

**THE NEW ORLANDO VA MEDICAL CENTER:
BROKEN GROUND, BROKEN PROMISES**

HEARING
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS
SECOND SESSION

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CONTENTS

August 13, 2012

The New Orlando VA Medical Center: Broken Ground, Broken Promises	Page 1
OPENING STATEMENTS	
Chairman Jeff Miller	1
Prepared statement of Chairman Miller	54
Senator Bill Nelson	3
Hon. Corrine Brown, Democratic Member	4
WITNESSES	
Mr. Glenn D. Haggstrom, Principal Executive Director, Office of Acquisitions, Logistics, and Construction, U.S. Department of Veterans Affairs	5
Prepared statement of Mr. Haggstrom	55
Accompanied By:	
Mr. Robert L. Neary, Jr., Acting Executive Director, Office of Construction & Facilities Management, U.S. Department of Veterans Affairs	5
Mr. Chris Kyrgos, Supervisory Contracting Officer, Office of Construction and Facilities Management, U.S. Department of Veterans Affairs	5
Mr. Bart Bruchok, Senior Resident Engineer, Office of Construction and Facilities Management, U.S. Department of Veterans Affairs	5
Mr. Jim Gorrie, President and Chief Executive Officer, Brasfield & Gorrie	32
Prepared statement of Mr. Gorrie	57
Accompanied By:	
Mr. George Paulson, Vice President/Division Manager, Brasfield & Gorrie	32
MATERIAL SUBMITTED FOR THE RECORD	
Post-Hearing Questions and Responses for the Record:	
Hon. Jeff Miller, Chairman, Committee on Veterans' Affairs to Honorable Eric K. Shinseki, Secretary, U.S. Department of Veterans Affairs	59
Honorable Eric K. Shinseki, Secretary, U.S. Department Veterans' Affairs to Honorable Jeff Miller, Chairman, Committee on Veterans Affairs	59

THE NEW ORLANDO VA MEDICAL CENTER: BROKEN GROUND, BROKEN PROMISES

MONDAY, AUGUST 13, 2012

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

The Committee met, pursuant to notice, at 9:10 a.m. at College of Medicine Health Sciences, University of Central Florida, 6850 Lake Nona Boulevard, Orlando, Florida, Hon. Jeff Miller [Chairman of the Committee] presiding.

Present: Senator Nelson, Representatives Miller, Bilirakis, and Brown.

Also Present: Representatives Webster, Nugent, Adams and Mica.

Staff Present: Samantha Gonzalez, professional staff member.

OPENING STATEMENT OF CHAIRMAN MILLER

The CHAIRMAN. The Committee will come to order. We will recognize Ms. Brown when she arrives. And before we begin, I ask unanimous consent that our colleagues from Florida, Senator Bill Nelson, Representative John Mica, Sandy Adams, Rich Nugent, and Danny Webster, be allowed to sit at the dais to participate in today's hearing.

Hearing no objection, so ordered.

I want to welcome everybody today. I appreciate you coming to our full Committee hearing on "The New Orlando Department of Veterans Affairs Medical Center, Broken Ground, Broken Promises."

I am grateful to all of my colleagues that have come today and our witnesses as well as the interested members of the community and the veterans that are here. We appreciate your service and your interest in this facility.

I also want to thank UCF for the space that we are using today, the cooperation in providing us with this room right here in the heart of Medical Center City.

When ground was broken in 2008 on what will eventually become the new Orlando VA Medical Center, this area was a mere shadow of what it is today. Since then, ideas and plans that existed on paper and in the minds of architects, designers and engineers have evolved into existing infrastructure and active medical and research institutions.

You can tell from some of the crowds in the hallway right now, particularly the folks carrying backpacks, this is the first day back

at school for this medical school. They broke ground in 2007. Opened in 2010.

Behind us is the Sanford-Burnham Medical Research Institute, which broke ground in 2007 and opened its doors in 2009. Next to Sanford-Burnham is the University of Florida's Research and Academic Center, which broke ground in 2010 and will open later to the faculty and students this year.

Across the way—we passed it on the way in—is the Nemours Childrens Hospital, which broke ground in 2009. It will open to patients just 2 months from now.

Yet our Orlando VA Medical Center, which was scheduled to be complete in October of this year and anchor of this city, is still an empty shell. Four years and hundreds of millions of taxpayer dollars later VA has yet to yield anywhere close to the same results of any of its neighbors.

It was not our intention to hold this hearing here. We wanted to hold it at the VA Medical Center, but a forum like this would not be possible there.

Brand new state of the art facilities are all around us. Students are being educated. Yet, VA can't turn the lights on, much less accept visitors inside their facility.

During our committee's oversight hearing in March the VA acknowledged that design errors, omissions and changes in medical equipment and procurement delays, as well as VA oversight and management failures, led to serious construction delays.

In fact, Mr. Glenn Haggstrom, who is here with us today as a VA witness, in response to questioning, stated that "Brasfield and Gorrie's credentials in constructing health care facilities are second to none." And he said, "I am not placing the blame on Brasfield & Gorrie at all. We fully recognize that we did have problems."

The end result was a commitment to work diligently and collaboratively with the contractor to complete construction and begin serving the veterans and families of Central Florida as expeditiously as possible. Yet the intervening months have brought more finger pointing and very, very little progress.

It is perplexing to me that recently, in June, the department provided a fact sheet that began by stating the VA is working collaboratively with the prime contractor to get construction completed as soon as practicable, yet concluded with the statement that VA has issued a cure notice to Brasfield & Gorrie citing the contractor's inability to diligently pursue the work and to provide suitable manpower to make satisfactory progress.

Today VA is going to testify that the Medical Center is 60 percent complete and on track to open in 2013. However, since January VA has been telling us that the Medical Center is 60 percent complete and on track to open in 2013, even though the contractor had repeatedly stated that construction is not 60 percent complete, nor is VA's timeline realistic. My single interest is the expeditious completion of this facility for the veterans of Central Florida, who have been waiting for almost a decade for a new medical center to open.

What this community is capable of is clear. All you have to do is look around you as you leave this facility today. It is time to fin-

ish what was started so many years ago. Today I want answers as to how we are going to accomplish this for our veterans together.

Again, I want to thank all the members and Senator Nelson for being with us today. In lieu of Miss Brown's late arrival, I would yield the floor to Senator Bill Nelson, who has been actively watching this facility long before the ground was ever broken.

[The prepared statement of Chairman Miller appears on p. 54.]

OPENING STATEMENT OF SENATOR NELSON

Senator NELSON. Mr. Chairman, I want you to know how much we appreciate you bringing this hearing here. You are a fellow Floridian and you are passionate about protecting and caring for our veterans, and I want you to know how much we appreciate it.

This project, we need to get off the dime and get it done. This is a project that has been over three decades in the works. It was in the early eighties, when I had the privilege of serving in the House, that the Veterans Administration made a policy change that a VA hospital did not have to be located next to a medical school.

As a matter of fact, you think back to the old days, they were in Gainesville. They were in Miami. The one exception was there was a hospital in the Tampa Bay area.

They changed that policy. And the Veterans Administration, because of the explosion of growth of veterans in Florida, identified four areas in Florida. And they said they will go in this order.

The first will be the West Palm Beach area. And that hospital has been up and operating for a number of years. The second will be east Central Florida. And then the third and fourth will be either in the Panhandle and/or the Fort Myers area.

Now, that was over three decades ago. And so once the West Palm Beach office got done, then the question was where was it going to be? And of course that has been a debate of some magnitude for a long period of time. And finally it was located. And finally it was going to happen in October of 2012.

I have talked to Secretary General Shinseki, and he assures me that he is going to have it done by next summer. But that is 8 to 10 months late. And he used the same figure that you just did, 60 percent complete.

But the fact is we were supposed to have well over a thousand workers out here working on it right now, and there is only somewhere between 2 to 400 that are working. And as you get the testimony here, I wish you would get that exact figure. And it is because of you, Mr. Chairman, and your committee, I think you are going to keep the focus of the spotlight on this until it gets done.

Now, this is what they started off with right here, these base drawings. Then they got revised to that. And the question is, why? Why can't you take a timeline that was supposed to happen and make it happen? And maybe your panel number two with Mr. Gorrie will be able to shed some light on that, as we have seen the finger pointing go as it has gone.

So, Mr. Chairman, I want you to know I really appreciate this. You know, originally this hospital was going to be in Viera, which is in central Brevard. And then the question was, was it going to

be as the crow flies some distance of 25 miles? Either it was going to be there, or it was going to be on the east side of Orange County.

Once we got the location decided by the VA making their studies, now it is time to get it done. So thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator, for being here today. I know your schedule is very busy. And we invite you to stay as long as you possibly can.

Members, I would also ask that we waive opening statements. They will be entered into the record at the appropriate place.

I just want to welcome our first panel today. And, with your indulgence, at some point I probably will ask Miss Brown if she would like to go ahead and do her opening statement or wait until we shift panels. We will just see how things play out today.

On our first panel is Mr. Glenn Haggstrom, the principal executive director of the Office of Acquisitions, Logistics and Construction.

And here comes Miss Brown. So we will—I beg your indulgence—we will allow Miss Brown to go ahead and do her opening statement for us. We will wait for her arrival at the dais. Thank you.

OPENING STATEMENT OF MS. BROWN

Ms. BROWN. Well, good morning. Let me just say that it is always a challenge getting around in this most diverse district, and the transportation is always an issue, even when I am coming to the veterans hearing.

I have been working on getting a veterans hospital in this area for over 25 years. When I first was elected to Congress it was right during the BRAC period. And I brought in the Honorable Jesse Brown to Central Florida. And we went to the VA health facility. And it was really a mess.

And during the BRAC period the hospital that was there was a military hospital. They were going to mothball that hospital. Well, when Secretary Jesse Brown came to Central Florida and saw that beautiful facility, he worked with the Department of Defense, and we got that hospital turned over to Veterans' Affairs.

And so we have had that clinic there that was formerly a hospital. Of course we had to get additional funding, nearly \$25 million. But it is up and operational. It is serving the veterans in this area. And when we get that hospital up and operational, I want to make sure we continue to use that facility.

But even with the support of the Secretary, it took another 15 years until we made it into the VA 5-year construction plan. Really shouldn't take that long to get a facility up, operational, and in the system when you have the needs that we have for veterans.

The Orlando clinic now serving Orlando is not adequate to properly treat the area veterans, but it would supplement the new facility and increase the treatment options for Central Florida veterans. I strongly encourage the VA to keep this facility in use.

I am very pleased that the VA Medical Center will be co-located with the University of Central Florida on this beautiful campus here today, Medical Center, and near the urban medical complex. The new center, along with the Burnham Institute, will create a biotech cluster at Lake Nona, allowing the area to become one of

which doctors and researchers can work together on the needs of our area veterans.

It is known that teaching hospitals provide the best health care available, which is invaluable for the VA and Central Florida veterans. However, the veterans of the Central Florida area cannot wait any longer for a full medical Central Florida building.

Once again, we are having a full Committee hearing on a single project. I am surprised, to say the least, that after the hearing 5 months ago, in March, we are having another hearing on the same facility.

I hope this is not political, because the Veterans' Affairs Committee has never been political in the 20 years I have been on the Committee. But I do know that tomorrow is a primary.

And so it is very strange that we are having a full Committee hearing the day before the primary in Florida, but not at the expense of interfering—I hope this hearing would not interfere in the working of getting the facility built up and operation.

The first hearing we demanded that the VA address many situations to get the facility built. And they have followed our direction and used established procedures to resolve differences with the contractors.

We must put politics aside when it comes to the VA and the veterans, and do what is best. Keeping with the Jesse Brown slogan, let us put veterans first. And that is my position.

I yield back the balance of my time.

The CHAIRMAN. Thank you very much. We are glad to have you with us, as I have already welcomed all of our Florida contingents with us.

We were in the process of introducing Mr. Haggstrom, who is going to testify on behalf of the VA today. He is accompanied by Robert Neary, the acting executive director of the Office of Construction and Facilities Management; Chris Kyrgos, the supervisory contracting officer for the Office of Construction and Facilities Management; and Bart Bruchok, senior president, resident engineer of the Office of Construction and Facilities Management.

Thank you again, all of you, for being here today. Mr. Haggstrom, you are recognized for five minutes.

STATEMENT OF GLENN HAGGSTROM, PRINCIPAL EXECUTIVE DIRECTOR, OFFICE OF ACQUISITION, LOGISTICS AND CONSTRUCTION [OALC], DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY ROBERT L. NEARY, JR., ACTING EXECUTIVE DIRECTOR, OFFICE OF CONSTRUCTION AND FACILITIES MANAGEMENT; CHRIS KYRGOS, SUPERVISORY CONTRACTING OFFICER, OFFICE OF CONSTRUCTION AND FACILITIES MANAGEMENT; BART BRUCHOK, SENIOR RESIDENT ENGINEER, OFFICE OF CONSTRUCTION AND FACILITIES MANAGEMENT.

OPENING STATEMENT OF MR. HAGGSTROM

Mr. HAGGSTROM. Thank you. Thank you, Mr. Chairman.

Mr. Chairman, Congresswoman Brown, and Members of the Committee, I am pleased to appear here this morning to update the Committee on the status of the construction of the new VA Medical

Center in Orlando. I will provide a brief oral statement and request that my full statement be included in the record.

The CHAIRMAN. Without objection.

Mr. HAGGSTROM. Our continuing goal is to complete and activate this facility as quickly as possible to serve Florida's veterans, who deserve nothing less. Although the project has not progressed as originally planned, at no time have veterans been without the care they required.

As VA has stated before, our mission is to serve veterans, which includes delivering first rate facilities. VA bears the responsibility to manage all projects efficiently and to be good stewards of the resources entrusted to us by Congress and the American people.

In the execution of the Orlando project six construction contracts have been awarded. Work under the first five has been completed, with construction under the final contract for the main hospital and clinic underway and approximately 60 percent complete.

Regrettably, this final phase of construction has experienced problems in two areas: VA's revision to facility construction drawings, and the slow progress of construction by Brasfield & Gorrie, the prime contractor.

While VA continues to work with the contractor to resolve issues, there was increasing concern with the lack of manpower on the job and progress made in constructing the main hospital and clinic. As time progressed, the pace of activity at the job site failed to increase, as Brasfield & Gorrie indicated it would, and required on a project of this magnitude.

On June 15th, 2012, the contracting officer issued a contract cure notice to Brasfield & Gorrie, identifying two of their failures to comply with the VA contract. The first relates to Brasfield & Gorrie's failure and in some cases refusal to diligently pursue the work. And the second relates to the lack of sufficient workforce on the project.

On June 25th, 2012, in response to the cure notice Brasfield & Gorrie committed to increasing the workforce and pursuing work more broadly within the building. In response to Brasfield & Gorrie's commitments, on July 10th, 2012, the contracting officer established an evaluation period running through August the 9th, 2012, and advised Brasfield & Gorrie that their efforts would be observed throughout this period to gauge implementation of its commitment.

I realize that the key question you all have is, when will this hospital be completed and available to serve veterans? There has been a substantial difference in the achievable dates between the two parties, with VA estimating the project can reasonably be completed in the summer of 2013 based on an analysis of the remaining work and construction extensions granted at the time the analysis was performed. The completion date was determined using Brasfield & Gorrie's approved baseline schedule and the originally planned resources.

Since the time my written statement was submitted, last week both teams came together to review the revised schedule Brasfield & Gorrie submitted to VA on August the 1st. In that schedule Brasfield & Gorrie estimated that construction on the hospital

being substantially complete the fourth quarter of calendar year 2013 was achievable.

Significant progress was made in gaining a better understanding of how each party views achieving the completion date. And there is another meeting scheduled to take place on August the 16th to continue the dialogue and take into consideration an additional time extension Brasfield & Gorrie has requested to complete the project. The VA looks forward to continuing the scheduling discussions and working to establish a contractually binding completion date in the coming weeks.

As a result of the challenges faced on the Orlando project, I would like to report to the Committee that the department has undertaken a comprehensive review of its construction program. This review, which includes the formation of a construction review council chaired by the secretary, has examined the department's infrastructure programs and identified areas where they can be improved. We are in the process of compiling a report on the council's proceedings and will share that with the Committee once completed.

In closing, we are prepared to answer the questions that the Members of the Committee may have. However, while VA intends no disrespect to the Committee, to ensure the integrity of the contracting process, we are unable to address questions specifically pertaining to the recently completed evaluation period or the ongoing scheduling discussions, as the contracting officer is in the process of making a determination and we do not want anything discussed here today to potentially influence that decision. As soon as the determination is completed we will provide an update to the Committee.

Thank you for the opportunity to testify before the Committee today.

[The prepared statement of Glenn Haggstrom appears on p. 55.]

The CHAIRMAN. Thank you very much, Mr. Haggstrom. I talked about your comments in the hearing back in March. A lot of people talked about the fact that we thought that things were beginning to progress, that communication had gotten better, and then the department decided to proceed with the notice of cure.

And so I would like to start off with the first round of questions, in which there will be several rounds this morning, by asking who participated in making the decision to issue the cure notice? And at what point leading up to the decision was the contractor even maybe not made aware that the cure notice was coming, but that there was a possibility that something like that would take place?

Mr. HAGGSTROM. Mr. Chairman, the cure notice is determined and issued by the contracting officer. The contracting officer has the sole discretion within the Federal contracting community to do so.

That determination, in terms of whether or not a cure notice would be issued, could be a result of discussion with subject matter experts, various meetings the contracting officer attends with the contractor and things like that. Again, it is their sole determination to make that decision.

The CHAIRMAN. So I am to believe that you and Mr. Neary and maybe others at the table had no input in whether or not to issue a notice of cure?

Mr. HAGGSTROM. We did not directly. The contracting officer would issue a cure notice.

The CHAIRMAN. You had no input.

Mr. HAGGSTROM. I had input in the standpoint of the discussions that took place as we met with the contracting officer on what progress had been made on the project and things like that.

The CHAIRMAN. You just told me that you will not be able to comment on when the contracting officer will make the decision as to how we will go forward. The review period was up Friday. Should we expect something soon?

I am not trying to nail down five, six, ten days. Hopefully sooner rather than later, so that the contractor can move forward, if in fact the contractor is staying—but you have already said that you won't comment on that.

In Brasfield & Gorrie's written statement they describe over \$60 million in underfunded change order proposals and requests for equitable adjustments. What I would like to know is what VA's plan is to deal with a discrepancy as large as \$60 million?

Mr. HAGGSTROM. Certainly, Mr. Chairman. In order to keep projects like this moving, we use several methods to continue the payment. First is a change order, where we will issue a payment to keep the project moving until we determine what the final pricing on that particular change order may be.

Subsequent to that there is a vehicle which we call a settlement agreement. That settlement agreement is then used between the two parties once we arrive at a mutually agreeable price. Once that settlement agreement is signed, for all intents and purposes that particular change is off the table and the contractor has been compensated for it.

The final one is the settlement determination. The settlement determination is a unilateral vehicle that the contracting officer has at their disposal in which they will determine what a fair and reasonable price is based on the independent government cost estimate and other information that would be available to them.

This does not necessarily mean that there is an agreement between the contractor and the government as to the final cost of that change order, and that the contractor at some point in time may pursue additional funds to do it.

Currently the value of changes that we have issued against this contractor is approximately \$42.7 million. There is still exposure out there, which we continue to work within VA and with Brasfield and Gorrie to make a final determination on what those costs will be.

The CHAIRMAN. And one final question. You said no further appropriations above \$616 million; you should be able to finish it without any other appropriation. Does that mean appropriations for this project? Will funds be shifted from other projects? Or do you think 616 or close to that is going to be the final number?

Mr. HAGGSTROM. Currently, Mr. Chairman, we believe we can work within the \$616m appropriated for this project.

The CHAIRMAN. Miss Brown.

Ms. BROWN. You want me to—okay. Yeah.

You know, I am often concerned that when we—616 was the amount. We talking about millions. And we appropriated the money up front.

And I guess it is hard for people that are not elected officials or administrators to understand how you can have all of the money and then have all of these delays that we have had, and why is it that we could not get VA and the construction team to move it forward with the date that we initially planned. I mean, we are talking about 2013. And I was hoping that we would be able to open up in the next couple of months.

So can you explain to me—at the last meeting in Washington we discussed—and I don't want you to discuss anything that is secretive—but what is it that we need to do to move these projects forward? Because we got several throughout the country.

And I understand that you all have done a comprehensive plan. But a lot of veterans feel like it is taking too much time. And if you have the money, then what is the issue?

Mr. HAGGSTROM. I appreciate that, Miss Brown. And certainly the department is very grateful to the Congress for the appropriations that we receive to build health care facilities, national cemeteries, and provide benefits to our veterans.

In this particular project, if you look back on the history of it, the first appropriation the department received was in 2004, with the last appropriation received in the year 2010. And we do that for a number of reasons, because of the complexity, the ability to obligate money, the size of these projects, and things like that.

And so it is a phased approach that VA uses. And Congress has agreed with us up to this point in time to be good stewards of those money and not obligate funds or tie up funds in appropriation which may not subsequently be used for a year or two down the road. So from the standpoint of being stewards of the money that you provide to us, it does make sense to approach that in a phased approach.

When you look at this project, there have unfortunately been issues, as we have discussed earlier. I think overall we try very hard and do a very good job in providing major construction services to the department.

I truly believe we can continue to work this through this project. And although we will not deliver it as we had originally intended to in the year 2012, in October, we will be able to move forward and ultimately deliver this project to our veterans.

Ms. BROWN. And what is the new time frame? You said August 1 you all decided on a date.

Mr. HAGGSTROM. What had happened is VA, in reviewing the schedule that had been provided to us and where we should be at this point in time, we firmly believe that the summer of 2013 is achievable.

What we are very encouraged by is that one time Brasfield & Gorrie relayed that there would be perhaps a 2015 completion date. In the schedule that we were provided in response to the government's cure notice on June 25th that was brought back into late 2014. And as of a review of the latest schedule provided to us on

August the 1st, it would appear that we could have substantial completion of the facilities in late 2013.

So that is progress to us. That is dialogue that continues with Brasfield & Gorrie as a partner in this. And when you look at these schedules, they are very complex. There are over 11,000 lines of activities taking place. And we just had a very cursory opportunity to get into the discussions with Brasfield & Gorrie last Thursday and Friday.

As I said, we are moving forward later this week to continue those discussions. We will have the opportunity to do a deep dive into the schedule. And we hope, and we believe, that perhaps there is still opportunity to move the project to the left, if you will, and accelerate it.

Ms. BROWN. Well, I want to thank you. And I like the idea that you all are meeting consistently, and I appreciate that.

At the last meeting we had in Washington there was some discussion about bringing in some consultant. And I personally do not think that we need an independent consultant; that the department and the company will be able to resolve the issues, particularly if you all are meeting constantly, going over these issues.

So, thank you. And I yield back the balance of my time.

The CHAIRMAN. Thank you, Ms. Brown. Mr. Bilirakis has yielded for the round of questions to go to Senator Nelson first. Senator.

Senator NELSON. Thank you, Congressman Bilirakis. I just have one quick line of inquiry, because you all are going to cover so much of this.

One of the great things about this VA center is it is going to have a research facility. It is going to have a nursing home. And it is going to have a homeless vet's facility.

Now, the homeless vets facility is about complete. So is the nursing home. So why don't we put that online? So when can that open?

Mr. HAGGSTROM. Senator Nelson, the issue there is, while the domiciliary is complete and the CLC is being ready to be turned over to VA, there is a tendency to not operate those facilities because of the completion of the main clinic. And that goes to the kitchen facilities, the laboratory facilities, the pharmacy facilities and things like that.

Until those core areas are finished, it is not advisable to bring these other facilities online, because we would have to make either deliveries from the current medical facility or things like that. So being able to serve the veterans to the level they need to be serviced, that can't be accomplished until we finish these core facilities.

Senator NELSON. Thank you, Mr. Chairman. It is too bad. It is just too bad.

Ms. BROWN. Can I follow-up?

The CHAIRMAN. Miss Brown.

Ms. BROWN. You know, sometime I think we have to think out of the box. Because I found facilities with these similar problems in California. And I would like for you all to review what we could do to expedite these other two, the homeless and the other facility, to complete. It is worse that we have completed a facility and it is going to stand there for a year, waiting on the main facility.

So if the services are available in the area, and you can contract them out and get supportive, how many people will be serviced in

this area if we could move forward? How many people homeless and how many people will be able to stay in the other facility?

Mr. HAGGSTROM. I believe the domiciliary is a 60-bed facility, and I believe the community living center is 120-bed facility.

Ms. BROWN. So we would be able to accommodate over 160 people, and we could put people that need the services there while we wait for a system that is not there yet, a year, that we do have these supportive services in the community, and people are ready to serve. I really wish you all would follow up and review what we could possibly do to expedite these projects.

You know, I am part military now. What happens when failure is not an option? You get it done. So please review that.

The CHAIRMAN. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you. Thank you. I appreciate it, Mr. Chairman. Thank you so much. Thank you for your testimony, Mr. Haggstrom. I have a couple of questions.

First you stated in the opening statement that the veterans are getting the care in spite of the delays. However, don't they have to travel far, you know, an inconvenience, a distance, as maybe Bay Pines, Haley, and other hospitals around the state to get the cure that they need?

What is the percentage of veterans that have to travel to these long distances to get the care that they need? For example, go to Haley or Bay Pines. Could you give me a percentage?

Mr. HAGGSTROM. Mr. Bilirakis, I do not have that number available.

Mr. BILIRAKIS. I am concerned about the inconveniences.

Mr. HAGGSTROM. I understand that. I do not have the number. If we could take that question for the record, we would be happy to respond to that.

Mr. BILIRAKIS. I would like to have that information——

Mr. HAGGSTROM. Sure.

Mr. BILIRAKIS [continuing]. For the record, if you could, please.

When was the last time modified design drawings were submitted to the contractor?

Mr. HAGGSTROM. If I could ask Mr. Bruchok to address that, please. He is our senior record engineer on the project. He is stationed here and works on this project on a day-to-day basis.

Mr. BRUCHOK. Yes, sir. Thank you for your question.

Sir, frankly, modified drawings are issued weekly. Part of the construction progress process, the bulk of the drawings that were issued in the period from January through March were to address procurement of medical equipment. Those were issued on the schedule that we committed to.

But certainly each week a project this complex has things that are discovered in the field and as the report progresses require intervention or clarification from the architects of record. And the answer is issued to the contractor in the form of a drawing.

Mr. BILIRAKIS. Thank you. Next question, sir. How did you come to the determination that the hospital was 60 percent complete?

Mr. HAGGSTROM. The 60 percent complete is based on the contractor's critical path and the schedule they had sent to us. And also that is how we determine payments that are made to the contractor.

So, in reality the construction inspection process, aligning that with the critical path that the contractor has provided to us, those are how we establish the 60 percent completion date.

Mr. BILIRAKIS. How often does the VA meet with the prime contractor to ensure that the VA has provided them with what they need to move forward with the project?

Mr. HAGGSTROM. These meetings take place sometimes on a daily basis, on a weekly basis. There is a continual dialogue between the onsite resident engineering staff that VA has here and the contractor's workforce.

Since the time that the cure notice was issued to Brasfield & Gorrie, both Mr. Neary and myself have been on site weekly to meet with Brasfield & Gorrie's senior leadership. Walk through the hospital. Allow them to show us what has been accomplished during this period of time.

Prior to that we did have several meetings with Brasfield & Gorrie, especially in January, to work through some of these issues with the medical equipment. So there has been a continual dialogue at all levels of this project and responsibility in an effort to move it forward.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I yield back the balance.

The CHAIRMAN. Thank you very much. Next is Chairman Mica. You are recognized for your questions for five minutes.

Mr. MICA. Thank you. First of all—let us get this thing on. Think I am at a distance? Good.

Well, first of all, thank you, Mr. Chairman, for bringing this hearing to our community and for your constant attention to making certain that our veterans are provided with the best medical facilities possible. You have been unrelenting. Thank you also, Mr. Bilirakis, a Ranking Member today, and my colleague.

A couple of things. First of all, I guess there is some I guess semi-good news. It sounds like you have gotten some communications going with the contractor in possibly speeding up the completion of the hospital facility until last quarter of next year. Is that correct?

Mr. HAGGSTROM. That is correct.

Mr. MICA. That is a good direction, because 2015 is a long ways away. And as Senator Nelson and Chairman Miller and others have pointed out, our veterans have waited too long.

I had an opportunity to be briefed, and there is also some other good news, if you could confirm it. The power plant is complete. The garage is complete. The chapel is complete. The domiciliary care unit, where we met, is complete. And soon to be turned over in the next few weeks is the nursing facility. Is that correct?

Mr. HAGGSTROM. That is correct. And also the warehouses.

Mr. MICA. And I think I was informed around \$20 million under estimated cost. Is that the neighborhood?

Mr. HAGGSTROM. We did have good savings.

Mr. MICA. Can you confirm that?

Mr. BRUCHOK. Yes, sir.

Mr. MICA. So those are basically done. The nursing facility, what, within a month or so?

Mr. BRUCHOK. We are in the process of accepting that now. The final inspections are complete. You are correct, the prior phases did yield savings to the government of over \$20 million.

Mr. MICA. Okay. So there is some good news, over \$20 million in savings on the veterans facility. But the issue of getting those services online still remains. So I look forward to getting those things up and running as soon as possible. But it is contingent also, I guess, on the hospital facility.

And I am not going to get into pointing fingers on the delays. We just need to get it resolved. And there may be some litigation between VA and the contractors. We are not going to get in the middle of that. The main thing is getting it done.

Then the other thing too—well, two things, Mr. Chairman. I was glad to hear there won't be any cost overruns. In case there are any cost overruns, I would like this colloquy between myself and Chairman Culberson be made part of the record.

Mr. MICA. Because I think it is important if there are cost overruns, our veterans don't want excuses. They want their project done. And Chairman Culberson committed to me on the floor that, if there are cost overruns, that he would support us if we have an issue there.

The other thing I—my committee doesn't oversee VA buildings, although we get into some issues, like the replacement of New Orleans hospital, because of our jurisdiction in FEMA. But I am concerned about empty Federal buildings, whether they are VA, GSA, or any others.

And I sent last week—and I will share a copy and also ask it to be submitted to the record—a letter to the Secretary of Veterans' Affairs to make certain that the Lake Baldwin facility is not left vacant.

Mr. MICA. This asks that it remain as a primary care veterans clinic. And also the possibility of some of the use of rest of the facility either for inpatient or domiciliary care, because we have lots of veterans returning.

So I don't want an empty building. I don't want to have to be talking to you about empty buildings. And it is important to our veterans that we have that service. And if you could make that a part of the record, I would appreciate that.

And I would ask also my colleagues, I will be circulating a letter from the Florida delegation and others who wish to sign to also support that we keep the Lake Baldwin facility to the use and benefit of our veterans.

So I think—do you have a problem with that? I know you are acquisitions—

Mr. HAGGSTROM. No, sir. I understand. I have not seen a copy of the letter that you have sent to the Secretary. Nor am I aware of any final decision as to Lake Baldwin and what the final use will be.

Mr. MICA. I want to make sure—in fact, I will airmail a couple to you right there. But thank you, Mr. Chairman. And thank you again for holding this hearing and working with us as we get these issues that are important to our veterans in order.

Yield back.

The CHAIRMAN. Mrs. Adams.

Mrs. ADAMS. Thank you, Mr. Chairman. And I too am concerned about the delays. I read in the paper just recently that you had come out and said that we were going to have a completion summer of next year, which was very exciting to me, but concerning at the same time because of what we were seeing, what we were hearing here on the ground.

And so I want to ask you, how do you come up with the summer of next year, come out and say it, and then come to this meeting and say, well, we have done some checking and now it is November, maybe early—it could actually be end of the year, maybe even going into the first of next year, the following year, 2013?

Did you, at the time you made this announcement, had you talked with the contractors? Did you have something concrete before making this statement? The reason I ask you this is because we have several hundred thousand veterans that rely and look forward to this hospital.

And this is not political to me. It is very personal to me. I am a military family member. My father was World War II and Korean War. He is still with us, and he is old.

But I have met with our returning new warriors and all the different programs that are going on. And they need this hospital to be completed. And I know it is inconvenient. But it is not just inconvenient. Some of these men and women, it is too painful. It is painful for them to travel these distances.

So I ask you, when you made this announcement did you have the information? Because now you are here saying it is a different date. And in the paper you also said there was a plan B if you couldn't get to this. So I would like you to explain that to us.

Mr. HAGGSTROM. Thank you, Congresswoman Adams. When we made those decisions, that was based on the approved critical schedule, critical path schedule, that Brasfield & Gorrie had provided to us.

With regard to what I just mentioned in my oral statement, that was an appreciation that these projects could be completed in 2013. It does not reflect what VA believes is the contractual completion date that has yet to be established.

And so while there is a recognition based on the new schedule that Brasfield & Gorrie has provided us, they have pulled back the completion date substantially from the 2014 that was provided to us.

But at the same time we still believe that if we go into the schedule, there is opportunity to move to 2013. If I could ask Mr. Bruchok to comment on that. He has been involved very in detail with the scheduling process and can perhaps shed more light on that for you.

Mr. BRUCHOK. Yes ma'am. That was a good question. The information we had in hand when we said summer of 2013 was not only our own assessment, but we had HDR Architecture, a recognized health care firm, go through and do a month long analysis of the amount of work that was complete, what was remaining, and using our resource loading in schedule, what could be achieved. We still feel that is achievable.

But the date that Mr. Haggstrom referred to is a backing off, if you will, of the contractor's assessment. It was totally collaborative

with VA. We sat in a room and said there are other ways to attack the project different than your critical path. And we have all agreed that we are moving that date back.

Mrs. ADAMS. Okay. At the time that you had this person do this, did they have access to all these extra drawings that were—

Mr. BRUCHOK. Absolutely. I think these drawings and binders make a great visual impact. And I am sure they are very meaningful to the people here in the room.

But to people like myself, professional engineer and my team and the architect and engineer, this is the world we live in. I mean, these drawings and binders sit in our trailer. You know, we have received it. We have analyzed it. We have issued it. And the contractor executes it. So, I mean, this is nothing new to us. This is the job we do.

Mrs. ADAMS. I understand that. And I have a young daughter who is an engineer. But I have a lot of concerns. I hear plan B. I hear this date. These dates are floating around. I have veterans, we have wounded warriors coming home. They are all counting on you guys to get this right and get it done.

You know, I am not here for pointing fingers either. But what we would like to know is truly what our veterans can hold on to. What can they believe? Because a week or two ago it was the summer. Now this week it is the end.

We need for you to have a real discussion with the contractors, and then make an announcement based on all the facts.

I yield back.

The CHAIRMAN. Mr. Bruchok, certainly you didn't mean that the issues that we are having to contend with now are nothing new to you. Have you ever been involved in a project that has had this much consternation and problem?

Mr. BRUCHOK. I think there are some issues as we attested to back in March that there were some issues with the design that were certainly not anticipated. As far as the equipment drawings themselves, we issued them as a bundle. They would have been issued throughout the duration of the project. I know that during the procurement process, a lot of things happened at once.

I kind of take exception to the characterization of it as a blitz. We sat down with the contractor. Acknowledged that we did have some issues, which is why we put the suspension in place. We asked them in which path would they proceed through the project and where did they need the information first.

We followed that sequence to a T, with the expectation that the contractor would address those revisions as they received them. Unfortunately, they kind of waited until they had everything and marked time for a while. But as of last week, we are really making a collaborative effort to move things forward. But to answer your question, yes, there are some excesses that perhaps go beyond the norm.

The CHAIRMAN. So as I am instructed, the green is what we started with. The blue is kind of what got done through the middle of January. The yellow was what had been termed a "blitz" and you take exception to the name but that was kind of the push that took place after some focus was made.

Mr. BRUCHOK. Yes, sir.

The CHAIRMAN. And then the orange is after. Explain to me why you would have twice as many, maybe three times as many, additional drawings after the “blitz”.

Mr. BRUCHOK. The drawings, again, visually look pretty significant. But what is not told by those piles are the value. The equipment drawings certainly have some value in the value of the changes that result from them.

The other drawings are simply clarifications of questions that the architect—or the contractor has asked, an RFI, request for information. For a job this big and complex, we have tried to get away from just handing sketches and saying here is an answer. You know, we have done a quick detail and get it out to the field.

The contractor has actually expressed concern that, with this many issues and this many drawings, that there has to be a clear and concise way of getting the direction down to the employees in the field when our inspectors go to review the work. The only way to know if something has been changed is to put it on a revised drawing.

So, frankly, yes, there is a volume. But it is clearly the best and most accurate way of making sure we are literally all on the same page.

The CHAIRMAN. And it is my understanding that, based on all of these drawings, all of the binders behind us are the requests for information, additional information, that was needed in order to proceed.

Mr. BRUCHOK. Yes, sir. And each request has the question, and there is often drawings and backup and specification records. So you could create a binder for a single RFI. It is, again, it is impressive to look at, but it is a very complex project. I would expect a lot of documentation to surround these issues.

The CHAIRMAN. So this would be normal.

Mr. BRUCHOK. For this size project, and like I said, with the exception of, no bones about it, the electrical design was a problem, and we said that it was. But beyond that, yes, this is normal.

The CHAIRMAN. No problem with roof design.

Mr. BRUCHOK. That is a 50/50 question. The flat roof, no problem at all. The super roof, we did have some issues with drain locations and the material that we selected, and we did issue change orders for that.

[Phone ringing]

The CHAIRMAN. Is that the President?

[Laughter]

Mr. MICA. Mr. Chairman, I might say as a developer, I have never had project that had a problem—

The CHAIRMAN. Mr. Nugent.

Mr. MICA [continuing]. Without a roof problem.

Mr. NUGENT. Thank you, Mr. Chairman. And thank you for allowing me to participate in this field hearing.

I am concerned about a couple of things or a number of things, obviously. But these design drawings are strictly for the hospital; is that correct? It is not the other buildings that are already completed.

Mr. BRUCHOK. Yes, sir, that is correct.

Mr. NUGENT. Let me go, first start with, we have two buildings, the homeless shelter and the nursing home facility, that will be done or that are done this year.

Mr. BRUCHOK. Right.

Mr. NUGENT. And from what I have heard from testimony today is that—and I am not clear on when the real date is when the hospital will be done—the clinic will be complete enough to support those two facilities I just talked about. What I am concerned about is we are going to leave two facilities that are already done unoccupied, unutilized for 2 years.

My question to you is—and maybe you are not the one to answer it—but why in God's name would we do that when we have veterans out there that need those facilities today?

Mr. HAGGSTROM. I admit I don't think it was intentional by any means, certainly. And as Congresswoman Brown has asked us, we will go back and take a look and see if there is a possibility to activate those facilities prior to completion of this.

As I had stated earlier, the dependencies of those other two facilities in terms of the feeding, the pharmacy, the laboratories, those are all tied up in the completion of the main hospital and what we call the—

Mr. NUGENT. Well, I would ask that the VA come back with a proposal in regard to how they would actually utilize those two facilities. Because we have no idea when the clinic and hospital are going to be done, based upon the testimony today. I mean, we haven't heard from the contractor yet.

But it certainly sounds like there is enough disfunction to go around that we don't know. And then we have two facilities that are done and we have veterans in need. So I would like to see the VA respond back to the Committee in regards to how do we, going along with Miss Brown's proposal, how do we do that and get it done so we take care of the veterans? Because that is really what we are all here about. And I know you are. And I know this committee is. And the chairman, obviously, is very committed to it.

You know, currently I cover areas that they go to Haley, they go to Gainesville, and Orlando if and when it ever gets complete, about 215,000 veterans that I am concerned about. Besides the three that currently live in my family that are currently serving on active duty, I am concerned about our ability to meet the needs of our veterans today.

While, you know, it is great that we set aside funds to do this. It is when you heard the first initial monolog by our chairman, talking about all the facilities built around this campus and the time that they were able to get them, not only from design, construction to occupying, and here we are sitting here still talking about a facility that was designed, that broke ground in 2008, and we are now still talking that it is going to be, from date of breaking ground, could be 7 years to completion?

Now, I don't know who is at fault, but I do know it takes two to tango. And so I would suggest that the key to this is getting this done to support our veterans. And like I said before, I want, Mr. Chairman, I don't know if it is improper to ask, but that the VA respond back to how they can get those two facilities up and serving our veterans tomorrow.

The CHAIRMAN. That I think is a very important issue, obviously with the domiciliary and the other facility completed. And Mr. Haggstrom has already said he would go back and ask and, look, is there any way that those can be activated early? Obviously it is on the back site of a construction site that is taking place now. Mrs. Adams.

Mrs. ADAMS. Yes, Mr. Chairman, we do have the VA clinic that is up in Winter Park. Is there a way—and maybe they can respond back to you and your committee on how they could maybe utilize their services over there at the clinic at Winter Park to open up these facilities that, so they don't sit empty for 2 years.

The CHAIRMAN. Mr. Mica.

Mr. MICA. I met several weeks ago with the medical director, and they are exploring exactly that. In fact, we had the conversation. And they are looking at servicing it, because they do need the food and some other things to make those happen. So, there is an active plan underway to try to expedite utilization of the completed buildings.

Mr. BRUCHOK. Sir, if I may, that is accurate. We are actually going back to a 2-week track pattern, looking at ways to use the back gate to keep away the construction traffic. So that is an active plan underway.

The CHAIRMAN. We have a plan underway. Do we have any idea how long it will take to decide whether or not that can be done or not done?

Mr. BRUCHOK. I don't want to speak for the medical center, but there is a commitment from them, sir.

The CHAIRMAN. Is there anybody here that can speak to whether it can or can't be done? Mr. Neary.

Mr. NEARY. I can't really speak for the medical center. I do know from discussions with the medical center that they are thinking about how they could do that. And I think it is likely a possibility they could, but there are a lot of complications that need to be worked through. So—

The CHAIRMAN. Mr. Haggstrom, do you subscribe?

Mr. HAGGSTROM. Absolutely, Mr. Chairman. I will work with VHA to do our best to come up with a plan and advise the Committee on such.

The CHAIRMAN. Mr. Webster.

Mr. WEBSTER. Thank you, Mr. Chairman. Thank you for being here. Thank you for the interest. Also thank Congressmember Brown for her interest and the longtime interest also of Senator Nelson for his being involved in this. I watched him from afar, but it has been a long, long time.

I have a letter here that I got five days ago from Secretary Shinseki, and it talked about the summer completion date as a confirming date. It also mentions the fact that—which has already been mentioned—about a cure notice that was sent in June of 2012.

And I guess my first question would be, if you were to change contractors—I am not saying you are or not, I am not asking that question—but if you were, how long would it be, if you changed today, how long would it be before you could restart the project?

Mr. HAGGSTROM. Thank you, Mr. Webster. I would like to reiterate that there has no decision been made in terms of the response to the cure notice. The contracting officer is still taking that into consideration for their final determination. I do not know what that final determination is.

If you look at the mechanisms that are available to the Federal Government in terms of when we encounter a situation like this, if you put it hypothetically after a cure notice is issued and the determination is made, if that determination is not favorable to continue with the current contractor, then the government would issue what we call a show cause notice.

And that show cause then puts the contractor on notice that their response to the cure notice in terms of what they have been able to accomplish was not substantial enough to you, mitigating what the government's concerns were. They do have an additional opportunity to provide to the contracting officer what additional actions they would take during that period of time to mitigate those actions. Either that would be successful in convincing the contracting officer they could in fact move forward successfully, or not.

When you look at it, the first place the government would go to would be the surety company, or company that essentially bonds the contractor, and a determination on whether the surety would assume liability for the remaining portion of the contract that has been left uncompleted. It then becomes, if they accept that, the relationship then becomes one between the surety company and the government, with the surety essentially becoming the prime contractor to complete out that facility.

If the surety company refuses to accept the remaining responsibility, then the government would be forced to re-procure that. So if you look, in a rough order of magnitude I believe, if the surety would accept that responsibility, it would be a four to 6-month period for them to get another contractor, get them up to speed, do those kinds of things. If the government was forced to re-procure, I would say we would be looking at an 8- to 10-month delay to go through that re-procurement process.

Mr. WEBSTER. So, if that took place, whoever the contractor may be, would you be willing to issue a fixed price contract for completion by say June—July, is it July of 2013?

Mr. HAGGSTROM. Yeah, if that would be the date. Our normal procedures for construction are for a fixed price contract. We do not normally do a cost plus or cost contract for construction.

Mr. WEBSTER. Could they still finish by July of 2013?

Mr. HAGGSTROM. I would have to look at that. If you are looking at an 8- to 10-month delay, probably not in July of 2013. If you go into an 8- to 10-month delay, say at the end of this month, that re-procurement time would not be until July. So finishing in July of 2013 would probably not be viable.

Mr. WEBSTER. So from a time standpoint, that would be a, sort of a bad option, only from the time standpoint?

Mr. HAGGSTROM. I think from any standpoint it is a bad option. Our desire is to continue to finish this hospital with Brasfield & Gorrie. I believe that is doable, with a commitment on behalf of both parties to do so.

Mr. WEBSTER. If we were to take the bad option, if that is the only choice the Committee made, would you still stay within the \$616 million price tag?

Mr. HAGGSTROM. We believe so.

Mr. WEBSTER. Okay. Yield back, Mr. Chairman.

The CHAIRMAN. Is the medical center director here today?

Mr. HAGGSTROM. No, sir. The medical center director is not in Orlando today. He is attending a class, I believe, a senior executive class sponsored by the department.

The CHAIRMAN. And that was more important than being here?

Mr. HAGGSTROM. Sir, I can't answer to that.

The CHAIRMAN. Would anybody like to take that for a question?

Ms. MOONEY. The chief of staff is here, sir, of the medical center

The CHAIRMAN. So it is more important that the chief of staff come than the medical center director to a full Committee hearing of the Veterans' Affairs Committee?

Mr. HAGGSTROM. Sir, I am sorry. I can't answer that. The director was not part of the panel. And so—

The CHAIRMAN. That is a good reason not to be here, because you are not on the panel. But just, again, there have been, from me, from Miss Brown, from Mr. Bilirakis, from Mr. Mica, from Mrs. Adams, from Mr. Nugent, and from Mr. Webster, there have been questions that could have easily been answered by that person. Was that person not here for a particular reason?

Mr. HAGGSTROM. No, sir.

The CHAIRMAN. Other than they chose to go to a class sponsored by VA?

Mr. HAGGSTROM. It was not the choice. Had Mr. Liezert been a part of this panel, I can assure you he would have been here.

The CHAIRMAN. Well, there was a choice, because the chief of staff is here, but Mr. Liezert is not here. I find it—and know it is not in your wheelhouse but I find it very curious that the medical center director is not here at a full Committee hearing, where this committee will be having a site visit after this hearing and the medical center director is not here.

I think Mr. Webster was asking the same question. But I want to delve back into it if we can. You said numerous times that Brasfield & Gorrie has walked back their completion date that started at 2015, 2014 and now you said substantially complete at the end of 2013. Have they ever said that it would cost additional dollars in order to meet that deadline?

Mr. HAGGSTROM. Specifically, no. We have had discussions that we would anticipate that Brasfield & Gorrie may view this as an acceleration and then ask for compensation to do that.

The CHAIRMAN. Mr. Bruchok, knowing the way the schedule has been established, is there any way to do it with the current projected number of a thousand some workers? Could they do it working in a normal schedule? Are they going to have to double schedule and bring some new shifts in in order to do it?

Mr. BRUCHOK. No. Certainly it is past the point of where we could proceed business as usual with the previously anticipated manning of the job. There would have to be, if not overall at least in certain trades, some weekend work, some shift work. There is

some critical areas that the contractor has noted might take extra effort, such as the operating rooms and the kitchen, server area.

So certainly to go from now to that date would require, I would think, an increased effort in what they would have planned ordinarily.

The CHAIRMAN. My assumption would be that an increased effort would be at increased cost as well. So I am just trying to make sure that the Committee understands—and I know Mr. Webster certainly does—that if you are bringing additional people on board, it is going to cost additional dollars. But we can wait for Brasfield & Gorrie to ask those questions.

Thank you, Mr. Bruchok.

Miss Brown.

Ms. BROWN. Yes, sir. Is it on?

The first question that I don't want to be charged to my time, because some of the lay persons, like myself, can you explain the cure notice?

Mr. HAGGSTROM. Certainly. The cure notice is a contractual vehicle available to the contracting officer. It is specified in the Federal Acquisition Regulation. And what this vehicle does, it allows the government to put the contractor on notice that they are potentially in fault of defaulting on the specifications and requirements of the contract.

Ms. BROWN. Okay. So that I think is important for someone to understand. And this particular contractor has done lots of work with the VA and is still doing a lot of additional work around the country is my understanding. It has other projects.

Mr. HAGGSTROM. They do have other projects as a commercial contracting firm. I am only familiar with the work that they have done on this particular site. They did have other contracts here at the medical center in which they completed. I believe it was the warehouse, department parking garage, and the structural components of the hospital.

Ms. BROWN. Well, one other thing. It has been very difficult to get VA in a hundred percent support to want to partner, sometime it seems to me, with other nonprofits, veterans-owned businesses, minority-owned businesses, African-American owned businesses. The services that we are talking about, even pharmacists, would love to work with VA to staff those facilities. It could be contracted out.

We don't have to do all of the work ourselves. I know a lot of the people on the Committee want the VA to take over additional responsibilities. But as far as I am concerned, there are groups, colleges, ready to assist us. We could put people to work. We don't have to wait until the facility is completed.

And so I am looking forward to you all, not just speaking about how VA can do it, but how VA can partner to get what we need done. And it could be a short-term contract. But I am very interested in seeing what we could do together with other community groups and organizations, veterans-owned businesses.

I mean, it is no reason that we have a vet facility over there that we don't have activity going on, phased-in opening. We don't have to wait for a year to get the facilities up in operation. And I am hoping that we can work together to figure out how we can do it.

I would like to see an education facilities pilot project. This looks like a great pilot project to me.

Any additional comments about the timeline?

Mr. HAGGSTROM. No, ma'am. As I said, we are going to be meeting again later this week to discuss the schedule, get a fuller understanding of it. As the chairman had talked about, cost implications as we get deeper into that discussion on the schedule, I am sure costs will be a part of that.

Ms. BROWN. And you all didn't have to hire additional consultants to get this going on. I mean, at the last meeting there was some discussion, that I am totally against, millions of dollars to having some consultant to come in to put you with the contractors in the same room. I am very pleased to know that we are doing it on our own without any additional cost.

Mr. HAGGSTROM. Yes, ma'am.

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

The CHAIRMAN. Really quickly, we talked about a cost savings of, I think you had said, \$20 million for what has already been completed. What cost savings have already been extracted out of this project?

Because I think that there were—if I am not mistaken, and I may be wrong—dollars allocated to a SIM center. There also was at one time some discussion of a substantial cost savings that was going to be allocated to New Orleans. If you could briefly discuss the cost savings to date and where that money has been allocated. Is it normal to allocate cost savings before the project is finished?

Mr. HAGGSTROM. We can answer that, Mr. Chairman, but I ask Mr. Neary to take that question, please.

Mr. NEARY. Certainly. Thank you, Mr. Chairman, for the question.

In total we have had approximately \$100 million in bid savings on the project. And in the fiscal year 2012 budget the VA proposed transferring \$49 million of those bid savings as part of the Fiscal Year 2012 budget requests that would support other projects.

And so that left approximately \$51 million. Twenty-seven million dollars has been set aside for the SimLEARN Center, and the balance remains available in a reserve available as needed for the project.

As to your question about is it normal to move money off the job before it is completed, typically we would want to wait until we are about 70 percent completion before we think about that. But given the economic situation around the country, we have had significant bid savings. And so in this case \$100 million is a significant amount of money. We made a decision to propose to move some of that before we found ourselves in our current circumstances.

The CHAIRMAN. Does the 616—and I know that is not a noninclusive number—include the start-up costs that would be necessary for the hospital, the clinic, the domiciliary?

Mr. NEARY. It does not. The original appropriation was \$665, and then we transferred the money off to get down to \$616. That is design fees and construction. It does not include the activation costs of furnishing the medical equipment, staffing, supplies, that sort of thing.

The CHAIRMAN. Is there a number that you are dealing with now that would be the activation costs?

Mr. NEARY. There is. I am not familiar with that number here this morning. The medical center has an activation budget. That has been evaluated by the Veterans Health Administration in Washington, and there is a plan on that as needed.

The CHAIRMAN. Would it be appropriate to ask the chief of staff what that number is, since he is here?

Mr. NEARY. If you would like to, sir.

Voice. Sir, I am the chief of the medical staff at the Orlando VA, not chief of staff for the entire VA. So I can address medical issues concerning the Orlando VA, but not the larger ones.

The CHAIRMAN. I am talking about the activation costs for the hospital, the domiciliary, the nursing facility, and the clinic.

Mr. BIRDSONG. I am the activation executive. I want to say our nonrecurring health—

The CHAIRMAN. And your name is?

Mr. BIRDSONG. My name is Jeff Birdsong.

The CHAIRMAN. Okay.

Mr. BIRDSONG. I have been in this role since January. I want to say our nonrecurring activation costs are in the neighborhood of \$200 to \$220 million over a number of years. So that would include things like the equipment, the furnishings, telecommunications, a number of different items.

The CHAIRMAN. So we could be talking about a billion dollars when we are all said and done to get this hospital up and running?

Mr. BIRDSONG. It will be under a billion dollars. But—

The CHAIRMAN. You hope it will be under a billion dollars.

Mr. BIRDSONG. I would assume so.

The CHAIRMAN. Okay. Thank you very much. Mr. Bilirakis. Thank you.

Mr. BILIRAKIS. Thank you very much. My concern again is that how—elaborate on how you came up with this figure now of completion, or substantially the hospital would be completed by the fourth quarter of next year.

I don't want to give our veterans a false hope here. How have you arrived at that figure? And have there been major discussions with the contractor with regard to this cost? Please elaborate on that.

And I hope that this wasn't—you didn't come up with this yesterday just to appease us here at the hearing today, and then we are going to go back to, you know, possibly 2014 or 2015. It really concerns me. Our veterans really need to know. Can you elaborate on that?

Mr. HAGGSTROM. To a certain extent, Mr. Bilirakis. First of all, VA did not determine that. That date was determined by the revised schedule that Brasfield & Gorrie proposed to us on August the 1st.

For the details, I would ask, when they are the panel, perhaps they could give you a bit more elaboration on how they have arrived at that date. But in general, to my understanding is there is a significant difference in terms of how the work was being approached.

There is now a concurrent effort to perform work in multiple areas of the hospital, the clinic, the DNT, and the inpatient area. Whereas on the prior schedule these things were worked in a parallel, where they would move throughout specific areas of the hospital with their crews.

So the main difference is there is additional staffing. There are additional crews, to my understanding. And also there would be an additional crew to the additional crew, if you will, to work in the operating rooms area and also the kitchen area.

So there has been a completely different approach in how Brasfield & Gorrie has taken to look at how they could move this schedule to an earlier completion date. But I think they could probably be the best people to answer that question.

Mr. BILIRAKIS. Yield.

The CHAIRMAN. Senator Nelson.

Senator NELSON. Mr. Chairman, Senator Murray, the chairman of the Veterans Committee in the Senate, wanted me to convey a clear understanding of the cost increases and all of these numbers having been thrown around here. We started out in 2009 GAO reported that the Orlando facility cost increased by 89 percent, from \$347 million to \$656 million. And you all have testified that we are talking about something just south of \$1 billion now.

Can you give some clarity to that, please?

Mr. HAGGSTROM. If I could ask Mr. Neary to comment on that please, Senator.

Mr. NEARY. Thanks for the question, Senator. It is my recollection that at the time the hospital was originally proposed the economic assumptions that were used in the marketplace, what the contractor would face when it went to the marketplace, were considerably different.

And in addition, the requirements for the medical center grew from the original proposal that was identified. As you know, many, many more veterans are coming to VA today than it did in the past and technologies have changed significantly. New technology brought on board. So I think those two things largely contributed to the growth in cost from the time of the original proposal until it was ultimately fully funded.

Senator NELSON. I will have our Senate Veterans Committee collaborate with you, Mr. Chairman, on understanding exactly those cost increases, because we are talking about 3 years from GAO doing a report in 2009, and this seems exceptional.

Thank you.

The CHAIRMAN. Thank you. Thank you very much. Thank you, Senator. We will move to Mr. Mica next.

Mr. MICA. A couple of questions. Again, I am pleased that the various adjunct facilities, the chapel, the domiciliary care units, 60 bed, 120-bed nursing home, power plant, other parking that is in place, and the question of getting, again, these up and running as soon as possible.

I have had some conversations with the medical director. We don't have him here, but we do have the chief of staff, Mr. Chairman. Maybe we could direct the question—I don't know if you want to direct it to her or from the Committee to the medical director to respond to the Committee. But I think that is important.

We could get those facilities up and running as soon as possible. They have to be safe and secure. But since we are not sure about the delays, if we could get that question answered, I think it would be helpful, if they think that is possible.

And again, the whole project has still come in under budget. According to the 616, they took out money and transferred it to other projects. Is that correct, Mr. Haggstrom?

Mr. NEARY. Yes, sir, that is correct.

Mr. MICA. Well, hopefully we can keep it in that direction. The question of workers, I don't know if that was answered. We were down to about 400. What is the current level again?

Mr. HAGGSTROM. I believe we are in the vicinity of 500–550.

Mr. MICA. Five hundred to 550. All right. And part of the ramp up would depend on, again, the final resolution between you and the contractor; correct?

Mr. HAGGSTROM. It would. The contractor, in their response to our cure notice, had originally estimated that during the course of the cure notice there would be approximately, at the highest time, 700 to 750 workers there.

Mr. MICA. And I did give you copies of the request to keep Lake Baldwin open. You have all had that. And we will make sure the medical director has that too. That is an important facility. There is a lot of other veterans on the north side are dependent. And I think it can provide them—the 60-bed domiciliary care is great, because we have many homeless veterans.

We have many returning veterans. But they need some stability. They can't just come to a pharmacy or a clinic and then end up sleeping in the car or under a viaduct or something. So I think that that 120-bed capacity, if we could double that, using Lake Baldwin for that facility, and then a full service clinic would be beneficial.

The last thing. I am a transportation kind of guy. Are you all coordinating—veterans have to get here. You have a huge number of workers around here. Can anyone comment on the transportation connections here? Are you working with Lynx or someone—

Mr. HAGGSTROM. I am sorry, Mr. Mica, I can't, unless the chairman would direct the question to VHA, I cannot answer that question.

Mr. MICA. Well, maybe, Mr. Chairman—

Mr. HAGGSTROM. We can take that for the record—

Mr. MICA [continuing]. I know we have been talking to Lynx. We have several systems coming into this location on both the commuter rail and now other service that FEC is proposing.

But I think those links are very important. And I will be glad to sit down with them and try to make certain that the VA has the connections, so veterans, the staff and then this greater community, which is—I mean, when you come in here, you just see the incredible facilities, but people need to get in and out of here. And who would the person be that would be—

Mr. HAGGSTROM. It would be the acting supervisor, sir. When we look at, no matter what the facility is, whether it is a CBOC and HCC or a medical center, transportation is always first and foremost.

Mr. MICA. If you could provide me and the Committee with just a copy of where you are with transportation connections, and I will be glad to work with you.

Mr. HAGGSTROM. We will be happy to do that.

Mr. MICA. Thank you, Mr. Chairman.

The CHAIRMAN. Mrs. Adams.

Mrs. ADAMS. Thank you, Mr. Chairman. Along the same lines, as we go forward and hopefully we get this hospital opened up in a timely manner, in a safe and timely manner for our veterans, because of the length of time that it has taken, the drawn-out time frame, looking at how many of our wounded warriors are returning home, I believe it would be in the best interest of our veterans to keep the facility in Winter Park open.

I think—and you can correct me if I am wrong—but by the time you open you will have already probably reached capacity, quite quickly. Is that not true?

Mr. HAGGSTROM. I think that could be a reasonable assumption, yes.

Mrs. ADAMS. So you are going to be at capacity or overcapacity at the time of opening. So I would think that the VA would want to go ahead and keep that facility open to maintain some assistance to this facility in taking care of our veterans. And I would strongly urge you to make sure that that happens and that we don't have veterans not having the ability to get the services they need.

Looking at where we are today—and I keep going back to this, because I think Mr. Webster asked it, the chairman asked it—I heard a number of \$42 million plus and you are on schedule. We are already past the schedule. We don't know for sure what the time frame is. You are confident that when you meet with the contractor this next go-round you will have a more solid date of completion?

Mr. HAGGSTROM. I think that will certainly be our goal, Ms. Adams, is to arrive—

Mrs. ADAMS. And in doing so, do you anticipate any more changes to this level?

Mr. HAGGSTROM. I can't comment as to the level. But as Mr. Bruchok said, the size of this project, we are constructing approximately 1.9 million square feet of a very complex medical center, and there will be changes. It is just the nature of the beast, unfortunately.

Mrs. ADAMS. How far along are you on the medical equipment?

Mr. HAGGSTROM. The medical equipment changes have been completed, so we have made determination on the medical equipment.

Mrs. ADAMS. At the last hearing we were still waiting, the contractor was still waiting for the equipment. But it is completely completed.

Mr. HAGGSTROM. It is completed in terms of initiating the buys and where we are going to go with what we have.

Mrs. ADAMS. And what equipment is going into the building. And so we can anticipate probably not having to see those drawings—

Mr. HAGGSTROM. Not with regard to medical equipment.

Mrs. ADAMS. Thank you. Well, again, I just want to thank the chairman for bringing the Committee over here, because it is so important. And when you walk through the hospital over there—you know, we drive by it.

I have had veterans, every one of us were excited when we could see the shell being completed. And everybody was excited because we thought we were going to see it actually opening. And I have been here since the ground-breaking, and I know that our veterans deserve this facility. They need this facility. So I would just encourage you, when you meet with the contractors—I believe you said this week?

Mr. HAGGSTROM. Yeah.

Mrs. ADAMS. That you finally solidify where you are and how you are going to complete this in a timely manner for them.

And I yield back my time.

The CHAIRMAN. Mr. Webster.

Mr. WEBSTER. Thank you, Mr. Chairman. I just have a follow-up question I thought of.

Will liquidated damages be charged against the contractor—whoever that contractor is—if they don't finish by July 2013?

Mr. HAGGSTROM. There is a potential for liquidated damages. And not in all cases are the liquidated damages ultimately assessed against a contractor.

Mr. WEBSTER. I had one other question about change orders. Is the determined cost or agreed to cost of that change order before, during, or after the actual execution of that change order?

Mr. HAGGSTROM. I think it could be a combination of any one of those three, sir. If it is a relatively simple issue, we could probably come to that determination relatively quickly.

What sometimes happens is some change orders are very complex. And what we will do is we will fund a portion of that change order, and at the same time we will ask the contractor for additional information in terms of what the ultimate cost of that change order is.

What we get into in these very large change orders is an issue of certified cost and pricing. So when we reach a certain threshold we have to have that certified cost and pricing from the contractor in terms of those areas.

And so what we do is we work with the contractor collaboratively. We have an independent government cost estimate. If those two areas don't come together, then we ask the contractor, can you show us the documentation of how we can close that gap relative to what the actual cost of that change was for you?

Mr. WEBSTER. Do you use standard industry costs to determine the government's estimated value of the change order?

Mr. HAGGSTROM. We do. I have to ask Mr. Bruchok to comment on that little bit further on that, if you would like.

Mr. BRUCHOK. Yes, sir, absolutely we do. We have professional estimators on our staff that do nothing but. They are here on the site. They can actually see the field conditions. They use estimating guides and industry standards. We have market pricing for commodities.

We also have the benefit of having other contractors on the site with which we can compare and get basically an idea of the change

order pricing here on site in this area. Geographically market conditions are all identical. So we have multiple metrics for determining a fair and reasonable price.

We prepare the estimate. Issue the change order. And as Mr. Haggstrom said, the onus has been on the contractor to substantiate the proposal that they provided us. And in some cases we close the gap, because our estimates might have left out scope or missed items. And we certainly are not above raising our estimate to make sure we are being fair and reasonable in compensating.

But then there are those cases where we simply cannot substantiate, or the contractor can't to our satisfaction, that what they are asking for the change is in fact fair and reasonable. And we will issue a settlement determination, as we said, that is as much as we can justify. And the contractor is entitled to dispute that bid via a dispute clause in the contract.

Mr. WEBSTER. Would there be currently change orders that are differences in magnitude of difference—

Mr. BRUCHOK. Absolutely.

Mr. WEBSTER. It is multiples of differences between you and what the contractor believes?

Mr. BRUCHOK. Yes, sir, absolutely there are. It mainly pertains to the electrical scope of work. We have had tremendous challenge in trying to close that gap, if you will. A lot of people on our side with a lot of experience, and the numbers we are seeing are those we are not accustomed to. Simply cannot close that gap. And so that has been an ongoing problem.

And it is, a portion of that, that overage or that underfunding term that Brasfield would use. I would say it is not underfunding. We just simply can't justify it in addition to being veterans, we are also taxpayers. And we are trying to make sure we are not providing the proverbial \$1,200 toilet seat.

Mr. WEBSTER. Doesn't that though in some way affect the manning of the job? If there is a contractor that is stretched to the edge, let us say a sub—I know a sub does not work for you, but works for the general—but becomes so stretched that they can't go forward without getting some of those resolved, do you think that affects the manning on the job?

Mr. BRUCHOK. Well, I think, again, all we can do is issue what we think is fair and reasonable. We go through tremendous effort to make sure that we get that funding in place even before the work begins. I don't think—

Mr. WEBSTER. I am just saying from a time standpoint, even when you do come to an agreement, when there is disagreements, that takes time. Therefore the cash flow of that subcontractor, whoever that may be—

Mr. BRUCHOK. Sure.

Mr. WEBSTER [continuing]. Has issues.

Mr. BRUCHOK. Absolutely. And there are times where we will adjust the price upward. And this isn't a finger-pointing thing. But it takes the contractor some amount of time to get us that proposal. And that is where I think sometimes we are hamstrung.

All we can rely is our estimate at the time. I am not going to say that it is always perfect. But until we get that qualifying information, we can't even have a negotiation to make that adjustment.

Mr. WEBSTER. But that could affect manning on the job.

Mr. BRUCHOK. Sure, it could.

Mr. WEBSTER. Thank you.

The CHAIRMAN. Mr. Nugent.

Mr. NUGENT. Thank you, Mr. Chairman. And I apologize for having to step out. And this may have been covered in questions while I was out.

But I am curious to the fact that you have a \$616 million number that we have already shaved \$100 million in savings off, and of that \$100 million of savings we siphoned off \$49 million of that to another project.

While I can appreciate that, but then I look at we have \$42.7 million overruns in regards to change orders. And I believe we still have—and I think maybe this was what Mr. Webster was talking about—the fact that we have outstanding dollars to the tune of \$30 plus million.

Mr. BRUCHOK. I heard a \$60 million number given by the contractor. I think that could be broken down almost into two pieces. Roughly half of that is a potential claim or a request for equitable adjustment for perceived inefficiencies.

We are in receipt of the documentation that they provided for that. We are not convinced that they provided a what you would call a causal link between the government causes and the value that they are asking for. They used a total cost approach and said we anticipated spending X. We spent Y. The VA owes us the difference. And so that is a big chunk of what is being worked about.

However, government contract regulations requires the contractor, even when there is a disputed amount out there, to diligently pursue the work and not just sit there and wait for these things to get resolved. That is half of the overage, or the \$60 million of underfunding, as they termed it.

The other half is outstanding change orders. And the government estimate for the other \$30 million is about \$13. So, we are still seeing almost a 300 percent overage, if you will, of the proposed amount versus the estimated amount. So, yes, there are some numbers out there.

Mr. NUGENT. And I apologize for my simplicity, but I am a visual kind of guy. And I just hear all these numbers being thrown all over the place. And I will be honest with you. I have a hard time reconciling how that all flushes out to the 616 base number that you have appropriated.

So, you know, Mr. Chairman, I would like to indulge that—I would like to see those numbers on a graph, a piece of paper. Show me how in the heck we live within 616 and we already trim off \$100 million and we are—you know, I don't get it when you have all the overages. It doesn't seem to add up in my simple—

Mr. BRUCHOK. Yes, sir. Our contingency accounts for the direct cost of the work as we estimated. It does not account for, again, the inefficiencies and things that would be potentially claimed.

Mr. NUGENT. The contingency, is that included within the 616 or is that above and beyond the 616?

Mr. BRUCHOK. I believe Mr. Neary—

Mr. NEARY. It is within the 616.

Mr. BRUCHOK. It is within the \$616.

Mr. HAGGSTROM. Within the appropriation.

Mr. NUGENT. And what percentage do you have in regards to when you take that 616 number, obviously when you come up with that—and I understand it is a budget figure—but what percentage of that is for cost overruns or change orders?

Mr. NEARY. We budget a 5 percent construction contingency. And that contingency is for unforeseen conditions, changes, unanticipated things that come along. So on this job we would have budgeted 5 percent of our estimated construction.

Mr. NUGENT. And what would that number be?

Mr. NEARY. In round numbers we initially received appropriation of \$665 million. I am anticipating about \$550 million might have been our projection of construction costs. So 55 million would be the contingency that was established as part of the budget.

Mr. NUGENT. You said, I am sorry, 5 percent.

Mr. NEARY. Five percent, right. So it would be \$24 million.

Mr. NUGENT. So we have exceeded that budget amount already.

Mr. NEARY. We have.

Mr. NUGENT. Far exceeded it. Because we have outstanding claims that haven't been paid, but we have paid at least \$30 million—I am sorry—\$42 million today.

Mr. NEARY. Correct. We had a—as you say, in the weeds a bit. We, at the time of bidding, we included a bid item that the total changes we made included a pre-priced bid option that we exercised for \$16 million. I don't think that was part of the contingency.

Mr. NUGENT. I yield back my balance of time.

The CHAIRMAN. Thank you. I would also like to recognize Miss Brown. And as I do, if folks would either wrap up. Hopefully you have asked your final question. If you have some other questions, be prepared. We have another panel. Miss Brown.

Ms. BROWN. Thank you. Listen. The building physically is a very attractive building. I have been over there several times. And it is really a catalyst for the development here, whether we talking about the universities or whether we are talking about our stakeholders that are working together. The VA is truly the catalyst for the community.

And we have spent a lot of time talking about quantity. But I want to know about quality. I was told that it was raining yesterday and it was raining in the facility.

So I want to know what is the quality of the work. Do we have mold or rust in this new fabulous-looking on the outside building? What is the quality of the work of the contractors?

And I am going to ask them that same question when they come up in a minute. And I hope they will be ready to answer it. Is it raining in the facility? Is there rust in the facility? Has there been damage to any of the equipment? What is the status?

Mr. HAGGSTROM. Miss Brown, there is water in the facility. We were in there yesterday. The facility is not completely dried in yet. Albeit that the roofs are substantially complete, there are still open areas in the atrium and on the exposures on some of the walls that have not been dried in. So it does present the opportunity for water to come into the facility as it currently stands.

As we have gone through the facility, there is rust in some of the duct work, in some of the mechanical equipment. So those condi-

tions do exist. They are being identified as we go through and do our inspections. And the contractor will be expected to mitigate or repair those particular areas.

Bart, do you want to add anything?

Mr. BRUCHOK. Mr. Haggstrom summed it up pretty well. There is some installed work that subject to water are showing signs of corrosion. We do have a hygienist come in and test for all the mildew. Make sure that we don't have that situation. But until we accept the work from the contractor, they are responsible for protecting this work.

Ms. BROWN. Well, I have two minutes left. Does anyone else want to respond to my question? Or any additional things?

Mr. NEARY. I guess I would like to offer that at the end of the day this will be a high, high quality facility. The problems that the panel have mentioned are ones that need to be corrected. But at the end of day, our veterans will have a very, very high quality facility here.

Ms. BROWN. The parking is something that I didn't know what a deal breaker it could be.

Mr. NEARY. The what? I am——

Ms. BROWN. It is something I learned. How parking, make sure you have adequate parking spaces, it could break the deal. I have learned that being on this committee.

Mr. NEARY. For many of the facilities I am sure you visited that were originally constructed when VA had a very small component of ambulatory care and now a great component of ambulatory care. You have far more people coming to the site each day, and parking is a difficult thing in many locations.

Ms. BROWN. So we didn't have that problem here?

Mr. NEARY. We have attempted to size this. We have two structured parking facilities, and then approximately I believe it is 500 surface parking spaces.

Ms. BROWN. Are we going to have some kind of a way that we can take the veterans maybe to and from in trolleys or something like that?

Mr. NEARY. I have to check. I can't answer that. I will be glad to provide that for the record.

Ms. BROWN. Thank you. I yield back.

The CHAIRMAN. Thank you, Miss Brown. Any other questions? Mr. Webster, anything?

Mr. WEBSTER. No.

The CHAIRMAN. Thank you very much for being here with us today. We are a little bit behind schedule, so I would ask the next panel to come forward. Why don't we take just about a five-minute recess. We will start back at 11:00 AM.

[Recess.]

The CHAIRMAN. Other members will be making their way back in. But with us this morning from Brasfield Gorrie general contractors is Jim Gorrie, the president and chief executive officer.

Mr. Gorrie is accompanied by George Paulson, vice president and division manager, also at Brasfield & Gorrie. I want to thank you both for being here today.

Mr. Gorrie, you may proceed with your statement.

STATEMENT OF JIM GORRIE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, BRASFIELD & GORRIE; ACCOMPANIED BY GEORGE PAULSON, VICE PRESIDENT/DIVISION MANAGER, BRASFIELD & GORRIE.

OPENING STATEMENT OF MR. GORRIE

Mr. GORRIE. Thank you very much, Mr. Chairman, and all of the representatives from the great State of Florida. We appreciate the opportunity to be here with you today. And if appropriate, I would like to also offer our written testimony for the record and try to summarize it the best I can based on what we have just heard.

The CHAIRMAN. Very well. Without objection.

Mr. GORRIE. I would also like to extend my thanks to the University of Central Florida and the veterans that are here present. This is a wonderful facility and we appreciate you hosting this today. We appreciate the opportunity to meet. And my name is Jim Gorrie. And I am the president and CEO for Brasfield & Gorrie.

And as you will see today, the VA Medical Center is an incredible facility. As discussed in the March hearing, planning and design errors have plagued our efforts to construct the medical center. In March the VA not only acknowledged the problems and confirmed they were acting to correct the problems, but we went on and that also resulted in, between January and March of this year, the VA agreed to furnish over 45 separate design corrections that were named by the job as the blitz, which are represented in the yellow binders, with RFIs in the yellow drawings as you see before you.

The blitz was a major commitment by the VA that required taking responsibility for the design errors. Unfortunately, the blitz has grown to include over 100 separate design corrections, which are reflected by all the questions that—which are the orange binders and the subsequent orange drawings.

Unfortunately, these corrections have lasted longer than we anticipated too. But we are seeing the signs of these changes are slowing down. However, we do know that they are coming.

Last week we did receive another significant revision to the operating rooms, and we have been notified that additional changes are coming for additional structure to support the recently selected medical equipment. Unfortunately for the project, the operating rooms are on the critical path schedule.

We are starting to make positive progress with the new corrected design, and our team is anxious to keep the momentum going. Since the March hearing, we have almost doubled the manpower working on this job, despite the continued changes.

The project desperately needed the design blitz. However, this effort was 2 years too late. For Brasfield & Gorrie and our subcontractors, this time is lost forever.

The process requires us to submit a request for equitable adjustment, which you heard about earlier, to recover the impact due us and our subcontractors. It was also mentioned at the March hearing our first REA was valued at \$33.6 million, and it is currently unresolved today. And it is largely represented by the blue drawings you see over here to the right.

The cost of our REA are being carried by us and our subcontractors. I sincerely hope the VA will review the entire REA process in the future, as the costs that the contractor and subcontractors have incurred create real financial challenges. And given our subcontracting plan goals for this project, including small and disadvantaged veteran-owned businesses, this matter is of real importance.

After the March hearing the VA committed to work with us to expedite the project, but things have not gone as we had hoped. Despite Tim Dwyer, who couldn't be with us today, our south regional president, and my personal efforts, productive meetings with the VA to develop a new game plan never happened.

In June, instead of discussing how we can accelerate the schedule, the VA issued us a notice to cure, which we feel is totally baseless, and threatened to terminate us for default. We learned about this notice to cure via an email approximately ten minutes before the VA held a press conference announcing its actions. One reason this was so strange is that it was just 1 week after the VA met with us to discuss our approach towards partnering.

A few weeks ago the VA also withheld two million additional dollars from our monthly pay request without any discussion. This action creates an additional financial hardship to us.

The VA has also contacted our bonding company for meetings on several occasions without contacting me directly to discuss their concerns first. Our bonding company attended a meeting in Washington, DC at the request of the VA in July.

This is the first time in our 48-year history our bonding company has attended such a meeting. Last month the VA gave us our first unsatisfactory rating we have ever received on a government project in our 48-year history of doing business. Again, with not so much as an advance warning.

As you know, these unsatisfactory ratings are shared throughout the government and will have a major negative impact on our ability to get new work. We take our reputation and our finances very seriously.

The recent actions taken by the VA are extremely disturbing. We have struggled to understand how the VA could take these actions, take full responsibility of the multi-year design problem at the March hearing and just 11 weeks later issue us a very public notice to cure and threaten termination. It just doesn't make sense.

But B&G has constructed many large health care facilities, many around here, and we appreciate the positive comments by the VA at our first hearing regarding our qualifications.

This particular hospital has been a job of firsts for us: The first time we have had to fund owner changes in the tens of millions of dollars; the first time our bonding company has been called to get involved; the first time we have testified at a congressional hearing; the first time we have ever received an unsatisfactory rating. And unfortunately for us our list is growing.

Our contract requires us to provide a revised schedule for completion with each monthly pay request. Our July pay request forecasted the completion for November of 2014, which would also be no surprise to anybody within the VA, because we have been forecasting that date, the 2014 date, for over a year. I would also like to mention that that date does not include any acceleration. That

is what we have to do, just follow the contract as submitted accordingly.

During the VA's notice to cure 30-day evaluation period we were instructed to provide a new obtainable schedule, and so we updated our contract schedule for completion for the entire building and presented it to the VA. And we also proposed as requested a detailed alternative accelerated contract schedule, which shows us working in more areas. And this schedule shows a completion of the clinic in 2013 and the remainder of the facility by April of 2014.

We have not received any formal feedback on these schedules in the past 2 weeks. However, as you heard a little while ago, it was this past Friday we reached an agreement at the job site on the effect of the current changes to us on the job and a mutual commitment to work towards a completion date of 2013. That was important.

We know that for months the VA has mentioned this completion date in the summer of 2013. But they have not been willing to discuss the detailed logic they are using to reach those conclusions. And based on what I think I just heard, their analysis is based on our original logic that we presented to them before you making any changes. That is what I think I heard.

But from preliminary reports, we know their analysis is not apples to apples with ours. It does not include any of the most current information included in the major changes issued during the blitz and post blitz.

At this time we are proceeding with the development of a plan to complete the entire project in 2013, should the VA decide to adopt and support it. Although the contracting officer has not signed off on the new goal, she is fully informed, and we hope she will act shortly.

Our team has been raising the red flag since the first month of the job. We need direction, and we need direction immediately if we are going to make this 2013 date. The VA and the hospital and the design team must support it.

The changes we have faced over the last 2 years in just keeping everyone working on the job has been a major effort. I would like personally to thank everyone on the job, especially our subcontractors, for hanging in there with us, even though we do not have all of our schedule issues resolved, and that we are still dealing with the nearly \$30 million of unresolved change orders. And that does not include costs associated with the REAs and other changes.

We also think it is important that you understand that the VA keeps stating the project is 60 to 70 percent complete in terms of dollars. But these discussions ignore all the pending changes, current changes, and REAs on the project, which ultimately truly reflect the cost of the work.

The most important thing this job needs today is open and direct communication. We reiterate our eagerness to explore an expedited completion of the project. The threats of default should stop. The only thing that could put this job over the edge would be a termination.

I can't even imagine what such an action would cost the taxpayers, not to mention the opening—the delays for our veterans. Such an action would have a devastating effect on all the workers

employed on the job. At this stage in the game no one can complete this project faster and more economically than Brasfield & Gorrie.

In closing, we welcome face-to-face working sessions with the VA and are available to answer any questions you may have about our current progress. We really do want to finish this project. It is a wonderful facility. And we can't wait for you to see it.

And we thank you for your time. And one of the things that we tried to do was to share some really straightforward exhibits to help you maybe understand our progress of where we are. So, Mr. Chairman, I don't know if you would like me to just—to share with you quickly what is included in with our statement.

[The prepared statement of Jim Gorrie appears on p. 57.]

The CHAIRMAN. Let us not do that now. We are a little over time on your opening statement.

Mr. GORRIE. Okay.

The CHAIRMAN. Let us go ahead and move to questions, if we can. We will do a couple of rounds, if that is what it necessitates. Thank you very much.

You pointed to a document on the table that has got some signatures on it. Is that the agreement that was reached on Friday?

Mr. GORRIE. It is.

The CHAIRMAN. Is that something you can make available to the Committee? Or is it something the VA has asked you not to disclose?

Mr. GORRIE. I would just ask probably Mr. Haggstrom's concurrence. But if he concurs I could—

Mr. HAGGSTROM. That is fine.

The CHAIRMAN. Is that okay? If you want to keep it just between you all, that is okay with us too. If we can have it, fine.

Mr. HAGGSTROM. If I could ask that the chairman allow us to continue to work with Brasfield & Gorrie over the coming weeks to get a better understanding of the schedule, that would be very beneficial.

The CHAIRMAN. Then I won't ask for that to be placed into the record at this time.

We have heard discussions of varying degrees of project completeness. Can you give me, from the contractor's standpoint, where you think you are in completion? The VA says 60 to 70 percent. Where do you think you are, based on the changes that you are aware of so far?

Mr. GORRIE. Well, our estimated completion date was November 14 per the contract.

The CHAIRMAN. Percentagewise though can you—

Mr. GORRIE. By dollars?

The CHAIRMAN. Well, no, no. They say 60 percent complete. Are they 50 percent? Are they 65? Are you 65? Mr. Paulson?

Mr. GORRIE. Yeah.

Mr. PAULSON. Yes. I believe the percentage that the VA is using is based on our current contract value, which would equate to about a 68 percent completion of money paid to Brasfield & Gorrie.

The CHAIRMAN. But your—but your—estimate of completion is what?

Mr. PAULSON. Through our time extension request number three, it would be about 55 percent. Through our time extension request number four, it would be about 45 percent.

The CHAIRMAN. So you are saying 45. They are saying 60 plus.

Mr. PAULSON. Yes, sir.

The CHAIRMAN. Based on your experience, testimony at other hearings, and information that has been provided, you have significant experience in constructing health care facilities. Would you say that the number of equipment revisions and accompanying drawings were normal, abnormal, or about normal?

Mr. GORRIE. There is nothing normal about this project. I would call this the furthest thing from normal we have ever experienced. I would suggest to you All Children's Hospital, which is, you know, a similar size facility down the street, we would have maybe had 6 or 8 RFI binders for that whole project. And the orange ones are just since the cleanup, to catch the cleanup.

The CHAIRMAN. Why do you think that is the case?

Mr. GORRIE. We don't—we can't explain the evolution.

The CHAIRMAN. There hasn't been a whole lot of discussion about the design team that was put together, the architect and the engineers. Is that where the issue began, with an incomplete design? And if so, obviously the project was bid off that design.

Mr. GORRIE. Well, in public projects we are—there is a very clear line that you have design and you have construction. And so that is the major difference. And so we really aren't privy to what information is involved with creating the design.

In fact, we have, you know, we really—we have tried to get involved with that in the past to try to help through that. But we really have not had much success with that effort. And we have tried to explore that.

The CHAIRMAN. Knowing what you know now, and looking back to the first time you ever saw the complete set of plans that were given to you to bid off of, were the plans complete? Were you aware they were incomplete when you bid on them?

Mr. GORRIE. Clearly we thought they were. And as you can see in the timeline of the design history, which is in here, there was a, right before the job issued, there was a complete reissuance of the drawings.

But I guess there was no way for us to know that there was going to be a complete fruit basket turnover of all the medical equipment. But that, you know, that is the result.

The CHAIRMAN. Miss Brown.

Ms. BROWN. Thank you. First of all, we are having communication problems, because we are talking about how I wanted the project 2012. October to be exact, or even the summer. So where VA and where the construction—we are just totally different.

But keep it in mind that the veterans here have waited 25 years to get this hospital. And so whatever we are talking about the details, we need to expedite it. You all are years apart from me. And you all may think I am not realistic.

But I feel—and I am not in construction—and but I feel that when you put the money up front, you all are always talking about private business, and the government, and this is a partnership,

but when you have—if money is not an issue, I just think we all should be able to work through whatever issues that we have.

Now, I am confused. We are not talking about how much money that we owe you, or you owe them, or we are negotiating. The status of the project complete. We are not talking about money. The VA say it is 60 percent complete. What do you say?

Mr. GORRIE. I would start by saying I think we probably wanted that November of 2012 date as much if not more than you did.

Ms. BROWN. November. I was trying to get ahead of November.

Mr. GORRIE. Okay. Well, I would like—

Ms. BROWN. I wanted October.

Mr. GORRIE. I would just like you to know, when we bid this job, clearly our whole approach was for that.

So clearly—

Ms. BROWN. We all wanted the same thing.

Mr. GORRIE. We are all on the same page with you on that. We have no—there is no benefit for us to have ever asked for the first delay. That was certainly never our intention. And it is really, quite frankly, it is really impossible for us to ask that—answer that question today because of what is happening over here. We just got the orange drawings, and they are still coming.

Ms. BROWN. Well, the important thing for me is that you all are meeting. You all are talking. And you are working through the issues. And that is good. I mean, that is a good report. You met August 1st. You are meeting August the 15th.

And I don't want it to be we have another hearing on this same subject. And, you know, I want you all to continue to meet and work through the issues. As the person that watches the taxpayers'—not just the money, but we want the service provided. The veterans in this area, Central Florida, have waited 25 years. Shouldn't take 25 years to do nothing. Nothing.

So, what is the percentage that the project is completed? Not how much money we owe you. But how much—the VA says it is 60 percent. What do you say?

Mr. GORRIE. The critical path of the—when we are going to finish depends on—

Ms. BROWN. Right.

Mr. GORRIE.—when we get those.

Ms. BROWN. But if you looked at it today what would you say?

Mr. GORRIE. If I would have said today, November 14. That is what our—if you follow the contract, before you try to do something, like what we have tried to do around the table the last few weeks, it is what we have been saying for the year.

Ms. BROWN. November the 14th what year?

Mr. GORRIE. November of 2014.

Ms. BROWN. Yeah, but see, I am at 2012.

Mr. GORRIE. No, I don't—

Ms. BROWN. So what I am saying—

Mr. GORRIE. You are just asking me a question. But that is where we are before we try to pull it back.

Ms. BROWN. But what is the percentage of completion? That is what I am trying to find.

Mr. GORRIE. Forty-five percent, if you look at it just along the—

Ms. BROWN. So you are 45 and the VA say you are 60. That is a big difference right there.

Mr. GORRIE. Yeah. Are you talking about dollars or are you talking about—

Ms. BROWN. No. I am talking about physical work. Not money, work.

Mr. GORRIE. Well, there is 45 percent when you look at it time is what we are saying here. But the problem is, the schedule, the 24 months, or the bigger schedule initially was never able to be built. And so we were—we are having to now create a new schedule, which we have all committed to do.

Ms. BROWN. Okay. And you are capable of doing it.

Mr. GORRIE. We're committed. Yes, we are more than capable.

Ms. BROWN. More capable.

Mr. GORRIE. We are committed to what our team discussed with their scheduling professionals and our scheduling professionals, they have been meeting for weeks and months trying to reconcile all these drawings and what we might can do. And this is the first time we have actually kind of seen the goal line at the same place.

Ms. BROWN. Well, let me just say in closing from this round, the military slogan for the Army is one team, one fight. And we all doing it to move forward, getting veterans the facility that they deserve.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you very much. During the testimony you gave in Washington, DC you talked about a lack of cooperation with the VA.

Mr. GORRIE. That was my brother, the older Gorrie.

Mr. BILIRAKIS. Yes. Go ahead and elaborate on that a little bit. What is it going to take to get it done? What is it going to take, in your opinion?

Mr. GORRIE. Open a direct communication. We can't ignore the elephant in the room. We have to deal with—you know, we have shared with you the \$60 million of outstanding changes. They have to be reconciled.

And we got to—the schedule has to be based on logic. It can't be based on somebody that is not here or a schedule that doesn't exist any more. It has got to be based on fact. And we are ready. And that is all we want to do.

Mr. BILIRAKIS. Okay. In the construction process, are drawings simply—when are they to be completed in the construction process? What has been your past experience?

Mr. GORRIE. In the private sector or the public sector?

Mr. BILIRAKIS. Yeah. Well, both.

Mr. GORRIE. Well, the public sector, they are required by law to complete the design. I mean, it is a requirement. So that is—so they are required by law to be completed before they are issued to us. So that is—I don't know how else to answer it.

Mr. BILIRAKIS. Yeah, these drawings, the design drawings, the changes that have been occurring, and I understand that about the equipment and the up-to-date equipment, and that that attributed to a lot of these changes, design changes. Tell me how you feel about that.

You have already told me that there has been a lack of communication. But is that the case? I mean, did you attribute these changes to updated equipment, design equipment?

Mr. GORRIE. Yes. I think the VA has shared in the March hearing where their design was insufficient. And, you know, the biggest one clearly is medical equipment. That one you just—that one jumps off the page.

Mr. BILIRAKIS. Tell me what type of medical equipment.

Mr. GORRIE. There is 27—how many, 27,000?

Mr. PAULSON. Yes.

Mr. GORRIE. I mean, it is in every room.

Mr. BILIRAKIS. It is in every room.

Mr. GORRIE. It is in every room. So when you start a job like this and you assume you have the right drawings, you have flow, you go. Now we have been directed to a cure notice to just kind of go wherever we can go. So we are hopscotching all over the place, but we have to have flow.

Mr. BILIRAKIS. All right. Following up on that. In the alternative, so the contract schedule, you propose working in more areas to expedite completion. If it is feasible to work in more areas, why wasn't that incorporated into the current contract schedule? You can probably answer the question. But go ahead and elaborate on that.

Mr. GORRIE. Well, there is a lot of ways you can answer it, but it doesn't make sense to work inefficiently. I guess that would be partly it. And we are willing to work wherever we can work. And that is what we are doing now.

But first we are obligated by contract to follow—they have a very—there is very rigid rules about how you do a schedule for the VA, and you have to follow it. So that is what we are trying to do.

But since June 15th we have been told you got to have more manpower. At the same time we are getting the orange stack.

Mr. BILIRAKIS. Okay. Where are the additional costs associated with expediting the project?

Mr. GORRIE. It is about everywhere. But if you will look at the management, when you see the job, there is a—we have furnished two or three times the amount of supervision that is needed, because we never have flow. We are just working wherever we can work. I mean, that is the plan right now is work wherever you can work.

Mr. BILIRAKIS. Okay. Elaborate on the lack of the cooperation that you have been receiving from the VA.

Mr. GORRIE. You have to have direction. I mean, for us to get off the plan, we have to agree that we need to get off the plan and then be directed to get off the plan. And we haven't gotten that yet. We think we may have Friday actually made a break-through on that. I mean, the contracting officer hasn't necessarily endorsed it yet. But we think we are—

Mr. BILIRAKIS. You think you can get it done by the fourth quarter '13?

Mr. GORRIE. That is our plan, but it will take a ton of effort. And if it doesn't quite—I mean, the changes are still coming, so I can't commit to something that I don't have. And the design isn't completely finished.

Mr. BILIRAKIS. Okay. Thank you very much.

I yield back, Mr. Chairman.

The CHAIRMAN. Mrs. Adams.

Mrs. ADAMS. Thank you, Mr. Chairman. A couple of things.

Do you have the final equipment list?

Mr. GORRIE. No.

Mrs. ADAMS. No. You were here when I asked that question earlier, were you not, of the VA? Your testimony is—

Mr. GORRIE. They have one.

Mrs. ADAMS. But you do not.

Mr. GORRIE. We do not.

Mrs. ADAMS. Okay. The design, the VA designs, are they consistent with the equipment vendors' designs when—and is that why—

Mr. GORRIE. We don't have the list to verify.

Mrs. ADAMS. So you have no idea. Because that will create more delays; correct?

Mr. GORRIE. Hopefully not.

Mrs. ADAMS. Do you believe you have all the current changes?

Mr. GORRIE. No.

Mrs. ADAMS. No. You said follow the rules by the VA. You are required by your contract to follow and proceed in precise areas throughout the contract. At any time did you ask the VA to be able to deviate in order to keep people working and moving forward with this project?

Mr. GORRIE. Yes, ma'am.

Mrs. ADAMS. And what was the answer?

Mr. GORRIE. Well, when I went to Washington in the spring of whatever—what is this year, '12?'—'11, we knew we had the problem with the surfacing. And we didn't—we just didn't really get an answer. But we finally—it finally dawned—everybody realized that summer we had to do something.

And so they issued a change order, change order 05W, to resequence the job that would enable us to make up for the lost time. And the answer was we just got an email that said, stop that. We are no longer interested in that exercise.

Mrs. ADAMS. So they had the opportunity to resequence, is your word, to get everybody moving again. And then you got an order from them—

Mr. GORRIE. To stop.

Mrs. ADAMS.—to stop the resequencing. So is that the reason we don't have a lot of workers on the job?

Mr. GORRIE. That is a major part of it, yes, ma'am.

Mrs. ADAMS. I see. So you got a contract and new rules by VA to follow. You went over to the VA back in '11, summer of '11. You started resequencing. Then you are told to stop resequencing by the VA. And we are here today because you continued to get the change orders and revision drawings.

You still do not have all the equipment list, something that I asked during the Committee hearing in Washington. And I am very concerned because the VA didn't tell me that they had the list, but they hadn't provided it to you when I asked them. I guess I need to be more careful with my questioning. I need to go back to my law enforcement days.

So I have some concerns about this, Mr. Chairman. We have, I believe, a little bit of a difference of opinion on who has the equipment list now. And I don't know how we complete it if we don't have an equipment list.

Mr. GORRIE. And we are not today—

Mrs. ADAMS. Can you tell me how you complete it without equipment list?

Mr. GORRIE. We have to just assume what they issue us in the drawings have been fully coordinated on their end.

Mrs. ADAMS. Have they in the past?

Mr. GORRIE. No, ma'am.

Mrs. ADAMS. No. So that is quite an assumption and risk you take in that assumption I would believe.

I heard you say the REA is \$33.6 million unresolved. Can you elaborate on how that affects your subcontractors and where we are with our subcontractors on this job?

Mr. GORRIE. Well, the construction industry works off pretty thin margins. And so everybody is asking me—I get calls daily wanting to know the status. So it is a cash flow business.

Mrs. ADAMS. When did you get notified that the VA was willing to start talking to you again? When you had that—these meetings just recently? How long before the Committee hearing was it released?

Mr. GORRIE. Well—

Mrs. ADAMS. Or was it after?

Mr. GORRIE. It was right around the notice to cure.

Mrs. ADAMS. Well, I am happy to hear that they finally are speaking with you, and I hope that open dialogue continues. Because as you heard me say many times, this is about our veterans and a facility they need and they deserve. And I hope the VA will continue that open dialogue.

And I yield back, Mr. Chairman.

The CHAIRMAN. Mr. Nugent.

Mr. NUGENT. Thank you, Mr. Chairman.

Mr. Gorrie, you had mentioned in your statement in regards to you have a mutual agreement reference in the summer of 2013. But you sort of caveated or put a caveat in there, a reference, but you need direction to get there. What did you mean by you need direction to get to 2013 as the completion date?

Mr. GORRIE. The mutual agreeable date right now is, you know, the end of 2013. We have never had any kind of understanding of a summer date. But the end of '13, with the substantial completion at February '14, where they can start moving in. We are trying to work with them on how they can compress the activities to complete.

So for us to pull back from November, which is what the current rules—if you follow the rules, right now we are on November of '14. And so we are trying to and we have worked morning, noon and night and their scheduling teams have worked to compress that time frame. And that is what we are trying to do. And we can't do that without their help.

So we are, you know, we are having to create a new game plan. And everybody—that is what the team committed to do, is that we are basically—since the cure notice, we have had to suspend the

original logic. And so we are working off—we are having to work on new logic now.

Mr. NUGENT. I want to ask you a question. How many hospitals has your corporation built?

Mr. GORRIE. Well, we are the second largest, first or second every year. You know, we have done the All Childrens, you know, Florida Hospital, ORMC. We are the largest health care contractor, probably, health contractor in the country.

Mr. NUGENT. Do you normally get them built on time?

Mr. GORRIE. Yes, sir.

Mr. NUGENT. Have you exceeded the time limit on any of the projects in the last few years?

Mr. GORRIE. No, sir. I am not aware of any that we failed to meet a schedule that we have given. Commitment is everything in our business.

Mr. NUGENT. Is there a reason why you were able to meet that time period when you respond to an RFP, to a request for proposal, and you can deliver? Is there a reason why that happens? Or is that just by chance?

Mr. GORRIE. Well, we are just familiar with that positive working relationship. Most of the work in health care facilities is done, you know, in partnerships, so that the drawings can even evolve. And we can sometimes, if you have a plan, you know—and the VA now is considering alternative ways to contract for hospitals, because public bid, bidding of a hospital, is very difficult because of this equipment.

And so in the other facilities and the other ways of contracting, you are able to work with that medical equipment process. So the processes we are normally involved with is we are very much at the table in the medical selection process.

Mr. NUGENT. Well, Florida Hospital, are you the contractor, the general, on that?

Mr. GORRIE. Yes. Well, everybody knows, it is a big system.

Mr. NUGENT. Right.

Mr. GORRIE. We started at Celebration. We started working with Florida Hospital 15 years ago. We have been there ever since. And there has been a few other people that have managed to get a job or two.

Mr. NUGENT. Well, there is a new hospital being built in Wesley Chapel. In watching—I don't know if that is yours or not—but in watching the construction, they actually left a large wall open so they could move some of this larger medical equipment in.

But even though they were, I guess, at 50 percent complete, they had a roof that kept the water out, because that is part of drying in. I mean, when you build a house or, you know, when I built a sheriff's office, there are certain things you have to have done first, and one is you have to dry it in.

Mr. GORRIE. Yes.

Mr. NUGENT. Is there a reason why this building is not dried in?

Mr. GORRIE. Well, the roof design totally changed. That was, you know, that was discussed in March. And you know, we have tried not to dwell on the past problems. But the current critical path is what it takes to get the medical equipment and those operating

rooms going. So we have to focus on what is that stream of work that gets you to the end.

And at this point—and it hasn't been for a long time—the dry-in has not been where it is on most projects. It is not necessarily critical. Right now it is critical to prevent quality issues, some of which you heard. I mean, obviously when we can finally get the new roof on, it mitigates those kind of issues, but it doesn't help us get to the finish line earlier.

Mr. NUGENT. I reserve the rest of my comments.

The CHAIRMAN. Mr. Webster.

Mr. WEBSTER. Thank you, Mr. Chairman.

In the testimony by the VA they mentioned also the movement of the date back from the end of 2014 in several steps and eventually possibly in 2013. And they also said thought that there was no discussion on additional dollars at all.

Did that agreement that come out of that and the partially agreed to, did that include any talk—would you think there was any talk or any agreement or any mention of the additional cost to move those dates up?

Mr. GORRIE. The only way we knew to get an agreement on the end date of this project was to allow the best scheduling minds to get in the room and take money out of it. And that is what we did.

I continue to have some dialogue with Mr. Haggstrom about, you know, what the next steps are, because he and I have been able to have conversations about what can we do. And so we have, you know, we have had very broad brushes on this.

But the main thing we have to have is a mutually agreeable target. And I think anybody that takes what the VA requires us to do on the schedule, if you go back to November '14, you can't do that, you know. And you go to end of '13 for substantial completion.

You know, we never—I don't have any experience with the claims. But, you know, they mentioned claims. We don't have any experience with that. But if that is what we have to do, that is what we have to do. We want to finish. We just want to finish.

Mr. WEBSTER. So is there a considered and possibly a logical step-by-step partial completion date of certain areas—

Mr. GORRIE. Sure.

Mr. WEBSTER [continuing]. Of the hospital?

Mr. GORRIE. Sure. We can open the clinic early.

Mr. WEBSTER. Well, there was mentioned three items, the education, maybe the clinic was, some other thing, in order to open two other facilities there. Is there a possibility to complete those and—

Mr. GORRIE. There is all kind of possibilities.

Mr. WEBSTER [continuing]. Still continue construction.

Mr. GORRIE. There is all kinds of possibilities with disconnecting the logic and allowing us. If we could really know what was important, instead of just plopping the whole 2 million out there, square feet, we are—that was part of the discussion a year ago, when we got in that change order of 5W that we mentioned that was stopped. That was part of that exercise, was to give them the menu, the road map.

Mr. WEBSTER. So you could, if there were a—if the idea was to open up the rest of the facility that is already available and there

were some requirements, that could be done in a logical, step-by-step basis within the current time to finish and do it partially and that would fit in the schedule that would possibly accelerate some movement and not others?

Mr. GORRIE. I think we are going to have—I think the team is going to have to do that. I just don't think there is any question that there is going to be additional changes.

And I think, quite frankly, I think we are going to have to isolate the operating rooms. We are getting daily changes on the operating rooms. And I mean, what is not even in the orange set were the changes we got last week. But I mentioned to the operating rooms, and George could tell you more with those, if you would like.

Mr. WEBSTER. All right. So now in order to accomplish that, it takes what you had said, maybe VA had said, and that is open, direct communication. So if you were able to say, all right, after this meeting we are going to have some open and direct communication, who would you want at that meeting? Because I don't think I know, and maybe none of the other members know. Who would you want there? So if we publicly say that, maybe we could help that. I don't know.

Mr. GORRIE. Well, we have to have—we have been able to have good discussions with Mr. Haggstrom. And we would have to have—we would certainly need to have the contracting officer present. Because we can't—the scheduling people all agree now on what is doable. But the testimony just reflects they still think maybe the summer is possible. And the contracting officer hasn't necessarily agreed with our logic. So we can't—we can't really do much without—I can speak and any of our people can speak for us. And we have done whatever is asked. But we do really to get the contracting officer—

Mr. WEBSTER. Let me ask, if you set a meeting up, and you wanted the people there that it would take to maybe resolve some of this—

Mr. GORRIE. Well, it would have to be the contracting officer, you know. I guess we—you know, we have invited General Shinseki. We would love to have somebody say, make it happen.

Mr. WEBSTER. Well, maybe one just final quick answer you could give me. Which of these documents, green, blue, yellow, or orange, is 68 percent complete?

Mr. GORRIE. That would—

Mr. WEBSTER. Any of them?

Mr. GORRIE. Well, by dollars or by time?

Mr. WEBSTER. Thank you very much.

The CHAIRMAN. For the record, we did ask for the contracting officer to be present, but that request was declined by VA. I understand VA's reason for declining but I do hope that communication can be opened between the contracting officer and B&G because I think that appears to be one of the biggest issues here.

Miss Brown.

Ms. BROWN. Thank you.

I just returned a couple weeks ago from down in Miami to their VA facility. Their operating room is 95 percent complete. All they need is a final authorization from the Committee and they will be ready to finish that facility and operate it.

I understand that equipment is, you know, is I think changing. I went to the nice facility that we have down in Gainesville. And the equipment is—not just the operating—even the kinds of equipment, because of our veterans and their additional needs, not even for a person to touch them, that they have to lease equipment. So I understand that technology is changing.

And so I guess we all need to think out of the box as to how we are going to do it. And I guess you need a different kind of people.

You know, I think sometimes it would be helpful to have the physicians and the people that are going to actually use the equipment in the room as you work through the additional what do we need to make sure that when we turn—you all turn it over to the VA, it is the state of the art wherever we need it.

And I have spent time with you all, the contractors and the VA and, you know, it is a little frustrating, because, like I said, you all's dates, all of your dates is different from, in my mind, what the dates are. And I have been waiting with the veterans for over 25 years.

In looking at this stack of blueprints, the change orders here, is this normal?

Mr. GORRIE. No, ma'am.

Ms. BROWN. It is not normal. Well, I know that Florida is unique, and I know that our VA hospital is going to be unique, and it is going to be the state of the art. And when you all finish it, it is going to be something that we know the raining in the facilities, the leaking—because I guess did it have anything to do the with the roofing or just the way the building—

Mr. GORRIE. It is the design of the roof. We have to have—they changed the design of the roof.

Ms. BROWN. Okay. Is that why it is raining in the building?

Mr. GORRIE. Yes, ma'am.

Ms. BROWN. Why can't we stop it?

Mr. GORRIE. We are close.

Ms. BROWN. Close to stopping it. It rained yesterday. It rains every day here.

Mr. GORRIE. But I have been through the building a lot. And we have made great strides to, as you will see on the tour, you will see that those obstacles are under—are manageable at this point.

Ms. BROWN. And the mold and the mildew and all of that is—and the rust, all of that is going to be corrected.

Mr. GORRIE. Yes, ma'am.

Ms. BROWN. Okay. You all do a lot of business. I have had a lot of complaints from veterans-owned businesses and minority businesses, and female-owned businesses, that we have not been able to partner.

What kind of records do you all have working with small businesses and others? Because we have a lot of—he wants to answer the question, and that is fine. We have a lot of veterans-owned businesses in the area, and they complain to me that they are not getting any work. Can you—

Mr. GORRIE. He can speak specifically to this job. I will give you the corporate commitment if you need it.

Ms. BROWN. That is what I want to know, because you all do a lot of government work, and perhaps we need to do something.

When I was listening to the VA about this whole issue—because I know a lot of people like to talk about government, but government is a business and it is a big business. And it could help other small businesses do better. Yes, sir.

Mr. PAULSON. Our commitment and/or requirement on this particular project was 11 percent of the total subcontracts be let to either a disabled veterans-owned business or veteran-owned business, and we have exceeded those goals.

Ms. BROWN. You have done that?

Mr. PAULSON. Yes, ma'am.

Ms. BROWN. Did you do—get a lot of the local businesses? Because this is where I have gotten my complaints from.

Mr. PAULSON. Some of those businesses are local. Some of them are not. The contractual requirements of the small business program, it is not a local proem, per se, as a requirement.

Mr. GORRIE. We are mentoring. And we have a lot of engagement and involvement. George has been helpful with other Federal agencies. You know, we are very interested in helping and working with mentor programs.

Ms. BROWN. Well, this has been truly an area that I am interested in. Because when we look at the unemployment with veterans, it is much higher than other groups. It would be instrumental for us, as members of Congress, that as we move forward with projects, to include a percentage. Not just, you know, saying after you get the contract, then we are going to talk about what kind of veteran businesses or businesses that we do business with. It should be a part of the contract when it goes out. And then we would issue you some kind of requirements that you employ veterans to do the work when they are able to do the work.

So, you know, I am hoping that as we spend taxpayers' dollars for veterans, that we include them as far as how they can participate with businesses and hire other veterans. That is one of my goals. I yield back.

The CHAIRMAN. Maybe some of the homeless veterans that are put in the domiciliary can be put to work on the site.

Ms. BROWN. Yes, sir. But in addition to that, if you put them in the sites, then the people that is providing the food, the services, the clothing, the helping with the keeping the facilities up, those could be veterans. So, I mean, it is a whole opportunity there if we could just think out of the box.

The CHAIRMAN. In your view, what effect did the notice of cure have on the job site and the completion date? I mean, has it affected it? Or have things moved along? Did things slow down? Did they stop? Give us kind of a snapshot of what the notice of cure did to the job site.

Mr. GORRIE. Well, primarily, it destroyed moral. As the drawings taper down the changes, our manpower is picking up. So it has basically directed us to now just start working wherever we can work.

So I guess the—it is just there is no way for us to answer that question yet, until we know when they have told us to go run and jump. But we don't know where we are going yet. So as soon as we can all agree on where we are trying to run to, I will better be able and I can come back to you with an answer.

But, you know, in essence, you wouldn't think that we would have needed—we were—we are not really doing anything different, other than talking. I mean, we are having to internally meet every day. We talk to subs every single day because they literally are scared for their jobs.

The CHAIRMAN. Have you done a cost estimate of bringing this thing to completion by the fall of next year? What would it cost, dollarwise?

Mr. GORRIE. Obviously that is of utmost importance. And we have told you the 34 and the \$30 million that we sure would like somebody to help us catch up on. And we testified in Congress in March. It was asked of us then. And Mr. Dwyer said \$120 million. And we don't—we are just speculating. But that is—we don't have a better guess today than we did in the March hearing. But we do have an orange stack. But that is the only difference.

The CHAIRMAN. I would hope that you would have, with you and VA sitting down together, they touted the fact that you had backed your dates from '15 to '14, to substantial completion is what I heard. I heard substantial completion. I didn't hear completion—

Mr. GORRIE. That is correct.

The CHAIRMAN [continuing]. Fall of 2013.

Mr. GORRIE. Yeah.

The CHAIRMAN. If you had to bring double shifts on, what does that do to the cost of the project? The fixed costs are, I assume, are there, I mean, your steel, your concrete, your drywall, all of that. But your labor costs would have to, I would assume—

Mr. GORRIE. We will be glad to do that exercise. I mean, obviously doing that last year, when we thought we would a year ago, would have helped.

And I want to say for the record the '15 date that has been mentioned several times was a 1 month blip when it was forecasted. And that was before the schedulers could reconcile the amount, you know.

We were able to mitigate that one time '15 date, and that seems like that continues to be. But we have been fairly consistent for a long period of time when we would think this job would finish, and that is the end of '14. That is per the rules. It has, you know, it has ebbed and flowed, as you can imagine. But we have been fairly consistent on that point.

So the exercise we are doing now is a—it is not a all of a sudden we got a new date. It is going from what we—the way we interpret our contract to what can we do, which is we wish we could have done this a year ago.

The CHAIRMAN. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you. Appreciate it. Again, this is your first contract with the VA?

Mr. GORRIE. No.

Mr. BILIRAKIS. What have been your past experiences?

Mr. GORRIE. We have not experienced anything like this.

Mr. BILIRAKIS. Nothing like this.

Mr. GORRIE. No.

Mr. BILIRAKIS. Nothing. Never seen anything like this in the history of the firm.

Mr. GORRIE. That is correct.

Mr. BILIRAKIS. What—

Mr. GORRIE. Yeah. Excuse me. I didn't—

Mr. BILIRAKIS. In your estimation, what would this cost the taxpayers if there were a termination of your contract?

Mr. GORRIE. I don't think it is calculable. You heard—

Mr. BILIRAKIS. You can't estimate here—

Mr. GORRIE.—for each 12 months—

Mr. BILIRAKIS.—the cost in delay.

Mr. GORRIE. The cost to the veterans I don't think is calculable. Because, you know, there is nobody that can pick up these drawings. There is just nobody else that can finish. I mean, it is just—it is not fathomable how somebody could say, okay, here is your sets. Here is your RFIs. You know? Finish it in a year. It is just not possible. It is just—

The CHAIRMAN. Are you done, Jim?

Mr. BILIRAKIS. Yes.

The CHAIRMAN. For the record, we did write a letter to the Secretary on the 22nd of June asking those questions. The response from the Secretary—and I would like to ask that our letter be entered into the record, and also his response.

It was not a complete response. There were no numbers. There were comments such as VA cannot predict the cost that might be associated with possible legal actions that may result from Brasfield & Gorrie's termination.

So to follow in behind your question, I would like to enter these two documents into the hearing record.

[The attachment appears on p. 59.]

The CHAIRMAN. And you are yielding back.

Mr. BILIRAKIS. I will yield back.

The CHAIRMAN. Mrs. Adams.

Mrs. ADAMS. Thank you, Mr. Chairman.

The document that you guys are still working on, is it—I want to ask if it is—there is anything other than what you discussed. Is there anything else outstanding that could shift the projection completion date? Is there anything else that you still have to work out with the VA that could shift the projection completion date?

Mr. GORRIE. Yes.

Mrs. ADAMS. Yes.

Mr. GORRIE. Yes.

Mrs. ADAMS. And is it something that is large enough to shift it in a huge manner? Or is it something that is minor? Is it—I mean, and how many are there?

Mr. GORRIE. Well, there is no normal on this job. So I would have to say it would have the potential to be a major.

Mrs. ADAMS. It has the potential to be a major.

Mr. GORRIE. If we are not committed arm in arm to solve it. Because what I was—what—

Mrs. ADAMS. If you do get a commitment arm in arm to solve this potentially major issue, would it add to, in addition to, the completion date of the end of next year? Is it possible? Will it?

Mr. GORRIE. The change that we received in the ORs makes it extremely difficult for us to answer that question. And I would be glad to tell you what we received last week in the ORs if you want a visual of that.

Mrs. ADAMS. Okay.

Mr. GORRIE. George.

Mr. PAULSON. The change that Mr. Gorrie is referring to is RFP 319, in which in the third floor of the hospital where the ORs are located, we have added smoke evacuation to those rooms. We have added structural steel support for the medical equipment in those areas. We have added digital controls to monitor all of the ORs. We have added monitors and TV rough-in.

Mr. GORRIE. And the drawing equipment.

Mr. PAULSON. Of 76—

Mr. GORRIE. That is in the orange stack there.

Mrs. ADAMS. There is 76 more—

Mr. GORRIE. They are not in the stack.

Mrs. ADAMS. So what I am hearing, Mr. Chairman, is it looks like they came to agreement on possible completion date, substantial completion date, but there is still—

Mr. GORRIE. I would give you my commitment that we really are committed. And part of the agreement was that we would mitigate that.

Mrs. ADAMS. Or is there still a—

Mr. GORRIE. Yes, there is no way it could be mitigated without the arm-in-arm approach. If it has to be, you know, just go to the contract, it would be impossible to get there. I mean, just you have to kind of agree we are doing something unique to get there.

Mrs. ADAMS. So I would just ask that the VA make a commitment to work arm in arm with you so that our veterans don't have to continue to wait any longer. And I heard you say that you think that if you could resequence, like we were trying to do a year ago, that we would be able to get parts of it open to be available to our current veterans today. Is that correct?

Mr. GORRIE. We would love for you to start getting a return on your investment. And we are open to any shape or form that comes.

Mrs. ADAMS. Thank you. I yield back.

The CHAIRMAN. Mr. Nugent.

Mr. NUGENT. Mr. Gorrie, I guess what you are looking for is some kind of certainty, at least what I am hearing, and maybe not correctly.

At some point in time there has got to be an end to the change orders. I mean, at some point in time I would think the VA has got to say, this is what we want this hospital to be, and we want to get it completed within a certain time period.

If they continue to provide all these change orders as they have in the past, is this going to push the extension of this, you know, this program, hospital, further out?

Mr. GORRIE. Potentially.

Mr. NUGENT. Potentially. Have you heard any commitment from the VA that, listen, we think this is the hospital we want and we want it done now? Now, there is always going to be some, I guess, new innovation come out. But is that how you build a hospital is to keep stretching this out?

Mr. GORRIE. We don't see any need for it to be stretched out. You can take cherry and substitute it for vanilla on certain things. Certain things you can't.

Mr. NUGENT. Right.

Mr. GORRIE. And we are not involved in that. We just get the drawings. We are not involved with the selection of the equipment or the discussions of the impacts that that decision might make.

Mr. NUGENT. While we want to have the most effective and state of the art facility there is, if it never opens, then it doesn't matter what our great intentions are. Correct?

Mr. GORRIE. Correct.

Mr. NUGENT. So at some point in time the VA, and I guess sitting with you, saying this is our baseline.

Mr. GORRIE. That is right.

Mr. NUGENT. And unless something comes up that it drastically changes that, we are moving forward and we want you to get this done. Is that the direction you are looking for?

Mr. GORRIE. We have to have that. The project has to have that. I mean, they either—they either need to—they either are going to terminate us or they got to work with us. You know, you just can't let this thing continue down the path that it is on.

Mr. NUGENT. It almost sounds like it is time to fish or cut bait. And the time clock is ticking on our veterans that need it. So we got this, when I drove up here, it is amazing, the exterior of this facility. I don't know if that helps in regards to the quality of care. I doubt it. The quality of care is what happens within the mortar.

And so what I want to know from you, is if you get a commitment from the VA to substantially complete this project based upon what you have today, that you can get this done in a timely manner. And you are saying the end of 2013.

Mr. GORRIE. Yes. That is what we are saying.

Mr. NUGENT. If they continue out, who knows—

Mr. GORRIE. We can only control what we know. But we are willing to do our part.

Mr. NUGENT. Well, having, you know, built—having been on the site where we built a facility, a public building, our biggest thing was to try to—was to stay away from change orders. Because it was always somebody coming up saying, hey, boss, you know, there is a new wood-banger. There is something new that we can put in place. And you always had to sit down and say, can we retrofit later?

But we need to get into the facility. And I guess that is what we need the VA to commit to is that, while there may be something on the horizon every day, but let us get this done today.

So, I know that representatives from the VA are sitting out there. I would hope that we can get all this, you know, in the past behind us and really consider, you know, what this all—what all this means is that it is care for our veterans that need it the most at the end of the day.

And so I would ask again, Mr. Chairman, I appreciate you having this hearing here. Thanks very much.

The CHAIRMAN. Mr. Webster.

Mr. WEBSTER. Thank you, Mr. Chairman.

So time and money, I guess, those are directly related. Do you agree with that?

Mr. GORRIE. Yes.

Mr. WEBSTER. So we squeeze the time; we probably increase the cost. But that is just the way it is. And it wouldn't be any different in any other situation in any other day at any other project, probably the same thing; correct?

Mr. GORRIE. Yes. There is a point where you cross the efficiency line. There are certain parts that we can accelerate that aren't, you know, that we may can accelerate without costing you a lot of money. But it depends on which effort you want.

So time is money. There is no question in that statement. But as it relates to this project, that could take a lot of different forms.

Mr. WEBSTER. Mr. Chairman, I have a letter from the Secretary that I got last week I would like to insert into the record, because he does list some of the dates and so forth. But more importantly, he does say by October he will have someone in place that would meet the statutory requirements to run this construction job. And I would like to have that for the record.

I also have two other letters for the record from UCF, the construction manager there, and from Orlando Health, of what requirements they would have if they were doing a project of this kind or projects around the country. And these would be for smaller. And it does match what we have in our own statutes. So I would like to put these into the record.

The CHAIRMAN. Without objection.

Mr. WEBSTER. Yield back.

The CHAIRMAN. Miss Brown.

Ms. BROWN. Yeah, I am ready for the tour. But I just have one statement, and I would like for you all to respond to it. I would hate to leave this room, people thinking that change orders are just one-sided. And I am not in construction. But I do know the VA may have had changes. But I am sure you all have change orders also. That is a part of what you all do. Correct me if I am wrong.

Mr. GORRIE. No, ma'am. You are absolutely right. There is two sides to it. And I would say that—I would say this job has had, when we have resolved our changes on the ones that we have resolved—which is unfortunately the small things—we did it about, I don't know, 80 to 90 percent. So, you know, if you could just give us \$0.50 on the dollar until we—you know, we are just out a lot of money.

Ms. BROWN. Okay, okay. And you said the small businesses, they are out of money too?

Mr. GORRIE. Yeah. We all are.

Ms. BROWN. A lot of small businesses can't absorb as much as big businesses. But change orders are the part of when you build buildings, that is part of everybody, they do that. I do know that. You said that is correct.

Mr. GORRIE. Yes, ma'am. That is correct.

Ms. BROWN. So we don't want to think it is just the VA changing when you all run into something or it is something different, then you all come to us and say VA is the issue.

But I guess what you have heard from this committee that we want the veterans facility to be completed and in a time efficient, and that this project is unique. People sometimes people think unique is not a pretty thing. But unique is this project. The fact is 25 years overdue is uniqueness.

But we have a growing Central Florida community that needs the services and, you know, Florida is unique. So all I want to be sure is that we are uniquely working together to complete it.

And I would love to see you all complete it. But basically it is going to be a team effort. And we all have to work together, the VA, along with—I mean, you all are basically in the driver's seat. Because if you all do what needs to happen, then I am sure that it could turn out positive quickly.

Mr. GORRIE. Can I comment on the change orders?

Ms. BROWN. Yes, sir.

Mr. GORRIE. We would love for these to be zero cost change orders. Brasfield & Gorrie is certainly not in the business of change orders. I personally have never testified. I have never been in a claim. I have never even given my deposition.

Our company is founded on avoiding disputes, if at all possible. If you look back at our record, we don't have claims. We just don't have them.

So, yes, there is two sides. But it is almost like we don't want to go to claims. We want to resolve them as we go. We want to—we want to clean up where we are. And the claims process is a lose. So we are committed. And to date we just don't know where we stand on these \$60 million of changes.

Ms. BROWN. But you all are working together. And you had a meeting August the 1st. And you have another one on August the 15th. Is that right?

Mr. GORRIE. Yes, ma'am. That is about the schedule.

Ms. BROWN. So then, and I am sure that we all hear you.

Mr. GORRIE. Okay.

Ms. BROWN. And that you all are going to work through these issues. And I feel very positive about it. And I hope I feel this positive as when I go and tour the facility. It looks good from the outside.

Mr. GORRIE. It sure does.

Ms. BROWN. But outside is not what we look at. We going to look into the interior and see. Because like I mentioned, I just visit the facility down in Miami, where the operation room, I mean, is the state of the art and they were able to do it 95 percent complete. Cost a little bit more, I guess, than what was initially anticipated. But they serve veterans, Orlando, all the way down to Miami, state of the art operational room.

And so, basically, I know that the state of the art equipment is there and that they can work together. And they kept this facility operational while the veterans was still being served. So I am hoping we could expedite this project.

The CHAIRMAN. Thank you, Miss Brown.

Members, any other questions for the second panel of witnesses?

If not, thank you, gentlemen, for being here today. Thank you, VA, for being here today.

We are going to be taking a tour of the facility right after this. We appreciate everybody being here to listen to the testimony and this committee.

I would ask that all members would have five legislative days to revise and extend their remarks, add any extraneous material they wish to do.

Without objection, so ordered.

The CHAIRMAN. And with that this hearing is adjourned.

[Whereupon, at 12:13 p.m., the Committee was adjourned.]

A P P E N D I X

Prepared Statement of Chairman Miller

Good morning, and welcome to today's House Committee on Veterans' Affairs Full Committee field hearing, "The New Orlando Department of Veterans Affairs (VA) Medical Center: Broken Ground, Broken Promises."

I am grateful to my colleagues, our witnesses, interested members of the community, and—most importantly—the veterans in our audience today, for joining us this morning as we bring Congress to Orlando.

I also want to recognize and thank the University of Central Florida (UCF) College of Medicine for their hard work and cooperation in providing us with this space in the heart of the Medical City.

When ground was broken in October 2008 on what will—eventually—become the new Orlando VA Medical Center, this area was a mere shadow of what it is today.

Since then, ideas and plans that existed on drafting paper and in the minds of architects, designers, and engineers have evolved into existing infrastructure and active medical and research institutions.

As you can tell from the crowds of backpacks in the hallway, today is the first day of classes this year at the UCF College of Medicine, which broke ground in 2007 and opened in 2010.

Behind us is the Sanford-Burnham Medical Research Institute, which broke ground in 2007 and opened its doors in 2009.

Next to Sanford-Burnham is the University of Florida's Research and Academic Center, which broke ground in 2010 and will open to students and faculty later this year.

And, across the way is the Nemour [KNEE–MORE] Children's Hospital, which broke ground in 2009 and will open to patients just two short months from now.

Yet, the new Orlando VA Medical Center which was scheduled to be complete in October 2012 and an anchor in this Medical City, is an empty shell.

Four years and hundreds of millions of taxpayer dollars later, VA has yet to yield anywhere close to the same results as its neighbors.

It was my intention to hold this hearing at the new Orlando VA Medical Center site.

However, a forum like this would be impossible.

Brand-new, state-of-the-art facilities all around us are educating students and conducting research—and VA can't turn the lights on, much less accept visitors.

During the Committee's oversight hearing in March, VA acknowledged that design errors and omissions, changes in medical equipment and procurement delays, as well as VA oversight and management failures led to serious construction delays.

In fact, Glenn Haggstrom, who is also our VA witness today, in response to questioning, stated that "Brasfield and Gorrie's credentials in constructing health care facilities are second to none" and "I am not placing the blame on Brasfield and Gorrie at all. We fully recognize that we did have problems . . ."

The end result was a commitment to work diligently and collaboratively with the contractor to complete construction and begin serving the veterans and families of Central Florida expeditiously.

Yet the intervening months have brought more finger pointing and little progress.

It is perplexing that as recently as June, the Department provided a Fact Sheet that began by stating that "VA is working collaboratively with the prime contractor to get construction completed as soon as practicable."

Yet, concluded with the statement that VA ". . . has issued a Cure Notice to B&G citing the contractors [sic] inability to diligently pursue the work and to provide suitable manpower to make satisfactory progress."

Today, VA will testify that the Medical Center is sixty percent complete and on track to open in 2013.

However, since January, VA has been telling us that the Medical Center is sixty percent complete and on track to open in 2013.

Even though the contractor has repeatedly stated that construction is not sixty percent complete nor is VA's timeline realistic.

My single interest is the expeditious completion of this facility for the veterans of Central Florida who have been waiting almost a decade for the new medical center to open.

What this community is capable of is clear—just look at our surroundings this morning.

It is time for VA to finish what it started here so many years ago.

Today I want answers as to how we are going to accomplish this for our veterans. Again, I thank you all for joining us today.

Prepared Statement of Glenn D. Haggstrom

Mr. Chairman, Congresswoman Brown and Members of the Committee, I am pleased to appear here this morning to update the Committee on the status of the construction of the new VA medical center in Orlando. Joining me this morning are Mr. Robert Neary, Acting Executive Director; Mr. Chris Kyrgos, Supervisory Contracting Officer; and Mr. Bart Bruchok, Senior Resident Engineer, all with the VA's Office of Construction and Facilities Management.

Across the street from where we are now sitting, a 21st century medical center for Florida's Veterans is under construction. For many years, a debate took place concerning whether and where this facility should be constructed. While design began in 2004, the decision to build the medical center at the Lake Nona location was made in March of 2007, with Congress providing funding for the land acquisition in fiscal year 2008. Over the next two fiscal years Congress continued to provide the Department with additional funding to complete the medical center in a phased approach. The project is currently funded at \$616,158,000 and VA believes this funding level is sufficient to finish the project without any additional appropriation by Congress.

Once completed, this facility will contain 134 inpatient beds, a 120-bed community living center and a 60-bed domiciliary. In addition, the center will provide a comprehensive range of outpatient services for Veterans within the 1.2 million square foot facility. Our continuing goal is to complete and activate this facility as quickly as possible to serve Florida's Veterans who deserve nothing less. Although the project has not progressed as quickly as originally planned, at no time have Veterans been without the care they require through the existing VA medical center, community based outpatient clinics and non-VA care.

As VA has stated before, our mission is to serve Veterans, which includes delivering first-rate facilities. VA bears the responsibility to manage all projects efficiently and to be good stewards of the resources entrusted to us by Congress and the American people. In an effort to regain momentum on the project, VA has reallocated its staffing resources to task more resident engineers, more architects, and more construction management staff to oversee and support the project. VA regrets that there are areas in this project where we have not met our projected delivery schedule.

In the execution of this construction project, six construction contracts have been awarded. Work under the first five has been completed and includes site utilities and grading, an energy plant, hospital foundations and superstructure, the community living center, domiciliary and chapel, and the warehouse and parking structures. Construction under the final contract for the main hospital and clinic is underway and approximately 60 percent complete.

Regrettably, this final phase of construction has experienced problems in two areas: VA's revisions to the facility design drawings, and, the slow progress of construction by Brasfield and Gorrie, LLC, the prime contractor.

There are three primary areas where we experienced problems with the design. First errors and omissions were identified in the drawings related mostly to the electrical system. These issues were addressed and corrected drawings were provided to Brasfield and Gorrie in April 2011. Second, there were design and performance issues with the roofing systems. These issues have been resolved and the roofing systems for the facility are essentially complete.

Finally, because of a desire to have the most up-to-date medical equipment in this new facility, some medical equipment selections and the associated drawing updates to accommodate installation were delayed. In January of 2012, VA and Brasfield and Gorrie met to discuss the issues surrounding the medical equipment to be installed in the facility and the availability of the construction drawings. Recognizing

these deficiencies, VA issued a partial suspension in the construction of the diagnostic and treatment area of the hospital. In mid-March of this year, the partial suspension was lifted and the last of the drawing changes associated with the medical equipment changes were corrected and provided to the Brasfield and Gorrie. Brasfield and Gorrie asked for a continuance of the suspension for an additional 8 weeks to enable them to coordinate the changes with their subcontractors and to increase their workforce to a level that would allow them to fully resume work in accordance with the approved schedule. VA did not approve this request because Brasfield and Gorrie could and would be expected to continue coordinating throughout the suspension; thus, they were directed to resume work. VA was encouraged when Brasfield and Gorrie advised VA in mid-March that work would resume in the clinic areas by the end of March. Unfortunately the level of work VA expected to take place never materialized and on April 16, 2012 the contracting officer advised Brasfield and Gorrie of their deficiencies in pursuing work in the hospital.

While VA continued to work with the contractor there was increasing concern with the lack of manpower on the job and progress made in constructing the main hospital and clinic. As time progressed, the pace of activity at the job site failed to increase as Brasfield and Gorrie indicated it would and as required on a project of this magnitude.

On June 15, 2012, the contracting officer issued a contract cure notice to Brasfield and Gorrie identifying two failures of the contractor to comply with the VA contract. The first relates to the contractor's failure and in some cases refusal to diligently pursue the work; and the second relates to the lack of a sufficient workforce on the project.

On June 25, 2012 in response to the cure notice, Brasfield and Gorrie committed to increasing the workforce and pursuing work more broadly within the building. In response to the Brasfield and Gorrie's commitments, on July 10, 2012, the contracting officer established an evaluation period running through August 9, 2012 and advised the Brasfield and Gorrie that their efforts would be observed through this period to gauge implementation of its commitments. VA provided the Brasfield and Gorrie with its observations on a weekly basis during the evaluation period. Now that the August 9 date has passed, the contracting officer will make a determination in the near future as to whether additional actions are required to ensure that the terms of the contract are met and that the project moves to a timely completion.

VA remains concerned about the schedule to complete the project. Brasfield and Gorrie has offered several conflicting indications that a more extended duration is required, including at one point a schedule update stating that completion would not take place until early 2015; most recently, Brasfield and Gorrie has predicted that the project will be completed late in 2014 if VA will fund work on an accelerated basis.

VA continues to believe that the project can reasonably be completed in the summer of 2013 without additional resources, based on an analysis of the remaining work. This completion date was determined by utilizing the Brasfield and Gorrie approved baseline schedule and the resources originally planned for by the Brasfield and Gorrie.

Our ultimate objective is to have this project completed to specifications as quickly as possible so that it can be put into service to provide Veterans the high-quality health care they deserve. While the evaluation period has ended, we continue to monitor the efforts of the Brasfield and Gorrie as they work to complete the project.

In closing, I would like to report to the Committee that as a result of the challenges faced on the Orlando project, the Department has undertaken a comprehensive review of its construction program. This review, which includes the formation of a Construction Review Council chaired by the Secretary, VA has examined the several programs within the Department related to VA's physical facilities including the major construction, minor construction, nonrecurring maintenance and leasing programs as well as a focused review of the new hospital projects currently underway. This review has identified action items to improve these programs. One key reform decision already made by the Secretary as an outcome of the Construction Review Council's work, is that prior to including a new major construction project in a budget request, the project will have been developed to the level of 35 percent design. This will ensure that the scope of the requirement is more fully defined and the cost estimate used for budgeting is more accurate. It will also enable the construction contracts for all projects to be awarded in the years in which the funds are received.

Other areas identified for review and improvement include the design-review process and steps that can be taken to streamline procedures while at the same time ensuring that decision-making is taken at the appropriate levels within the De-

partment. We will keep the Committee informed of our progress in these areas. The Department is committed to providing the Veterans of the Orlando area with a state-of-art facility that the community deserves and that keeps in line with the Department's high standards of health care facilities.

Thank you for the opportunity to testify before the Committee today. We are prepared to answer questions that the Members of the Committee may have.

Prepared Statement of Jim Gorrie

Thank you, Mr. Chairman and Committee Members.

Thank you for the opportunity to meet today in Orlando. My name is Jim Gorrie and I am President/CEO of Brasfield & Gorrie. As you will see today, the VA Medical Center is an incredible facility.

As discussed at the March hearing, poor planning by the VA and design errors have plagued our efforts to construct the VA Medical Center. In March, the VA not only acknowledged these problems and confirmed they were acting to correct them; they also went on to say that Brasfield & Gorrie was not to blame. Between January and March of this year, the VA agreed to furnish over forty-five (45) separate design corrections (referred to by the team as the "Design Blitz") to get the job back on track.

The "Blitz" was a major commitment by the VA that required taking responsibility for the design errors. Unfortunately, the Blitz has grown to include over one hundred (100) separate design corrections and lasted significantly longer than the VA planned. We are seeing signs that the changes are slowing down but just last week we received another significant revision to the operating rooms and we have been notified that additional changes are coming for additional structure to support the new medical equipment. Unfortunately for the project, these areas are on our Critical Path schedule. We are starting to make positive progress with the new design and our team is anxious to keep the momentum building. Since the March hearing, we have almost doubled the manpower working on the job despite the continued changes.

The project desperately needed the Design Blitz. However, this effort was two (2) years too late. For B&G and its subcontractors, this time is lost forever. The process requires us to submit a Request for Equitable Adjustment (or REA) to recover the impact to us and our subcontractors, which was mentioned in the March hearing. Our first REA was valued at \$33.6 million, and it is currently unresolved. The costs of our REA are being carried by us and our subcontractors. I sincerely hope the VA will review the entire REA process in the future as the costs that the general contractor and the subcontractors have incurred create real financial challenges. Given our subcontracting plan goals for this project, including small and disadvantaged veteran owned businesses; this matter is of real importance.

At the March hearing, the VA committed to work with us to expedite the project—but things have not gone as we had hoped. Despite Tim Dwyer's (our South Regional President) and my personal efforts, productive meetings with the VA to develop a new game plan never happened. In June, instead of discussing an accelerated schedule, the VA issued us a Notice to Cure and threatened to terminate us for default. We learned about the Notice to Cure via email approximately ten (10) minutes before the VA held a press conference announcing its actions. One reason this was so strange is that it was just 1 week after the VA met with us to discuss our partnering approach.

A few weeks ago—the VA also withheld \$2 million from our monthly payment, without discussion. This action creates an additional financial hardship to us. The VA has also contacted our bonding company for meetings on several occasions without contacting me directly to discuss their concerns first. Our bonding company attended a meeting in Washington, D.C. at the request of the VA in July. This is the first time in our 48 year history our bonding company has attended such a meeting. Last month, the VA gave us the first "Unsatisfactory" rating we have ever received on a Government project in our 48 year history of doing business—again with no advanced warning. As you know—these "Unsatisfactory" ratings are shared throughout the Government and will have a major negative impact on our ability to get new work. We take our reputation and finances very seriously. The recent actions taken by the VA are extremely disturbing. We have struggled to understand how the VA could take full responsibility for the multi-year design problem at the March hearing and 11 weeks later, issue a very public Notice to Cure and Threat of Termination. It just doesn't make sense.

B&G has constructed many large health care facilities and we appreciated the positive comments by the VA at our first hearing regarding our qualifications. This particular hospital has been a job of “firsts” for B&G: the first time we have had to fund owner changes into the tens of millions of dollars, the first time our bonding company has been called to get involved, the first time we have testified at a congressional hearing, the first time we have received an “Unsatisfactory” rating and unfortunately the list is growing.

Our contract requires us to provide a revised schedule for completion with each monthly pay request. Our July pay request forecasts a completion in November 2014 based on the approved schedule which the contract requires us to follow. During the VA’s Notice to Cure 30-day evaluation period, we were instructed to provide a new “obtainable” schedule. We updated our contract schedule for completion of the entire building and presented it to the VA. We also proposed a detailed alternative, accelerated contract schedule which included us working in more areas. This schedule showed completion of the clinic in 2013 and the remainder of the facility by April 2014. We have not received any feedback on these schedules in the past 2 weeks.

For months the VA has mentioned completion dates in the summer of 2013; but to date they have not been willing to disclose the detailed logic they are using to reach that conclusion. From preliminary reports, we know their analysis is not apples-to-apples with ours and does not include the most current information, including major changes issued during the Blitz. Last week, the VA asked if we could possibly make a late 2013 construction completion date. We said we thought it was possible; however, it would come at a higher premium than our suggested schedule. Nevertheless, we are proceeding with the development of a plan to complete the entire project in 2013, should the VA decide to adopt and support it. It is our desire to complete the project as soon as possible, and we hope that the VA will support and pay for our efforts to do so. We look forward to hearing back from the VA and hope that a new, obtainable completion date will be established in the next few weeks.

Our team has been raising the red flag since the first month of the job. We need direction immediately if we are to complete in 2013, and the VA, the Hospital and the Design Team must support it. The challenges we have faced over the last 2 years in just keeping everyone working on the job have been a major effort. I would like to personally thank everyone on the job—especially our subcontractors for hanging in there with us even though we have not yet reconciled our schedule issues and even though we are still dealing with nearly \$30 million of unresolved Change Order Requests (which does not even include costs associated with our REA mentioned earlier and recent Change Order Requests).

We also think it is important that you understand that the VA keeps stating the project is 60–70 percent complete in terms of dollars—but these discussions ignore all the pending changes, current changes and REA’s on the project which ultimately represent the true cost of the work.

The most important thing this job needs today is clear, open and direct communications. We reiterate our eagerness to explore an expedited completion of the project. The threats of default termination should stop. The only thing that could push this job over the edge into the “Twilight Zone” would be a termination. I can’t even imagine what such an action would cost the taxpayers, not to mention the delays in opening the Hospital to our veterans. Such an action would also have a devastating effect on all the workers employed on the jobsite. At this stage in the game, no one can complete this project faster or more economically than Brasfield & Gorrie.

In closing, we welcome face to face working sessions with the VA and are available to answer any questions you may have about our current progress. We sincerely desire to finish this project. It is a wonderful facility and we are excited for you to see it today. Thank you again for your time and we have enclosed a few very simple exhibits with our written comments to hopefully help give you a better feel for the status of the overall project.

Thank you for your continued time and interest.

MATERIAL SUBMITTED FOR THE RECORD

**Honorable Jeff Miller, Chairman, Committee on
Veterans' Affairs to Honorable Eric K. Shinseki,
Secretary, U.S. Department of Veterans Affairs
June 22, 2012**

Honorable Eric K. Shinseki
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Mr. Secretary,

I am writing to express my deep concern about the impact the Contract Cure Notice issued by the Department of Veterans Affairs (VA) to Brasfield and Gorrie, LLC, (B&G) the prime contractor for the hospital and clinic build out of the new Orlando VA Medical Center, on Friday, June 15, 2012, will have on the completion of the project.

My single interest is the expeditious completion of this facility for the veterans of Central Florida who have been waiting almost a decade for the new medical center to open.

It is perplexing that in the Department's June 2012 Fact Sheet Update, the opening paragraph states that "VA is working collaboratively with the prime contractor to get construction completed as soon as practicable." Yet, the fact sheet concludes with the statement that VA ". . . has issued a Cure Notice to B&G citing the contractors [sic] inability to diligently pursue the work and to provide suitable manpower to make satisfactory progress."

This project from the start has been compromised by the lack of oversight by VA leadership in addition to being fraught with design deficiencies, medical equipment and procurement delays, a bevy of change orders, and communication issues.

I respectfully request that you respond in writing by June 30, 2012, with a report calculating the impact should VA ultimately act to terminate B&G's contract for default and providing an integrated master schedule for moving forward.

The report should include the following:

- a. A detailed list of any and all costs associated with a termination for default to include legal actions, project transition logistics with regard to project familiarity, management, mechanism, and repurchase of same or similar services;
- b. A complete and updated baseline and timeline for project completion and an explanation as to how this will accelerate construction; and,
- c. A detailed list of additional resources needed to complete the project.

I appreciate your cooperation and look forward to receiving this information.

Sincerely,

JEFF MILLER
Chairman

**Honorable Eric K. Shinseki, Secretary,
U.S. Department Veterans' Affairs to Honorable Jeff
Miller, Chairman, Committee on Veterans Affairs
August 9, 2012**

The Honorable Jeff Miller
Chairman
Committee on Veterans' Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter regarding the contract cure notice issued to the prime contractor, Brasfield and Gorrie (B&G), and issues affecting construction of the new Department of Veterans Affairs (VA) Medical Center in Orlando, Florida. I share your interest in the expeditious completion of this facility for the Veterans of Central Florida. The delay in responding was necessary to consider B&G's response to the cure notice.

You specifically asked that I provide a report calculating the impact to the project if VA ultimately terminated the subject contract. VA continues to work with B&G to complete the Orlando project. The VA's contracting officer clearly stated the government's expectations to B&G in a July 10, 2012, letter: VA will evaluate B&G's performance in resolving the issues identified in the cure notice (specifically, B&G's not diligently pursuing work and not providing a sufficient workforce on the project) at the conclusion of the 30-day period referenced in the letter.

A report detailing the costs, project baseline and timeline, and additional resources needed should VA ultimately terminate B&G's contract for default is premature. While VA can generally provide potential alternate scenarios for completing the project, the development of true cost, scheduling, and resource information would depend on the specific method of completing the project after termination. In this regard, note the following:

Scenario 1: If the surety completes the project, minimal down time is expected during the transition. In this scenario, 4 to 6 months would be added to the projected completion of summer 2013. However, VA does not anticipate the need to request additional funds. VA cannot predict the costs that might be associated with possible legal actions that may result from B&G's termination.

Scenario 2: If the surety is unable to complete the project, VA would reprocure. This entails approaching the original bidders and determining their ability to complete the project. If the prior bidders are unable to meet VA's requirements, VA would be required to issue a new solicitation which would add 8 to 10 months to the project completion date of summer 2013. If VA must reprocure, this may involve additional costs based on market conditions; however, at this time VA believes there would be adequate funds to complete the project and we do not anticipate a need to request additional funds. VA cannot predict the costs that might be associated with possible legal actions that may result from B&G's termination.

VA will continue to closely monitor this project. Should you have any further questions, please have your staff contact Mr. Robert Madden, Congressional Relations Officer, at (202) 461-6470 or by e-mail at robert.madden@va.gov.

Thank you for your continued support of our mission.

Sincerely,

Eric K. Shinseki

