project leaders on that project identify employees that are problematic, rather than leaving them there for that supervisor to take the disciplinary action, I have had the discussions with the regional offices that we reassign those people to somebody who has the time to take the appropriate documentation, work assignment process, and manage that so that we don't bog our already overtaxed project managers trying to deliver these projects in these trying times with also managing those performance issues. So we have told them——

Dr. ABRAHAM. We are getting ahead of discussion, but has anything yet to be actually put in place?

Mr. MILSTEN. Have we actually removed somebody like that?

Dr. ABRAHAM. Exactly.

Mr. MILSTEN. No, we have not. None of the project directors have come back and said there is a problem employee that I don't have time to get rid of, assign him somewhere where they do have time to get rid of him.

Mr. GIBSON. But I would tell you that actually, shortly after Stella arrived in early 2013, her sense immediately was that we needed to make changes on the ground in Denver. And in fact, that is exactly what we did.

Dr. ABRAHAM. But not only Denver, but all the—New Orleans and all the——

Mr. GIBSON. We have made changes. We made changes in Orlando, we made changes in New Orleans as well?

Mr. MILSTEN. No.

Mr. GIBSON. Not New Orleans but Orlando.

Ms. FIOTES. Not New Orleans but Orlando, yes, we did.

Dr. ABRAHAM. Okay. Mr. Caldwell, one question for you. Is the Corps the construction agent, that term, on any other VA projects to date?

Mr. CALDWELL. Sir, I am sorry, can you clarify, is Turner——

Mr. GIBSON. Is the Corps. Is the Corps construction agent on——

Dr. ABRAHAM. Yes, is the Corps designated as the construction agent on any other VA project as of this date?

Mr. CALDWELL. Yes, sir, I think it is fair to say. And, although we may not have used that terminology, we have served, and are serving, on that—in that capacity on a number of other projects. I think we——

Dr. ABRAHAM. But doesn't that designation allow you certain priorities?

Mr. CALDWELL. It establishes that we have a responsibility to make decisions.

Dr. ABRAHAM. Right.

Mr. CALDWELL. Understanding what the, in this case, understanding what the VA's requirements are, then it—we are then in a position to determine how to best meet those requirements as op-

posed to having the agency that identifies a requirement also telling us how to meet that requirement. If you understand the——

Dr. ABRAHAM. I do.

Mr. CALDWELL [continuing]. The distinction that I am attempting to make.

Dr. ABRAHAM. I do.

Mr. CALDWELL. We have I think, the number is about 78 other projects currently underway with the VA. Most of those are minor construction. A number of the projects around the country that are less than $10 million, but in and of themselves are standalone projects we have executed with good success for the VA.

We also have an agreement with the Cemetery Administration to manage their minor construction projects all over the country, and that is going well.

Dr. ABRAHAM. Okay, thank you. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much. Mr. O'Rourke.

Mr. O'ROURKE. Thank you, Mr. Chairman. I wanted to offer a couple of ideas on which I would like to work with you and with the Secretary, the other Members, VSOs, really anyone who is interested. One is that any significant change order, and we could work together to define that, must be funded through a new appropriation. It is just too easy to take money that has already been appropriated and redirect it. And that does not improve accountability. In fact, I think it lessens it. It doesn't improve transparency, it lessens it.

Imagine having to defend a $1 billion appropriation on the floor of the House. With everything that we have learned today it would be a very painful experience. But I think in the interest of the taxpayer and accountability and transparency it is one that we should have to go through as painful as today has been. So I think that is an idea we should at least explore.

And I, for one, will not be able to vote to move 20 percent of the $5 billion that has been appropriated for a specific purpose to cover up a mistake that the VA has made. I think that should be a new appropriation request that should be defended and argued by the VA and those who support it.

I think that everything over $10 million, if that is the threshold that we agree upon, but maybe that should be lowered, should be built, designed, and overseen by the Army Corps of Engineers or some other party, not the VA. As you said, and I agree with you, the VA, for a long time, was just not in the business of building these large capital projects. And that might provide some of the explanation for the failures with this, for Orlando, for New Orleans, for others. So having learned that, let's do something different and not rely on the judgment or discretion of the Secretary, but instead in statute force that to be the case going forward.

And I do think there is some wisdom to pursuing joint use facilities, joint ownership facilities, joint located facilities. Again, I think some other partner with skin in the game is going to provide additional accountability. We are going to get greater use out of that facility. We have made a virtue of this necessity in El Paso. We can't get $1.7 billion, we can't get $600 million, we can't $50 million, so we are working with Texas Tech, University of Texas at El Paso, University Medical Center, Tenet, to see if we can bring all

partners together at a facility, and maybe refer some of that care out there. I know that is very controversial. I know that we will get opposition from some VSOs, from some veterans, but this current model is just not sustainable. It is not affordable.

I read that Secretary McDonald is right now trying to hire 28,000 unfilled positions within the VA. We have critical positions in El Paso in psychiatry, psychology, primary and specialty care that are unfilled. We just cannot—let's just admit it, we cannot continue with this model and expect anything different. And that is after we just appropriated $15 billion. And AP reported, as I said earlier last week, that the wait times have not changed since then.

So I want to explore those ideas with the Committee, with you, Mr. Secretary, with Secretary McDonald, and with the VSOs. And I think there are other great ideas that have been brought up today. But as Mr. Walz said, we can't—this isn't about Aurora, this isn't about another $1.1 billion. This is about the future of the VA. And we cannot leave this crisis with simply re-purposing existing appropriations, or even a new appropriation, without some structural fundamental systemic change in how we do business.

And I think you and the Secretary, in the 20 months that remain, have an excellent opportunity to transform the VA. And you and Secretary McDonald with his experience in the private sector, maybe better than anyone else before, to make some very difficult but very bold decisions that are necessary now. And so let's not allow this opportunity, or this crisis, to go to waste. And so I, for one, I think I have heard from my colleagues on this Committee, are willing to work with you and certainly under the leadership of our Chairman, who I think has just been outstanding on this issue. I think we can come up with something. And as painful as all this is, something good can come out of it.

So those are three suggestions that I would like to start with and offer. And I am sure we have got more from my colleagues. So I will include these in a formal letter to you and to the Chairman, and then would love to get your response back on it, and perhaps some suggestions that you all have.

Mr. GIBSON. We look forward to working with you, Congressman. I would tell you just very briefly, the question, or the issue, surrounding the involvement of the Corps, we agree, the only question is where do you draw the line? And, again, we have got, at any point in time, 50 or 60 projects in the $10 million plus range and a very, very small number. You know, you look at the last 20 years and we have had four projects of this kind of scope and scale that we are talking about. So clearly there is a role for the Corps here and we embrace that.

Secondly, I just, you know, a project of this—even a project of much smaller size, what would be the average number of change orders you would expect to see? Hundreds?

Mr. O'ROURKE. I tend to put change orders into the cost category as opposed to the number. And I look for cost growth. It is within the contingencies of the project which would be less than five percent on new construction and less than about seven and a half percent on renovation.

Mr. GIBSON. In the course of establishing—in their numbers that they have come up with, there is a piece in there for contingency.

And in the $130 million portion that we have, there is actually a piece in there for management reserve that is intended to be able to accommodate some of those ordinary course. When you are doing a multi-hundred million dollar project you are going to have change orders, that is going to happen. And, frankly, it is already a challenge to be able to process those and not delay construction. And I can just tell you, if we are coming in here every time we got a change order, then we are going to grind all construction to a halt.

Third, the issue of partnerships. I think you understand the very different approach that Bob and I have taken about trying to embrace strategic partnerships. But I would also remind all of us that this particular project went through at least four incarnations where we were looking at different stages of partnerships with the University of Colorado, partnerships with DoD, you know, then back to Colorado, then back to DoD, and those aren't always easy to accomplish.

In fact, the emergency room in Las Vegas is—if I am recalling correctly—had originally intended to be using some shared facility in another location. And as a result we wound up under-designing the ER when that basically fell through. So we——

Mr. O'ROURKE. I appreciate your responses to that, but it cannot be the end of the conversation because your responses imply that those three ideas are non-starters, or there is not more to them. And so you have satisfied no one today with your explanation of what the VA is going to do going forward. I am trying to offer three that, you know, I can support and work on with you. I do appreciate the response. I think we need something a little bit more formal and some concession on your part that you are willing to rethink some assumptions that you have made going forward.

Status quo will not work. I will not support, as many of my other colleagues have said, another dime towards construction projects without some additional accountability or reform within the VA. And so I am offering three—if these don't work, give me some others that are better.

Mr. GIBSON. I understand.

The CHAIRMAN. Mr. Huelskamp.

Dr. HUELSKAMP. Thank you, Mr. Chairman. Secretary Gibson, I want to follow up a little bit on the Construction Review Council because that seemed like a good idea. I didn't know it existed and apparently it didn't exist very long. But apparently there were nine meetings, is that correct, of this Construction Review Council? I guess, let me direct to Ms. Fiotes who was, I guess, at these council meetings?

Ms. FIOTES. I was at those council meetings from the time I arrived in January of 2013 at the VA, and they continued. They started up again. They had initially had very frequent meetings in 2012 that resulted in the report that I think you were holding before, Mr. Chairman, with the findings. Those were the findings that I had mentioned in my testimony that we addressed by taking several measures in the construction program.

And then subsequently, some time in 2013—I believe around the middle of 2013—we started again with regular Construction Review Council meetings monthly. And those continued until approximately the summer of 2014. So for a period of about a year we had

almost monthly meetings. There might have been one or two that were missed.

Dr. HUELSKAMP. Okay. There are nine referenced in the activity report from November of 2012. And I guess Secretary indicated that——

Ms. FIOTES. Those were before 2012. Those were in 2012, I am sorry.

Dr. HUELSKAMP. Right. And the Secretary did indicate that one of these meetings was recorded, but there were no minutes taken. I would like to request any recordings, written materials, verbal materials of other meetings. Are we aware, Ms. Fiotes, you were there, any of these?

Ms. FIOTES. I would have to ask Mr. Milsten to respond. I was not at the VA in 2012, I don't know about those meetings.

Dr. HUELSKAMP. Oh, okay.

Mr. MILSTEN. Yes, sir. There was one meeting, at least one meeting, that was recorded in total and that is—it just so happens to be that it is also the Denver project that recently——

Dr. HUELSKAMP. Yes, you got lucky on that one.

Mr. MILSTEN. Yes, sir.

Dr. HUELSKAMP. But no others recorded?

Mr. MILSTEN. To the best of my knowledge, the contract didn't work to have the recorder come in. There were no minutes taken. The presentations were the record that was elected to stand for the meeting. And——

Dr. HUELSKAMP. If I might interrupt, I only have a little bit of time left. The write-up from the recorded media May 9th of 2012, it is similar in detail to the write-ups for every other meeting. So who wrote up the meeting without any minutes?

Mr. MILSTEN. I did. I recollected them from the presentations that I had sat through.

Dr. HUELSKAMP. Nine meetings, and you wrote it up after they were over, and months later, in the——

Mr. MILSTEN. Yes, sir.

Dr. HUELSKAMP. Well, that is incredible. But I want to double check. You are saying you are not—that none of the other meetings were recorded?

Mr. MILSTEN. I will have to go back and confirm that.

Dr. HUELSKAMP. Did you take meeting notes in order to——

Mr. MILSTEN. I took notes on the slides that were being presented so that I would have something to go back and create this record.

Dr. HUELSKAMP. Okay. Well, I would ask you to provide those to the committee.

Mr. MILSTEN. I did not retain them, unfortunately.

Dr. HUELSKAMP. Well, I would like to—any emails? Did you email anybody about these meetings?

Mr. MILSTEN. I am sure I have some draft—emails of the draft report going around.

Dr. HUELSKAMP. Okay. And so there were 40 people at these meetings and you are the only one that took any record and that was destroyed, and not kept, and you did this fully from memory this entire report since——

Mr. MILSTEN. I had those when I was writing the report in 2012, I did not keep them after that.

Dr. HUELSKAMP. Okay. Well, if they are in an email, they are on some server. You didn't use a private email server, did you?

Mr. MILSTEN. No, sir.

Dr. HUELSKAMP. That's a serious question.

Mr. MILSTEN. No, sir.

Dr. HUELSKAMP. I wanted to double check on that.

I want to follow up on one other question, and Mr. O'Rourke made reference to it, I have not seen any response from the VA about the AP report that came out last week that indicated that the wait time goals were severely behind in terms of—or way behind in your goals. Is the AP report accurate, Mr. Secretary?

Mr. GIBSON. The AP report is accurate. It is out of context. They make a reference, for example, to 890,000 veterans who waited more than 30 days over a seven-month period of time. They are absolutely right. There were 31 million veterans that were seen in less than 30 days, and the vast majority of those in less than 2 weeks.

There are countless—they refer to the four and a half percent increase in the number of completed appointments during that period of time. That happens to add up to two million additional appointments for veterans.

And so part of the frustration for us—I am not pleased, we have still got too many veterans waiting too long for care. But the other thing that I do know is that we are improving access. I was in Phoenix with——

Dr. HUELSKAMP. Thank you, Mr. Secretary, for the story. But you are improving access even though 232,000 of those appointments involved a delay of longer than 60 days?

Mr. GIBSON. Correct.

Dr. HUELSKAMP. Is that an improvement?

Mr. GIBSON. I don't know what the statistic was previously. The point that I am making here is that access is improving. Part of what we are seeing—and I was going to make the point with the illustration in Phoenix. We have hired 300 additional people in Phoenix since June of last year. What we have seen in the meantime, their wait times have actually gone up, which gives me great concern. What we have seen is the number of primary care patients year over year, you are looking at the seven months from June through December, up 13 percent, specialty care patients up 15 percent, mental health patients up 29 percent in one year.

As we work to improve access to care, what we find is increasing demand. We saw the same thing that was in Wilmington, North Carolina. Three months ago we built an 80,000 square foot healthcare center there. About a year and a half earlier in the first year that it was open, a 14 percent increase in unique patients coming there for care. I think Congresswoman Titus mentioned the increase in patients coming in Las Vegas following the opening of that particular facility.

Dr. HUELSKAMP. And I am out of time. I appreciate that. If you could put that response to the AP report.

Mr. GIBSON. Sure, would be glad to.

Dr. HUELSKAMP. (Indiscernible). The report is accurate, you believe it is out of context, but the——

Mr. GIBSON. Yes, sir.

Dr. HUELSKAMP [continuing]. Claims that nearly 20 some—20 plus percent of those appointments are delays of longer than 60 days which is well over the goal that—is a higher goal than what——

Mr. GIBSON. That happens to be .79 percent of completed appointments during the time period they looked at.

Dr. HUELSKAMP. That is not what the report says. It says nearly 894,000 medical appoints completed, nearly 232,000, that is approximately two out of nine of these involved delays on the——

Mr. GIBSON. And the 232,000 is .79 percent of total completed appointments. The 800, almost 900,000, over 30 days is 2.—I am going to round it—I believe 2.8 percent of total completed appointments during that period of time. That is my point about context. You know, the fact of the matter is——

Dr. HUELSKAMP. You know what——

Mr. GIBSON [continuing]. 97 percent——

Dr. HUELSKAMP [continuing]. Mr. Secretary, if I might say, I don't care about context. I am worried about the veteran that waited 61 days, or 90 days, or 120 days, and you and I both agree on that. It is not working, and I will say this that——

Mr. GIBSON. It is not. That is not acceptable. I agree with you that it is not acceptable.

Dr. HUELSKAMP. These hearings have generated incredible demand for veterans that gave up years ago on this system. They gave up and said, "We are not even going to try that." They come up to me and say, "Well, Congressman, should I go try to get an appointment now? I gave up years ago." So we said, "Well, give it one more chance." And now we are saying that they got one more chance, they are still going in waiting 60 days, and they are going to walk out and say we are not doing that again. And let's not see that happen. I appreciate the response to the report. Thank you.

Mr. GIBSON. Yes, sir.

Dr. HUELSKAMP. Yield back.

The CHAIRMAN. Ms. Rice.

Ms. RICE. Thank you, Mr. Chairman. Mr. Gibson, are you aware of any legal impediment to you, or someone in your agency, sitting down more informally than this with members of the Committee so that we can understand the content of the depositions that have been taken thus far?

Mr. GIBSON. The honest answer is I don't know.

Ms. RICE. Yes, I don't know either that is why——

Mr. GIBSON. We will explore that.

Ms. RICE. Would you?

Mr. GIBSON. But I will tell you, I routinely have informal visits, and Bob even more than me, with members of Congress on all manner of topics. And so I would be delighted to come sit down with you, and any other member of Congress, to talk about how things are proceeding with the AIB. And, whether or not that involves sharing sworn testimony and depositions, and things, I don't know about that, I will have to do the homework on that for you.

Ms. RICE. And I will too, but you probably have in—I am sure you have in-house counsel that probably——

Mr. GIBSON. We do.

Ms. RICE [continuing]. Knows the answer to that.

Mr. GIBSON. We do.

Ms. RICE. But if there is any way that that could be done, I think that would go a long way to making people on the committee feel better about going forward.

So Mr. Walz asked you whether we would have—this report would be done by the time we vote on the request. And you said no.

Mr. GIBSON. Which report are we referring to?

Ms. RICE. The AR report, right?

Mr. WALZ. Yes, the analysis before we go forward.

Ms. RICE. Right.

Mr. GIBSON. Yes, the two reports that I alluded to, one the Corps of Engineers is working on a review of these four large hospital construction projects in the broader practices and policies that we are operating by today. We expect that report in May. Then under the Choice Act there was one of the 12 study streams that has been established, and work is well under way already by an independent third party that we don't have any control over whatsoever, independent third party that is doing a comprehensive review of the entire construction program.

And that is due—all of those reports are due to Congress in September. Those are the reports that the independent commission, comprised of 15 individuals—three appointed by the President, and then three each appointed by the Speaker of the House, the Minority Leader of the House, the Majority Leader of the Senate, and the Minority Leader of the Senate—those 15 receive those reports, and the Commission produces a set of findings and recommendations that are based upon all of that review that—of all of those 12 reports, in addition to Congress receiving the reports directly.

Ms. RICE. Can you give an actual dollar figure for how much it would cost to do the mothball? If you were not to be able to get the money before the present money runs out?

Mr. GIBSON. It is not simply just going in and figuring out what it takes to weatherize, what it takes to secure the facility. My point earlier is what happens when the Corps of—if and when the Corps of Engineers negotiates an agreement with KT, and as a result of that, they wind up—KT goes to their subcontractors and the subcontractors say I don't want to work on that project, it has already been stopped twice.

Ms. RICE. Right. No, I understand that.

Mr. GIBSON. That was the purpose of me going out. I went out, as did the Corps of Engineers, and we both spoke directly with KT to the subcontractor community, their 40 or 50 largest subcontractors, trying to basically instill confidence in them to commit to the project, and we have got to keep this thing going.

Ms. RICE. No, I understand that, I was just——

Mr. GIBSON. The idea is to get it finished for the best value we can.

Ms. RICE. I was just curious because I think it is important to say, okay, if we took step one, if we chose choice, if we made, you

know, the first choice we go down this road this is what it is going to cost and if we go down this road this is what it is going to cost. So you can see if while there would be a delay in time if you were to go through the mothball and as we go through all of this, at the end of the day it might not result in such a high price tag as going down the other path, but I don't know that, that is why I asked if you could put a dollar amount on that.

And just out of curiosity, my last question. Have you brought in a forensic accountant to go through the books on this project?

Mr. GIBSON. Dennis, can you help me on that one?

Mr. MILSTEN. I assume—well, let me ask a question, a little clarifying question. Do you mean the books that the contractor has kept for the cost of the project or do you mean our——

Ms. RICE. I'm talking about——

Mr. GIBSON. Internal expenditures.

Ms. RICE. Every single money in, money out.

Mr. GIBSON. Again, for us or for the contractor?

Ms. RICE. Both. I guess my question is I think that this just calls for bringing in a forensic accountant so you can see where the money went.

Mr. MILSTEN. We can show where all our money went when it goes to the contractor. We have done some initial cost analysis on the contractor's books to see where they were spending money. Bringing in a forensic accountant is something that could be done at a later date possibly.

Ms. RICE. Why would you do it at a later date?

Mr. GIBSON. Could I suggest this ma'am?

Ms. RICE. Okay.

Mr. GIBSON. What I'd like to do is come sit down with you and walk through, give you some examples of what a payment request looks like, what supports the payment request, how that is reviewed by the contracting officer who is independent of the project executive and give you some sense of how that process works.

Ms. RICE. I would love that.

Mr. GIBSON. Okay.

Ms. RICE. I would love that. But at the end of the day none of us, I mean, I don't think—I am not an accountant—and I think that a project like this, this size, if you talk—you know, as I was trying to make the point before, Mr. Secretary, this would never happen in the private sector because every penny is accounted for because they have shareholders or they have a, you know, board that they have to worry about making and—giving an explanation to. So I just thought we should think about maybe bringing in an outside forensic accountant to do a real deep dive on the expenditure of every dollar so that you can learn lessons going forward.

Mr. GIBSON. Let us walk you through how expenditures are documented really in the ordinary course.

Ms. RICE. That would be great. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Ms. Titus.

Ms. TITUS. Thank you, Mr. Chairman. I would like to go back to the question I asked that was answered by Mr.—I'm sorry, Ms. Fiotes about the push back—the slippage of the timeline. I think you told me the construction wouldn't be finished this summer, but

it won't be activated until next spring. Well, that doesn't do the veterans any good if it is not activated. They are not getting the service.

But beside that point, I have got here in my hand, the activation timetable that you all gave us in April of 2014 and then the activation timeline you gave me in February of 2015, and this is what slipped, the activation timeline is what slipped, not the difference between construction and activation. And maybe I didn't make myself clear when I asked about that, but I have got it right here, so maybe you can get together with us afterwards and explain to us why the activation has slipped. So we can talk about that offline.

Ms. FIOTES. I will look into that.

Ms. TITUS. Yes, thank you. So I have got it and we can look at it. Also I would like to ask—I have just learned, it has kind of come to my attention sitting here as we have listened to some of this ad nauseam, that the VA itself has estimated that the veteran population in the Denver area is expected to decline—decline—by 25 percent over the next 10 years. Now, we are going to be spending an extra billion dollars while that population is declining and we can't even get a bigger emergency room while the population is growing?

Mr. GIBSON. Yes, the veteran population isn't declining 25 percent anywhere in America over the next 10 years.

Ms. TITUS. This is supposedly came out of a VA report that we have got a copy of.

Mr. GIBSON. The veteran population in general, as you look across the country, is in gradual decline. What you see that is counter to that is what's happening to increasing enrollments and increasing utilization of VA. I don't think I mentioned this point earlier, so if I did, forgive me.

When I went back and looked, from 2009 to 2014 the number of patients that we are caring for, veterans that we are caring for, in the eastern Colorado healthcare system has increased 31 percent, a 31 percent increase in patients in eastern Colorado in five years.

So, yes, there is a decline, a very gradual decline, in the veteran population on a year-by-year basis. I don't know, in some submarkets it may be going the other way just because of demographic trends. But nowhere are we seeing a 25 percent decline in veteran population.

Ms. TITUS. Well, it seemed strange to me too, but it is in this report right here that we got, so maybe you can take a look at it and explain to us what this report means because it says very clearly in the VA report that the Denver population is declining.

I don't know. I came in here thinking that I was just going to hold my nose and vote for this appropriation. But after listening to all this testimony, I have kind of come to the conclusion that this is just a billion dollar earmark for Mr. Coffman's district at the expense of veterans in Nevada and across the country.

So unless we know specifically where this money is coming from, it is not coming out of our veterans' hide and that we put in some place some reforms, I am going to vote no on this.

Mr. GIBSON. We owe the committee a detailed spend plan on the—revised spend plan on the $5 billion. Yes, ma'am.

Ms. TITUS. Thank you. Mr. Chairman?

The CHAIRMAN. Thank you very much, Members. I appreciate your attendance Mr. Secretary and don't give up. We want to work with you. We say it all the time. I have told Secretary McDonald the same thing. We have to get this right. There is no alternative. And I am not just talking about the Denver debacle. I am talking about many, many other issues.

But I would go back to what Ms. Titus was just referring to. There is a graph, a table, that your folks have provided that shows a 25 percent decrease over the next two decades.

Mr. GIBSON. Yes, it is over 20 years.

The CHAIRMAN. But it is still a 25 percent in——

Mr. GIBSON. It is, yes. That is in the veteran population. But the same chart you see the increase in enrollees that is happening during that same period of time. So again, the veteran population is declining everywhere. But what we see is the percentage increase in enrollees and those that are coming to VA for care. And that also is compounded by the fact that the veteran population is getting older. And so therefore, the care needs and more chronic conditions per veteran.

The CHAIRMAN. Thank you very much, Members.

[Whereupon, at 1:10 p.m., the subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF THE CHAIRMAN JEFF MILLER

Good morning. The Committee will come to order.

Welcome to today's Full Committee oversight hearing entitled, "Denver VA Medical Center: Constructing a Way Forward."

I cannot imagine a better day to hold this hearing than today—tax day.

As millions of Americans prepare to send their hard-earned taxpayer dollars to Washington by midnight tonight, we gather here to discuss the myriad of ways those dollars have been wasted by the Department of Veterans Affairs (VA) over the last several years in Aurora, Colorado.

Discussions surrounding the construction of a replacement Denver VA Medical Center in Aurora date back to 1999.

In the ensuing fifteen years, the project has been marked by failures, delays, and mismanagement that culminated in VA's recent announcement that an additional eight hundred and thirty million dollars [$830M] in funding and a total authorization of one point seven three billion dollars [$1.73B]—triple the original authorization—is needed by mid-May in order to continue progress on the project.

As if that wasn't enough, VA recently informed the Committee that Denver has a significant space need of more than five hundred and fifty thousand [550K] gross square feet that is, "above the space that will be provided in the new medical center."

To simplify all of that for you, the Denver project has been discussed for fifteen years, is a billion dollars over budget, several years behind schedule, and—on the day it opens—will apparently be too small.

At a Full Committee hearing on Denver in January of this year, Congressman Roe stated that this project is a "FUBAR on steroids."

I could not have said it better myself.

But while Denver represents a historic construction catastrophe for the Department, it did not come without warning.

Three years ago, this Committee held a series of hearings about the replacement medical center project in Orlando, Florida, that uncovered serious deficiencies with VA's major medical facility construction management and oversight.

Admittedly, the problems in Orlando yesterday are different from the problems in Denver today.

But, they should have signaled a light-bulb moment for the Department and served to usher in an era of improved VA leadership surrounding construction projects.

Instead, VA failed to heed the Committee's calls for action then, allowing Denver to balloon into the billion dollar budget debacle it is now.

Deputy Secretary Gibson agrees with me, noting in his prepared testimony that "course correction opportunities were missed" in this project.

Yet, to add insult to injury, none of the VA executives involved have been held accountable.

None.

This is inexcusable.

Glenn Haggstrom, a former VA construction executive who played a key leadership role in the Denver project, was recently allowed to retired.

But make no mistake—failures of this magnitude represent systemic problems above and beyond the work of a single person and much more house cleaning and top-to-bottom reform is needed before we can even begin to consider whether VA is competent to manage a construction program.

However, the question at hand remains—what do we do about Denver where, depending on who you ask, the project is either sixty-two percent complete, fifty percent complete, or forty percent complete?

I have heard press reports over the last two days that indicate that VA is considering allocating a portion of the five billion dollars ($5B) provided for staffing and space in the Choice Act to the Denver project.

Then—with no forewarning or comment—VA emailed Committee staffers at six-forty three (6:43) p.m. last night draft construction authorization language that would increase the authorization for the Denver project to one-point seven three billion dollars ($1.73B), amend the authorization to include a psychiatric residential rehabilitation treatment program, and allow unobligated Choice Act funds to be used to fund the completion of the Denver project.

No supporting details were provided.

We have received no official or unofficial word from VA about whether or not this is true.

Last year, VA indicated that there were critical staffing and space shortages throughout the VA health care system that limited veteran access and required additional funding.

I had then—and still have now—serious doubts about the need and justification for those dollars.

Nevertheless, Congress provided emergency funding, per VA's request.

With the language sent late yesterday evening, VA officials are communicating that they would now rather avoid identifying savings that undoubtedly exist in the Department's one-hundred and sixty three billion dollars budget ($163B)—the second largest in the Federal government—by instead utilizing money that they claimed just eight months ago was needed to increase access across the country.

And all to complete a bloated construction project that includes a glass concourse that covers the length of three and half football fields and would now apparently also include a psychiatric residential rehabilitation treatment program that has never been discussed previously and is not listed on the reprogramming worksheet VA provided three weeks ago to support the need for additional funding..

Over the last several weeks I have asked VA—via letters to the Secretary and pre-hearing questions for the record—to provide key demographic, workload, and cost-benefit data, identify potential alternatives, and locate possible funding sources within the Department's vast budget.

I have also asked for meeting minutes from VA's Construction Review Council in order to learn who among VA senior leadership was aware of the problems in Denver yet failed to take advantage of the "course correction" opportunities that Deputy Secretary Gibson is going to testify about.

The responses I have received have been either non-existent or inept for a project with cost overruns exceeding a billion dollars.

Veterans across the country should be appalled that VA allowed this project to get so out of hand.

I am appalled on their behalf.

Forwarding a last minute proposal absent supporting detail or justification and simply stating, like the Department does in their prepared testimony, that "VA takes full responsibility for the situation in Denver" is not enough to convince me that VA leaders have done the necessary work to identify what went wrong and how to fix it.

It may be that allocating a portion of Choice Act funding to complete the Denver project is the best option for moving forward.

I am not closing the door on that possibility or on the proposal that VA sent last night.

But, I cannot, in good conscience, advocate wasting hard-earned taxpayer dollars by throwing good money after bad without receiving much more information from VA.

PREPARED STATEMENT OF CORRINE BROWN, RANKING MINORITY MEMBER

Thank you, Mr. Chairman.

Today, we start the process of figuring out how to fix the mess in Denver.

I know from painful experience with my Orlando facility what it means to wait for years for a facility to be completed and to open. I know what the veterans in Colorado are feeling waiting for their facility to open.

There will be time another day to figure out who should be blamed. Today, we must focus on how we fix the mess we have.

We have been told that VA will reach its authorization level next month. We have been told by VA that the only good option is to more than double this authorization level and come up with an additional $900 million in order to complete this project.

Let me be clear—this Committee, at the end of the day, will take care of our veterans in Colorado like we take care of all of our veterans across the country.

But in order to do this, and to make sure that actions we take in regards to Denver do not unduly harm veterans in other areas of our country, we must have an honest discussion as to what our options are, and a timeline of what we must do, as a Committee, and as Congress.

I look forward to having this frank discussion today, and working with the VA and our veterans to fix this mess. What are all of our options?

I also look forward to beginning to figure out how we make sure that this does not happen again, where veterans have to wait years

and years for a promised facility and taxpayers are on the hook for hundreds of millions more than planned.

Thank you Mr. Chairman, and I yield back the balance of my time.

PREPARED STATEMENT LLOYD C. CALDWELL, P.E.

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you again on behalf of Lieutenant General Thomas Bostick, Chief of Engineers. I provide leadership for execution of the U.S. Army Corps of Engineers (Corps) engineering and construction programs in support of the Department of Defense (DOD), other agencies of the Federal Government in the United States and around the globe.

The Corps fully recognizes the importance of the service of members of the armed forces, the support of their families, and the service of our veterans, in sustaining the strength of our nation. We understand the vital link between the goals of their service and missions and the technical capabilities we provide, from consultation to delivery of infrastructure. As I have testified at prior Congressional hearings, the Corps has significant construction management capabilities and experience delivering medical facilities for our service members and veterans. Today, we have been asked by the Committee to testify on the subject of completing the construction of the Denver replacement medical center in Aurora, Colorado (Denver Hospital). My testimony will address actions we are taking in partnership with Department of Veterans Affairs (VA) to complete construction of the Denver Hospital—a unique undertaking—as well as other support.

DOD's construction program utilizes designated Construction Agents, of which the Corps is one; who procure and execute design and construction of projects to deliver the Department's infrastructure requirements authorized by law. The Corps is also known for the Civil Works projects it executes for the Nation, and the Corps' capabilities are perhaps uniquely developed to fulfill both military and civil engineering responsibilities. Interagency collaboration is an important element of the Corps' work, and the Corps provides interagency support as a part of its service to the nation. The Economy Act (31 USC 1535) provides necessary authorities for the Corps to assist the VA with any construction requirements, from minor to major construction, to include completion of the Denver Hospital.

In December 2014, the VA and the Corps entered into an Economy Act agreement to allow the Corps to assess the Denver Hospital construction project. Subsequent modifications to this agreement have provided funding and the authority to prepare for the award of a new Corps contract to complete the construction. We are currently working with VA to develop a new agreement that would allow the Corps to award the new contract and transition the construction agent responsibility to the Corps to manage the new contract. A team of technical experts has visited the site and reviewed the completed work and contract documents. The Corps is using teams of professionals, including from the Northwestern Division,

Omaha District, Huntsville Engineering and Support Center, and Corps Headquarters to undertake the steps that will lead to award of the new construction contract as well as manage the contract through to completion. We have identified a preferred course for acquisition, issued a Notice of Intent to negotiate and award a sole source contract to Kiewit-Turner, and we have requested approval for the acquisition strategy. As we work towards a new contract award, we continue to assess the detailed requirements of this project and plans for completion with the VA, taking into account the fact that construction is still continuing under a separate VA contract with Kiewit-Turner.

The Corps provided a preliminary estimate for completing construction at Denver, which was one component of the increased authorization requirements reported to Congress by the VA. The VA combined the Corps' estimate with other VA costs for completing the project. The preliminary estimate was appropriate to inform the increased authorization requirements. Meanwhile, we are developing an independent estimate suitable for negotiation of the new contract.

As the actions for a new Corps contract are proceeding, the Corps is also advising the VA on the management of the VA's interim construction contract with Kiewit-Turner. This approach continues progress on the project while the Corps prepares to assume construction agent responsibilities.

While the Corps will assume a major role in the construction of the Denver Hospital, the VA, as the project's proponent, is still responsible for project requirements, resourcing and facility transition to full operations. By using our project delivery process, we are confident that the Corps, acting as Construction Agent, can complete construction of the Denver Hospital for VA and meet the needs of our veterans.

There are currently three lines of effort associated with the Corps' support to the VA's major construction program, which includes completion of the Denver Hospital project as the construction agent. We are also undertaking a review to identify lessons learned from the Denver Hospital and three other major projects which may be used by VA to assess their organizational structure, processes and controls. In addition, we are engaging with VA leadership in discussion regarding the application of best practices and project execution in their program.

In other efforts, we continue to provide assistance to VA to execute multiple minor construction and non-recurring maintenance projects for the Veteran Integrated Service Networks and the VA's National Cemetery Administration.

Our relationship with VA is strong and is growing. We are committed to working with VA as Construction Agent to complete the Denver project and to continue our partnership and collaboration on future major medical construction projects and identify best business practices. We continue to be prepared to support the VA with its major capital program.

Mr. Chairman, this concludes my statement. Thank you for allowing me to be here today to discuss the Corps' capabilities and our work to assist VA. I would be happy to answer any questions you or other Members may have.

PREPARED STATEMENT OF MR. SLOAN D. GIBSON

Good morning, Mr. Chairman and Members of the Committee. Thank you for the opportunity to update the Committee on the status of the construction of the replacement medical center in Denver. I am accompanied today by Ms. Stella Fiotes, Executive Director, and Mr. Dennis Milsten, Director of Operations, of the VA Office of Construction and Facilities Management.

The Department's main priority regarding the Denver project is to complete the facility without further delay, and to do that while delivering the best possible value to taxpayers given the difficult circumstances. Our commitment to completing this project, which is intended to serve over 390,000 Colorado Veterans and their families, has never wavered, and current VA medical facilities and programs in the area continue to ensure that no Veterans or their families go unserved.

Background

I think it is important to review the events that brought us to where we are today. I would like to highlight some key events that directly shaped the current status of the project.

The replacement of the existing Denver VA Medical Center began as an idea between the University of Colorado and VA to construct a shared facility. The project went through a protracted development period that included a concept to build a shared facility with the Department of Defense. VA requested design funds in fiscal year (FY) 2004, with an estimated project budget of $328.5 million. In 2004, then VA Secretary Principi set forth the requirement for a stand-alone VA facility on the Fitzsimmons campus. VA developed a plan for a 1.4 million square foot facility in 2006, then revised that plan to 945 thousand square feet, and subsequently requested appropriations for an $800 million project in 2010 with final funding being requested and received in 2012.

VA retained the services of an architect engineer firm (AE) to complete a design with an Estimated Construction Cost at Award (ECCA) of $582 million. The original acquisition strategy for the project was to complete 100 percent design and then solicit construction proposals to build the project. This strategy was changed to use a different contract mechanism, known in the Industry as "Early Contractor Involvement," to bring the contractor onboard early to participate in the design. This change in acquisition strategy, intended to expedite project delivery by overlapping early phases of construction with completion of the design, was a decisive moment in the life of the project. The timing and appropriateness of this specific delivery method underlie many of the ensuing issues with the management of the project. VA entered into a contract in August 2010 with Kiewit-Turner (KT) to perform design, constructability, and cost reviews. This contract also provided an option to award the construction of the facility to the contractor.

At the time of the 2010 contract award, the design had progressed to a point that limited the opportunity for the contractor to influence the design and cost. The contractor provided pre-construction services and amid attempts at cost reconciliation with the designer, the contractor maintained that the project was over budget and could not be built for the established ECCA. The parties ne-

gotiated for a period of approximately six months to arrive at a construction contract price but differences remained. Feeling the need to finally get to construction award for the project, VA and the contractor executed an option on November 11, 2011, to build the replacement hospital, which became known as Supplemental Agreement 07 (SA–07). The total design was not 100 percent complete at the time; it was at what was deemed an "enhanced design development or roughly 65% stage." SA–07 stated that VA would ensure that the design produced would meet the ECCA of $582.8 million and that the contractor, KT, would build the project at the firm target price of $604 million, which included pre-construction services and additional items. This was the next and probably most critical point in the project's evolution. VA's promise to ensure that the design produced met the ECCA became the centerpiece of diverging interpretation and conflicts between VA and the contractor. Course correction opportunities were missed because of the fundamentally different interpretation of SA–07, poor project and contract management, and the increasingly strained relationships among the parties.

KT filed a complaint with the Civilian Board of Contract Appeals (CBCA) in July 2013 that further cemented the differing perspectives on the interpretation of the contract and ultimately the cost of the project. Despite the less-than-optimal business environment during the year-and-a-half of litigation, construction quality and progress were maintained. In December 2014, VA was found in breach of contract for failure to provide a design that met the ECCA, and KT began to demobilize from the project site. VA entered into immediate negotiations with KT to stop the demobilization, recognizing the hospital was approximately 50 percent complete. Subsequently, VA entered into an interim agreement with KT to continue the project, and with the United States Army Corps of Engineers (USACE) to assess the project, and to manage all the pre-award activity related to the follow-on contract. VA intends to enter into a separate agreement with USACE to execute a new construction contract and to complete the facility once we have obtained the necessary authorization and funding.

Options and Costs for Completion of Project

After the decision by the CBCA, VA identified two primary courses of action. The first was to allow KT to continue demobilizing and have VA assume maintenance of the site, update the construction contract documents, and re-compete the contract for the remaining work. The second option was to re-establish a contractual relationship with KT for continued construction of the medical center. The option to re-compete the project represented a potential 18-to 22-month delay, involving closeout of the existing contract and development and award of a new contract to finish the job. While this work was ongoing, VA would also need to engage several contractors to maintain the site and preserve the work accomplished to date. In addition, VA would have to recognize the bidding climate for this project would not be advantageous, and a premium would be applied by subcontractors to cover perceived risk. These factors would have served to increase both the length of time to complete the project and its ultimate cost.

The second option of retaining KT leveraged their current knowledge of the project, presence on the site, and existing relationships with subcontractors. It reduced delays that could have impacted construction warranties and provided the best option for protecting the existing construction. Finally, resuming work with KT put over 600 workers back on the job, and also best protected the significant investment already made in this project. In the days immediately following the demobilization, this option represented the clearest path to achieving the two main goals stated above. For this reason, it is the path that VA chose.

On March 17, 2015, VA notified Congress that the total estimated cost for the Denver Replacement Medical Center project would be $1.73 billion. This is an authorization increase of $930 million to complete the project and requires additional funding of $830 million. The new authorization level reflects input from USACE on the required cost to complete the project. USACE has had access to all design documents and VA staff relative to the Denver project. The USACE team included subject matter experts in cost contracting, acquisition, construction management, design management, and cost engineering. The team also looked at the cost to administer the construction. USACE was provided access to all estimates of construction, cost paid to-date, and modifications executed. USACE also examined the original contract as well as the interim contract to assess cost and completion progress.

USACE used all this information to form their assessment of the cost to complete the effort. Their estimate included a contingency and cost to manage the construction. USACE estimates a need for an additional $700 million following the close out of the original and interim contracts. USACE has established a June 2015 target to award a new contract for the completion effort.

VA added the cost necessary to continue the interim contract through June 2015, additional funds for closing out the original contract and funds for completing the post-traumatic stress disorder residential treatment facility. This totaled $130 million in addition to USACE's construction completion estimate. The money currently on the project of $899.8 million, plus the $700 million and the $130 million, drive the $1.73 billion estimate for the project. We look forward to working with Congress to identify additional funding sources to complete the Denver project.

Accountability

VA established an Administrative Investigation Board to look at the actions and processes that resulted in the current situation and the employees responsible for those actions and decisions. At this juncture, while the investigation is ongoing, it is premature for VA to identify who may be subject to appropriate disciplinary action. VA intends to hold any individuals found to have acted negligently accountable for their actions. As previously discussed during the hearing in January 2015, USACE is also conducting a broader, detailed examination of VA's major construction program to identify gaps and improve management processes, structures, and controls in project oversight and delivery. We expect USACE to complete their review and report their findings in May 2015. In the interim, we changed the reporting structure within the Department so that the Office of Construction and Facilities Management reports di-

rectly to me to ensure continued visibility and accountability in real time.

In addition to the review of the four large hospital projects by USACE, an independent third-party organization is conducting a comprehensive assessment of the entire VA construction program as part of the Choice Act legislation and will report their findings to Congress by September 2015.

The Future of VA Construction

Over the past two years, VA has significantly changed the way it conducts business, but more work remains to be done. Unfortunately, many of these changes take time to show specific results, and were too late to affect the Denver project.

To help ensure that previous challenges are not repeated and to lead improvements in the management and execution of our capital asset program as we move forward, VA will continue to adopt best-management practices and controls that focus on these lessons learned:

- Incorporating integrated master planning is essential to ensure that the planned acquisition closes the identified gaps in service and corrects facility deficiencies.
- Requiring major medical construction projects must achieve at least 35-percent design prior to cost and schedule information being published and construction funds requested.
- Implementing a deliberate requirements control process, where major acquisition milestones are identified to review scope and cost changes based on the approved budget and scope. Any significant changes in project scope or cost need to be approved by the Secretary prior to submission to Congress.
- Institutionalizing a Project Review Board (PRB). VA worked with USACE to establish a PRB for VA that is similar to the structure at the USACE District Offices. The PRB regularly provides management with metrics and insight to indicate if/when a project requires executive input or guidance.
- Using a Project Management Plan to outline a plan for accomplishing the acquisition from planning to activation to ensure clear communication throughout the project.
- Establishing of VA Activation Office to ensure the integration of the facility activation into the construction process for timely facility openings.
- Conducting pre-construction reviews—Major construction projects must undergo a "constructability" review by a private construction management firm to evaluate design and engineering factors that facilitate ease of construction and ensure project value.
- Planners into the construction project teams—Each major construction project will employ medical equipment planners on the project team from concept design through activation.

These improvements are being applied to our ongoing and upcoming major construction projects. Depending on the stage of development, some projects like the Denver Replacement Medical Center did not have the full advantage of these improvements.

In the past five years, VA has delivered 75 major construction projects valued at over $3 billion that include the new medical cen-

ter complex in Las Vegas; cemeteries; polytrauma rehabilitation centers; spinal cord injury centers; a blind rehabilitation center; and community living centers. The New Orleans replacement facility is currently on schedule, and is anticipated to be completed in the fall of 2016. This is not to diminish our serious concerns over the mistakes that led to the current situation on the Denver project, but only to emphasize that we have successfully managed numerous projects through our major construction program. VA takes full responsibility for the situation in Denver, and we will continue to review our major construction program and the details of this project to improve our performance.

In closing, each day, VA is moving toward its goal of improving and streamlining our processes to increase access to our Veterans and their families. I am personally committed to doing what is right for Colorado veterans, and completing the Denver project without further delay and to do that while delivering the best possible value to taxpayers given the difficult circumstances.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to testify before the Committee today. My colleagues and I would be pleased to respond to questions from you and Members of the Committee.

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