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FIELD HEARING ON DENVER REPLACEMENT MEDICAL CENTER

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

APRIL 24, 2015

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FIELD HEARING ON DENVER REPLACEMENT MEDICAL CENTER

FRIDAY, APRIL 24, 2015

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Aurora, CO.

The Committee met, pursuant to notice, at 1:32 p.m. in City Council Chambers, Aurora Municipal Center, 15151 E. Alameda Parkway, Hon. Johnny Isakson, Chairman of the Committee, presiding.

Present: Senators Isakson, Rounds, and Blumenthal.

Also present: Senators Gardner and Bennet; and Representatives Coffman and Perlmutter.

OPENING STATEMENT OF HON. JOHNNY ISAKSON, CHAIRMAN, U.S. SENATOR FROM GEORGIA

Chairman ISAKSON. I call this meeting of the U.S. Senate Committee on Veterans' Affairs to order.

I want to, first of all, thank the city of Aurora and all the citizens of Colorado for their hospitality. We had a great visit today. I appreciate being in your great State. I wish we could take your weather back to Washington, D.C.

We are here today for two reasons. Michael Bennet from the U.S. Senate and Cory Gardner from the U.S. Senate issued an invitation for us to come to Colorado almost immediately upon Senator Blumenthal and I being selected chairman and ranking member of the Veterans' Affairs Committee. We have been very well versed by them and read everything we could read about the problems at the VA hospital in Denver, but we wanted to be here firsthand at their invitation.

The second reason we are here is this. When I was chosen chairman, I told the Members of the Committee that we had no more solemn obligation to the veterans of the United States of America than to see to it that they got the benefits and the treatment they deserve. They risk their lives and limbs for us. We need to do no less than the same for them.

I pledged, rather than sitting in Washington behind a dais, we would go to the cities and the towns and the places where the veterans are and where the problems are, holding the VA accountable to see to it we deliver the very best possible service we could deliver.

We have been to Wisconsin to look at the problem with the overprescription of opiates. We have been to Arizona, looking at the problems that began with the Phoenix hospital where consults

were canceled, veterans lost appointments and veterans died. Now we are here today in Colorado to look at the problems with the cost overruns of 427 percent from its inception on the veterans' hospital that is pending here in Aurora, CO.

We are here to get the answers as to why we are where we are, what we need to do to get to where we need to be, and see to it we fulfill our promise to our veterans and this hospital is completed, but also that the VA and those people in the VA who need to be held accountable for getting us to where we are, are held accountable. As chairman of the Committee, I pledge my complete support to the other members of the Senate and the House to do exactly that.

The format of the meeting today is my brief opening statement, which you just heard. I will turn to Richard Blumenthal from Connecticut in 1 second as ranking member, and then we will go straight to our testimony from our first panel. Then after that, each Member of the Senate and the House members that are here today will be able to ask questions or make statements after the testimony of our first panel. Then we will go to our second panel, Sloan Gibson from the VA, later on.

I now turn it over to Ranking Member Richard Blumenthal from the great State of Connecticut.

STATEMENT OF HON. RICHARD BLUMENTHAL, RANKING MEMBER, U.S. SENATOR FROM CONNECTICUT

Senator BLUMENTHAL. Thank you, Mr. Chairman, and thank you to the Colorado delegation, our colleagues, Senator Bennet and our good friend Senator Gardner, for being here and for inviting us.

We are here at a really critical turning point in this project. The question is, will the Nation fulfill its commitment to our veterans, not only the veterans of Colorado and the Rocky Mountain States but of Connecticut and Georgia and all around the country?

The debacle in Aurora—it is a financial and fiscal catastrophe—has to be addressed, and it must be addressed positively in finding a path forward, whatever the most practical alternatives are to funding completion of this project. Right now there is no clear path forward.

There also has to be accountability. The public officials and private-sector actors who bear blame must be held accountable. There must be some financial accountability and perhaps discipline.

Part of our goal has to be imposing or finding a way to impose that accountability in a way that has not happened before. We thought there was going to be accountability after the cooking of books and delayed treatment times, but so far I am unconvinced there has been that accountability in that instance. I remain unconvinced that there is a path forward here, that all the alternatives have been explored, and I want to see the quality of care, the caliber of health treatment that our veterans need and deserve. I also want it done without sacrificing care elsewhere in the country.

The VA has submitted to us a proposal for how to deal with that funding. It means deferring or delaying indefinitely construction and maintenance elsewhere in the country, including Georgia, Connecticut, and South Dakota. In fact, in the vast majority of States

where our colleagues are going to be very reluctant to go back to their constituents and their veterans and say you must sacrifice.

I think a path forward on funding has to be found.

Thank you, Mr. Chairman.

Chairman ISAKSON. Before I go to our panelists, I want to make sure to acknowledge the other members of the panel who are here and their role in this meeting.

Senator Mike Rounds from the great State of South Dakota, thank you.

He made a long trip to be here, and he is making a long trip home tonight. I appreciate him as a Committee Member and a good friend being here.

Welcome Congressman Perlmutter. With a name like Isakson, you would think I could pronounce a name like that.

Congressman Coffman, thank you for being here.

Senator Gardner, and obviously Senator Bennet I recognized, and Senator Blumenthal I have recognized as well. I think that covers all of us.

With that said, we have two of our three panelists who are here. One of our panelists, Mr. Robinson, had a family emergency and he will either be late or may not be able to attend. So, we are going to go immediately to Mr. Goldstein. He is the Director of Physical Infrastructure Issues at the Government Accountability Office in Washington, D.C. We appreciate your being here today.

Next we will hear from Steve Rylant, President of the United Veterans Committee of Colorado. We are grateful that you are here today.

Mr. Goldstein, we will start with you. Please try to hold your remarks to about 5 minutes, if you can.

STATEMENT OF MARK GOLDSTEIN, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. GOLDSTEIN. Thank you, Mr. Chairman, Ranking Member Blumenthal, and Members of the Committee. I am pleased to be here today to discuss information from GAO's April 2013 report regarding the construction of new major Department of Veterans Affairs medical facilities. That report examined VA's actions to address cost increases and schedule delays at four of its largest and most expensive major medical facility construction projects in Denver, Orlando, New Orleans, and Las Vegas.

At the time of our review, VA had 50 major medical facility projects underway, including new construction and renovation of existing medical facilities, at a cost of more than $12 billion.

My statement today discusses VA construction management issues, specifically: one, the extent to which the cost, schedule, and scope for the four selected medical facility projects changed since this information was first submitted to VA's authorizing committees and the reasons for these changes; two, actions VA has taken to improve its construction management practices; and three, VA's response to recommendations in our report for the agency to further improve its management of the costs, schedule, and scope of these projects.

This testimony is based on our April 2013 report. It is also based on our May 2013, April 2014, and January 2015 testimonies on this topic, as well as selected updates that we received from VA. These selected updates include information on the status of VA's major medical center projects in Las Vegas, Orlando, New Orleans, and Denver.

In April 2013, GAO found the cost substantially increased and schedules were delayed for VA's largest medical facility construction projects. In comparison with initial estimates, the cost increases for these four projects now range from 66 percent to 427 percent, and delays range from 14 to 86 months.

Since the 2013 report, some of the projects have experienced further cost increases and delays because of design issues. For example, as of April 2015, the cost for the Denver project increased by nearly $930 million, and the completion date for this project is unknown.

In its April 2013 report, GAO found that VA had taken some actions since 2012 to address problems managing major construction projects. Specifically, VA established a construction review council in April 2012 to oversee the Department's development and execution of its real property programs. VA also took steps to implement a new project delivery method called Integrated Design and Construction, which involves a construction contractor early in the design process to identify any potential problems early and speed the construction process.

However, in Denver, the VA did not implement this method early enough to garner the full benefits of having a contractor early in the design phase.

VA has taken actions to implement the recommendations in GAO's April 2013 report. In that report, GAO identified systemic reasons that contributed to overall schedule delays and cost increases at one or more of the four reviewed projects and recommended ways the VA could improve its management of the construction of major medical facilities.

In response, the VA has: one, issued guidance on assigning medical equipment planners to major medical facility projects who will be responsible for matching the equipment needed for the facility in order to avoid late design changes leading to cost increases and delays; two, developed and disseminated procedures for communicating to contractors early to find roles and responsibilities of the VA officials who manage major medical facility projects to avoid confusion that can affect the relationship between VA and the contractor; and three, it has issued a handbook for construction contract modifications that includes milestones for completing processing of modifications based on their dollar value, and it has taken other actions to streamline the change order process to avoid project delays.

While VA has implemented these recommendations, we do not have a good idea at this point in time of their impact and how effective they have been. Many of these are going to take time to show improvements, especially for ongoing construction projects, and depends on several issues, including the relationship between VA and its contractors.

Mr. Chairman, that concludes my opening remarks. I would be happy to respond to questions that you and the members have. Thank you.

[The prepared statement of Mr. Goldstein follows:]

PREPARED STATEMENT OF MARK L. GOLDSTEIN, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

United States Government Accountability Office

GAO

Testimony

Before the Committee on Veterans' Affairs, U.S. Senate

For Release on Delivery
Expected at 1:30 p.m. MT
Friday, April 24, 2015
In Aurora, Colorado

VA CONSTRUCTION

Actions to Address Cost Increases and Schedule Delays at Denver and Other VA Major Medical-Facility Projects

Statement of Mark L. Goldstein, Director
Physical Infrastructure Issues

GAO-15-564T

GAO Highlights

Highlights of GAO-15-564T, a testimony before the Committee on Veterans' Affairs, U.S. Senate

Why GAO Did This Study

VA operates one of the nation's largest health care delivery systems. In April 2013, GAO reported that VA was managing the construction of 50 major medical-facility projects costing between $10 million and hundreds of millions of dollars, including the ongoing project in Denver. This statement discusses VA construction management issues, specifically, (1) the extent to which the cost, schedule, and scope at Denver and other major medical-facility projects has changed and the reasons for these changes, (2) actions VA has taken since 2012 to improve its construction management practices, and (3) VA's response to GAO's recommendations for further improvements in its management of these construction projects.

This statement is based on GAO's April 2013 report (GAO-13-302), May 2013 (GAO-13-556T), April 2014 (GAO-14-548T), and January 2015 (GAO-15-332T) testimonies, and selected updates on VA projects—located in Denver, Colorado; Las Vegas, Nevada; New Orleans, Louisiana; and Orlando, Florida. To conduct these updates, GAO obtained documentation from VA in April 2015.

What GAO Recommends

In its April 2013 report, GAO recommended that VA (1) develop and implement agency guidance for assignment of medical equipment planners; (2) develop and disseminate procedures for communicating to contractors clearly defined roles and responsibilities of VA officials; (3) issue and take steps to implement guidance on streamlining the change-order process. VA implemented GAO's recommendations.

View GAO-15-564T. For more information, contact Mark L. Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

April 2015

VA CONSTRUCTION

Actions to Address Cost Increases and Schedule Delays at Denver and Other VA Major Medical-Facility Projects

What GAO Found

In April 2013, GAO found that costs substantially increased and schedules were delayed for Department of Veterans Affairs' (VA) largest medical-facility construction projects, located in Denver, Colorado; Las Vegas, Nevada; New Orleans, Louisiana; and Orlando, Florida. In comparison with initial estimates, the cost increases for these projects now range from 66 percent to 427 percent and delays range from 14 to 86 months. Since the 2013 report, some of the projects have experienced further cost increases and delays because of design issues. For example, as of April 2015, the cost for the Denver project increased by nearly $930 million, and the completion date for this project is unknown.

In its April 2013 report, GAO found that VA had taken some actions since 2012 to address problems managing major construction projects. Specifically, VA established a Construction Review Council in April 2012 to oversee the department's development and execution of its real property programs. VA also took steps to implement a new project delivery method, called Integrated Design and Construction, which involves the construction contractor early in the design process to identify any potential problems early and speed the construction process. However, in Denver, VA did not implement this method early enough to garner the full benefits of having a contractor early in the design phase.

VA has taken actions to implement the recommendations in GAO's April 2013 report. In that report, GAO identified systemic reasons that contributed to overall schedule delays and cost increases at one or more of four reviewed projects and recommended ways VA could improve its management of the construction of major medical facilities. In response, VA has

- issued guidance on assigning medical equipment planners to major medical facility projects who will be responsible for matching the equipment needed for the facility in order to avoid late design changes leading to cost increases and delays;
- developed and disseminated procedures for communicating to contractors clearly defined roles and responsibilities of the VA officials who manage major medical-facility projects to avoid confusion that can affect the relationship between VA and the contractor; and
- issued a handbook for construction contract modification (change-order) processing that includes milestones for completing processing of modifications based on their dollar value and took other actions to streamline the change order process to avoid project delays.

While VA has implemented GAO's recommendations, the impact of these actions may take time to show improvements, especially for ongoing construction projects, depending on several issues, including the relationship between VA and the contractor.

Chairman Isakson, Ranking Member Blumenthal, and Members of the Committee:

I am pleased to be here today to discuss information from our April 2013 report regarding the construction of new major Department of Veterans Affairs' (VA) medical facilities.[1] That report examined VA's actions to address cost increases and schedule delays at four of its largest and most expensive major medical-facility construction projects—located in Denver, Colorado;[2] Orlando, Florida; New Orleans, Louisiana; and Las Vegas, Nevada. At the time of our review, VA had 50 major medical-facility projects[3] under way, including new construction and renovation of existing medical facilities, at a cost of more than $12 billion.[4]

My statement today discusses VA construction management issues, specifically (1) the extent to which the cost, schedule, and scope for the four selected medical-facility projects changed since this information was first submitted to VA's authorizing committees[5] and the reasons for these changes, (2) actions VA has taken improve its construction management practices, and (3) VA's response to recommendations we made in our report for the agency to further improve its management of the costs, schedule, and scope of these construction projects. This testimony is based on our April 2013 report. This testimony is also based on our May

[1]GAO, *VA Construction: Additional Actions Needed to Decrease Delays and Lower Costs of Major Medical-Facility Projects*, GAO-13-302 (Washington, D.C.: April 4, 2013).

[2]The site that we refer to throughout this report as the Denver VA Medical Center is actually located in Aurora, Colorado, near Denver.

[3]The term "major medical-facility project" means a project for the construction, alteration, or acquisition of a medical facility involving the total expenditure of more than $10 million. See 38 U.S.C. §§ 8101, 8104. While these projects cost at least $10 million, some cost in the hundreds of millions of dollars. The project types include new construction, renovation of existing structures, expansion, or a combination of types. The total number of major VA medical-facility projects is based on agency data from November 2012.

[4]The VA operates one of the nation's largest health care delivery systems.

[5]No funds may be used for any major medical facility construction project over $10 million unless funds have been specifically authorized by law, and VA is required to submit a prospectus to the House and Senate Committees on Veterans' Affairs that contains information about each planned medical facility project. See 38 U.S.C. §§ 8101, 8104.

2013, April 2014, and January 2015 testimonies on this topic,[6] as well as selected updates. These selected updates include information on the status of VA's major medical center projects in Las Vegas, Orlando, New Orleans, and Denver.

To conduct these updates, we obtained documentation and other information from VA officials on the current status of VA's major medical-facility projects in April 2015. Detailed information on the scope and methodology used for our April 2013 report and May 2013, April 2014, and January 2015 testimonies can be found in those products. We conducted the work for this statement in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Cost Increases and Schedule Delays at the Denver Facility and Other Projects

Cost Increases and Schedule Delays

We reported in April 2013 that costs increased and schedules were delayed considerably for all four of VA's largest medical-facility construction projects, when comparing November 2012 construction project data with the cost and schedule estimates first submitted to

[6]GAO-13-302; GAO, *VA Construction: Additional Actions Needed to Decrease Delays and Lower Costs of Major Medical-Facility Projects*, GAO-13-556T (Washington, D.C.: May 7, 2013); GAO, *VA Construction: VA's Actions to Address Cost Increases and Schedule Delays at Denver and Other Major Medical-Facility Projects*, GAO-14-548T (Washington, D.C.: April 22, 2014); and GAO, *VA Construction: VA Actions to Address Cost Increases and Schedule Delays at Major Medical-Facility Projects*, GAO-15-332T (Washington, D.C.: January 21, 2015).

Congress. Cost increases ranged from 59 percent to 144 percent,[7] representing a total cost increase of nearly $1.5 billion and an average increase of approximately $366 million per project. The schedule delays ranged from 14 to 74 months with an average delay of 35 months per project. Of these four medical-facility construction projects VA had underway, Denver had the highest cost increase and the longest estimated years to complete. We reported that the estimated cost for the Denver project increased from $328 million in June 2004 to $800 million. VA's initial estimated completion date for the project was February 2014. Subsequently, VA estimated the project would be completed in May 2015. However, in an update provided to Congress in March 2015, VA did not provide an updated completion date.

Since our 2013 report, some of these projects have experienced further increases and delays. When we compared the most recent construction project data, as of March 2015,[8] with the cost and schedule estimates first submitted to Congress, cost increases ranged from 66 percent to 427 percent, representing a total cost increase of over $2.4 billion and an average increase of approximately $610 million per project. For example, the Denver project alone increased by nearly $930 million since we first reported on the project in 2013. Since our April 2013 report, schedule delays have also increased at Orlando, and are anticipated in Denver because of design issues. The delays now range from 14 to 86 months. The increased delays for Denver are unknown at this point but both VA and the contractor acknowledge that the project's completion will be delayed substantially. Table 1 presents updated information on cost increases and schedule delays for these four projects compared with original estimates.

[7]According to the Office of Management and Budget (OMB), federal agencies should keep a contingency fund of 10 to 30 percent above total estimated costs to address increased costs on construction projects. OMB Circular No. A–11, Appendix 8 (2012). However, this guidance applies after construction has begun, and many of the cost increases we observed occurred before that time. The construction contractor is generally responsible for cost increases and schedule overruns under the terms of the fixed-price contract.

[8]VA provided an update in April for the total estimated cost and estimated completion date for some of its projects. The data was as of March 2015.

Table 1: Veterans Affairs Major Medical-Facility Projects Cost Increases and Schedule Delays, as of March 2015

Project location	Initial total estimated costs	Total estimated costs	Percent increase	Initial estimated completion date	Estimated completion date	Number of months extended	Total estimated years to complete[a]
Las Vegas	$325 million	$585 million	80	April 2009	Summer 2015[b]	86	11.25
Orlando	$254 million	$616 million[c]	143	April 2010	May 2015	61	10.25
Denver	$328 million	$1.73 billion	427	February 2014	unknown	unknown	unknown
New Orleans	$625 million	$1.035 billion	66	December 2014	February 2016[d]	14	8.5

Source: GAO Analysis of VA data.| GAO-15-564T

[a]The column titled "total estimated years to complete" is reported to the nearest quarter year and is calculated from the time VA approved the architecture and engineering firm to the current estimated completion date. We calculated the "number of months extended" column by counting the months from the initial estimated completion date to the current estimated completion date, as reported by VA. According to VA, the dates in the initial estimated completion dates are from the initial budget prospectus, which assumed receipt of full construction funding within 1 to 2 years after the budget submission. In some cases, construction funding was phased over several years and the final funding was received several years later. Naval Facilities Engineering Command officials we spoke with told us that historically, medical facility projects take approximately 4 years from design to completion. We calculated the percentage change in cost by using the initial total estimated costs and total estimated costs, as reported by VA.

[b]The main medical center was completed in April 2012 and patients began utilizing the facility in August of 2012. However, as of March 2015, the final phase of the Las Vegas project to expand the emergency department is projected to be completed in the summer of 2015. For the purpose of our analysis above, we calculated the number of months extended and the total years to complete using the date of June 2015. However, schedule delays would increase if the project was completed later in the summer of 2015.

[c]In its March 2015 update, VA did not provide the total estimated cost for the Orlando project.

[d]According to VA's March 2015 update, the New Orleans project has a construction completion date of February 2016, except for Dixie/Research building which will be completed by late 2016.

In commenting on a draft of our April 2013 report, VA stated that using the initial completion date from the construction contract would be more accurate than using the initial completion date provided to Congress; however, using the initial completion date from the construction contract would not account for how VA managed these projects before it awarded the construction contract. Cost estimates at this earlier stage should be as accurate and credible as possible because Congress uses these initial estimates to consider authorizations and make appropriations decisions. We used a similar methodology to estimate changes to cost and schedule of construction projects in a previous report issued in 2009 on VA construction projects.[9] We believe that the methodology we used in our

[9]GAO, *VA Construction: VA is Working to Improve Initial Project Cost Estimates, but Should Analyze Cost and Schedule Risks*, GAO-10-189 (Washington, D.C: Dec. 14, 2009).

April 2013 and December 2009 reports on VA construction provides an accurate depiction of how cost and schedules for construction projects can change from the time they are first submitted to Congress. It is at this time that expectations are set among stakeholders, including the veterans' community, for when projects will be completed and at what cost. In our April 2013 report, we made recommendations to VA to help address these cost and schedule delays which are discussed later in this statement.

Scope Modifications and Other Reasons for Cost Increases and Schedule Delays at Denver

In our April 2013 report, we identified two primary factors that contributed to cost increases and schedule delays at the Denver facility: (1) decisions to change plans from a shared university/VA medical center to a stand-alone VA medical center and (2) unanticipated events.

- **Decision to change plans from a shared university/VA medical center to a stand-alone VA medical center.** VA revised its original plans for shared facilities with a local university to stand-alone facilities after proposals for a shared facility could not be finalized. Plans went through numerous changes after the prospectus was first submitted to Congress in 2004. In 1999, VA officials and the University of Colorado Hospital began discussing the possibility of a shared facility on the former Fitzsimons Army base in Aurora, Colorado.[10] Negotiations continued until late 2004, at which time VA decided against a shared facility with the University of Colorado Hospital because of VA concerns over the governance of a shared facility. In 2005, VA selected an architectural and engineering firm for a stand-alone project, but VA officials told us that the firm's efforts were suspended in 2006 until VA acquired another site at the former Army base adjacent to the new university medical center. Design restarted in 2007 before suspending again in January 2009, when VA reduced the project's scope because of lack of funding. By this time, the project's costs had increased by approximately $470 million, and the project's completion was delayed by 14 months. The cost increases and delays occurred because the costs to construct operating rooms and other specialized sections of the facility were now borne solely by VA, and the change to a stand-alone facility also required extensive redesign.

[10]Fitzsimons Army base was closed in 1999 as part of the Department of Defense's base realignment and closure process.

- **Unanticipated events.** VA officials at the Denver project site discovered they needed to eradicate asbestos and replace faulty electrical systems from pre-existing buildings. They also discovered and removed a buried swimming pool and found a mineral-laden underground spring that forced them to continually treat and pump the water from the site, which impacted plans to build an underground parking structure.

VA Took Steps to Implement New Construction Management Design Practices, But Did Not Implement Changes Early Enough to Positively Impact the Denver Project

In our April 2013 report, we found that VA had taken steps to improve its management of major medical-facility construction projects, including creating a construction-management review council. In April 2012, the Secretary of Veterans Affairs established the Construction Review Council to serve as the single point of oversight and performance accountability for the planning, budgeting, executing, and delivering of VA's real property capital-asset program.[11] The council issued an internal report in November 2012 that contained findings and recommendations that resulted from meetings it held from April to July 2012.[12] The report stated that the challenges identified on a project-by-project basis were not isolated incidents but were indicative of systemic problems facing VA.

In our 2013 report we also found that VA had taken steps to implement a new project delivery method—called the Integrated Design and Construction (IDC) method.[13] In response to the construction industry's concerns that VA and other federal agencies did not involve the construction contractor early in the design process, VA and the Army Corps of Engineers began working to establish a project delivery model that would allow for earlier contractor involvement in a construction project, as is often done in the private sector.

[11]The Construction Review Council was comprised of officials from the VA, including the secretary, deputy secretary, chief of staff, under secretaries, and assistant secretaries, as well as key leaders across the department. The Secretary of VA chaired nine meetings from April 18 through June 15, 2012, to review the VA construction program and identify challenges that led to changes in scope, cost over-runs, and scheduling delays of major projects.

[12]VA, *The Construction Review Council Activity Report* (Washington, D.C.: November 2012).

[13]The IDC method allows the construction contractor to be involved in the project from design to completion. VA believes this can help identify any potential issues early and speed the construction process. IDC is similar to a private sector approach called Construction Management At-Risk.

We found in 2013 that VA did not implement IDC early enough in Denver to garner the full benefits. VA officials explained that Denver was initiated as a design-bid-build project and later switched to IDC after the project had already begun. According to VA officials, the IDC method was very popular with industry, and VA wanted to see if this approach would effectively deliver a timely medical facility project. Thus, while the intent of the IDC method is to involve both the project contractor and architectural and engineering firm early in the process to ensure a well coordinated effort in designing and planning a project, VA did not hire the contractor for Denver until after the initial designs were completed. According to VA, because the contractor was not involved in the design of the projects and formulated its bids based on a design that had not been finalized, these projects required changes that increased costs and led to schedule delays. VA staff responsible for managing the project said it would have been better to maintain the design-bid-build model throughout the entire process rather than changing mid-project because VA did not receive the value of having the contractor's input at the design phase, as the IDC method is supposed to provide. For example, according to Denver VA officials, the architectural design called for curved walls rather than less expensive straight walls along the hospital's main corridor. The officials said that had the contractor been involved in the design process, the contractor could have helped VA weigh the aesthetic advantages of curved walls against the lower cost of straight walls.

Since our April 2013 report was issued, in 2014, the United States Civilian Board of Contract Appeals[14] found that VA materially breached the construction contract with the construction contractor by failing to provide a design that could be built for the contracted amount of $582.8 million.[15] In its decision, one of the Board's findings was that VA did not use the IDC design mechanism properly from the start. The Board noted that when the construction contractor was brought into the project, the

[14]The Civilian Board of Contract Appeals (CBCA) was authorized on January 6, 2007, pursuant to section 847 of the National Defense Authorization Act for Fiscal Year 2006, to hear and decide contract disputes between government contractors and civilian executive agencies as provided by the Contract Disputes Act. See 41 U.S.C. §§ 7101-7109. The CBCA's authority under this statute extends to all executive branch agencies of the federal government except the Department of Defense and its constituent agencies, the National Aeronautics and Space Administration, the United States Postal Service, the Postal Regulatory Commission, and the Tennessee Valley Authority.

[15]This does not include other costs to VA such as acquiring the land and designing the facility, which brought the costs to $800 million at the time.

architectural engineering design team had been under contract with VA since 2006 and that by 2010, the design was 50 percent complete and funding decisions had already been made. According to the Board, this limited VA's flexibility to make modifications based on the construction contractor's pre-construction advice. The Board also noted a September 2011 review by the Army Corps of Engineers, commissioned by VA, found that the IDC contract type may not have been appropriate for the Medical Center Replacement in Denver. In that review, the Army Corps of Engineers explained that proceedings from design development to major design milestones prior to the procurement of the IDC contractor did not permit the contractor to integrate with the designer to achieve the benefits related to this contract type. The Army Corps of Engineers concluded that the current methodology appeared to be counterintuitive to the government's ability to achieve best value.[16]

VA Has Taken Actions to Implement GAO Recommendations

In our April 2013 report we identified systemic reasons that contributed to overall schedule delays and cost increases, and recommended that VA take actions to improve its construction management of major medical facilities: including (1) developing guidance on the use of medical equipment planners;[17] (2) sharing information on the roles and responsibilities of VA construction project management staff; and (3) streamlining the change order process.[18] Our recommendations were aimed at addressing issues we identified at one or more of the four sites we visited during our review. VA has implemented our recommendations; however, the impact of these actions may take time to reflect improvements, especially for ongoing construction projects, depending on several issues, including the relationship between VA and the contractor. Since completing our April 2013 report, we have not reviewed the extent

[16] *Kiewit-Turner v. Dept. of Veteran Affairs*. CBCA No. 3450 (Dec. 19, 2014).

[17] Given the complexity and sometimes rapidly evolving nature of medical technology, many health care organizations employ medical equipment planners to help match the medical equipment needed in the facility to the construction of the facility.

[18] Most construction projects require some degree of change to the facility design as the project progresses, and typically, organizations have a process to initiate and implement these changes through change orders. VA requires multiple levels of review for many of VA's change orders, which can be another factor that can increase the time it takes to finalize them. According to VA, these reviews are necessary to ensure that VA is in accordance with its regulations and reduce the risk that changes will result in unwarranted costs to the government.

to which these actions have affected the four projects, or the extent to which these actions may have helped to avoid the cost overruns and delays that occurred on each specific project.

Using Medical Equipment Planners

On August 30, 2013, VA issued a policy memorandum providing guidance on the assignment of medical equipment planners to major medical construction projects. The memorandum states that all VA major construction projects involving the procurement of medical equipment to be installed in the construction will retain the services of a Medical Equipment Specialist to be procured through the project's architectural engineering firm.

Prior to issuance of this memorandum, VA officials had emphasized that they needed the flexibility to change their heath care processes in response to new technologies, equipment, and advances in medicine.[19] Given the complexity and sometimes rapidly evolving nature of medical technology, many health care organizations employ medical equipment planners to help match the medical equipment needed in the facility to the construction of the facility. Federal and private sector stakeholders reported that medical equipment planners have helped avoid schedule delays. VA officials told us that they sometimes hire a medical equipment planner as part of the architectural and engineering firm's services to address medical equipment planning. However, in our April 2013 report we found that for costly and complex facilities, VA did not have guidance for how to involve medical equipment planners during each construction stage of a major hospital and has sometimes relied on local Veterans Health Administration (VHA) staff with limited experience in procuring medical equipment to make medical equipment planning decisions. Thus, we recommended that the Secretary of VA develop and implement agency guidance to assign medical equipment planners to major medical construction projects. As mentioned earlier, in August 2013, VA issued such guidance.

[19]VA, *Strategic Plan Refresh: FY2011–FY2015* (Washington, D.C).

Sharing Information on the Roles and Responsibilities of VA's Construction-Management Staff

In September 2013, in response to our recommendation, VA put procedures in place to communicate to contractors the roles and responsibilities of VA officials who manage major medical facility construction projects, including the change order process. Among these procedures is a Project Management Plan that requires the creation of a communications plan and matrix to assure clear and consistent communications with all parties.

Construction of large medical facilities involves numerous staff from multiple VA organizations. Officials from the Office of Construction and Facilities Management (CFM) stated that during the construction process, effective communication is essential and must be continuous and involve an open exchange of information among VA staff and other key stakeholders.[20] However, in our April 2013 report, we found that the roles and responsibilities of CFM and VHA staff were not always well communicated and that it was not always clear to general contracting firms which VA officials hold the authority for making construction decisions. This lack of clarity can cause confusion for contractors and architectural and engineering firms, ultimately affecting the relationship between VA and the general contractor. Participants from VA's 2011 industry forum also reported that VA roles and responsibilities for contracting officials were not always clear and made several recommendations to VA to address this issue. Therefore, in our 2013 report, we recommended that VA develop and disseminate procedures for communicating—to contractors—clearly defined roles and responsibilities of the VA officials who manage major medical-facility projects, particularly those in the change-order process. As discussed earlier in this statement, VA disseminated such procedures in September 2013.

Streamlining the Change-Order Process

On August 29, 2013, VA issued a handbook for construction contract modification (change-order) processing which includes milestones for completing processing of modifications based on their dollar value. In addition, as of September 2013, VA had also hired four additional attorneys and assigned on-site contracting officers to the New Orleans, Denver, Orlando, Manhattan and Palo Alto major construction projects to expedite the processing and review of construction contract modifications.

[20]VA, *Construction Primer* (Washington, D.C.: January 2013).

By taking steps to streamline the change order process, VA can better ensure that change orders are approved in a prompt manner to avoid project delays.

Most construction projects require, to varying degrees, changes to the facility design as the project progresses, and organizations typically have a process to initiate and implement these changes through change orders. Federal regulations[21] and agency guidance[22] state that change orders must be made promptly, and agency guidance states in addition that there be sufficient time allotted for the government and contractor to agree on an equitable contract adjustment. VA officials at the sites we visited as part of our April 2013 review, including Denver, stated that change orders that take more than a month from when they are initiated to when they are approved can result in schedule delays, and officials at two federal agencies that also construct large medical projects told us that it should not take more than a few weeks to a month to issue most change orders.[23] Processing delays may be caused by the difficulty involved in VA and contractors' coming to agreement on the costs of changes and the multiple levels of review required for many of VA's change orders. As discussed earlier, VA has taken steps to streamline the change order process to ensure that change orders are approved in a prompt manner to avoid project delays.

Chairman Isakson, Ranking Member Blumenthal, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

[21]48 C.F.R. § 43.201

[22]VA, VA *Resident Engineer Handbook,* "Chapter 3: Major Construction: Contract Changes|| (3.24) (Washington, D.C.)

[23]Specifically, we interviewed the U.S. Army Corps of Engineers and Naval Facilities Engineering Command. We recognize that VA serves different populations in the defense community—active duty military personnel and veterans, respectively. However, these organizations construct similar medical facilities, in addition to abiding by federal government regulations for construction projects.

Contacts and Acknowledgments

If you have any questions about this testimony, please contact Mark L. Goldstein at 202-512-2834 or goldsteinm@gao.gov. Other key contributors to this testimony include Ed Laughlin (Assistant Director), Nelsie Alcoser, George Depaoli, Raymond Griffith, Hannah Laufe, SaraAnn Moessbauer, and Michael Clements.

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Chairman ISAKSON. Thank you very much, Mr. Goldstein.

Mr. Rylant.

STATEMENT OF STEVE RYLANT, PRESIDENT, UNITED VETERANS COMMITTEE OF COLORADO

Mr. RYLANT. Thank you, Mr. Chairman and Members of the Committee, for the opportunity to testify on an issue that is so very important to the veterans of Colorado and the surrounding States.

My name is Steve Rylant, and I am the President of the United Veterans Committee of Colorado, also known as UVC, a coalition of over 50 different veterans' service organizations including the

Veterans of Foreign Wars, the American Legion, the Disabled American Veterans, the Paralyzed Veterans of America, and many others. Our organization works to support legislation on veterans on the Federal and State level that benefit veterans.

The need for this replacement hospital goes back many years. I became closely involved in 2007 when VA Secretary Peak told us they had a new plan to lease 3 or 4 floors of the University of Colorado Medical Center for around $300 million to replace the current facility. We told him that was not acceptable. The veterans deserve a standalone full service hospital and medical center. When Eric Shinseki became the VA Secretary in 2009, he agreed.

We had a groundbreaking in August 2009. The VA accepted the bid from Kiewit-Turner in October 2010. The VA and Kiewit-Turner spent a year negotiating a contract. The UVC told the VA that they needed to get a contact signed and start construction or we would bring our shovels on Veterans Day 2011 and start digging the hole for them. I have a pin that I wear that is a shovel with the letters BTDT, "Build The Damn Thing." A week before Veterans Day the VA and KT signed the contract and we had a celebration.

Construction began January 2012, two-and-a-half years after the groundbreaking. From that day on, we have been meeting with the VA, with Kiewit-Turner, and with the Colorado congressional delegation.

In July 2013, Kiewit-Turner filed a complaint in the U.S. Civilian Board of Contract Appeals that the construction design that they had received from the VA could not be completed with the $600 million authorized by Congress and that it would take at least a billion dollars.

In May 2014, Eric Shinseki resigned as Secretary of the VA and VA Secretary Robert McDonald and Deputy Secretary Sloan Gibson were confirmed. They had a big job ahead of them, as we well knew.

This past December, the U.S. Board of Contract Appeals ruled in favor of Kiewit-Turner and found the VA in material breach of the contract. Since Kiewit-Turner no longer had a valid contract to build the facility, they shut down the project. When that happened, 1,100 workers scrambled to find other projects to replace this one to keep their people employed. Another delay.

Deputy Secretary of the VA Sloan Gibson came to Denver and met with the UVC and leadership of many of our member organizations and told us that Kiewit-Turner required three things to restart the project: the U.S. Army Corps of Engineers must take over administration of the project; that they be paid a sum of money that they had put into the project to keep it going; and that they needed a bridge contract on a cost reimbursable basis with the VA until the U.S. Army Corps of Engineers could negotiate and sign a contract. Deputy Secretary Gibson agreed, and KT started the project.

The next delay. The subcontractors have not come back to the project because they no longer trust the VA and Kiewit-Turner to not shut down the project again. Only 700 of the original 1,100 have come back, and this is causing new delays. They are waiting to see Congress pass authorization and appropriation bills so the

Corps can negotiate a completion contract with KT. When that happens, they will come back to the project. That is why it is so important to get this facility completed.

There is a serious problem of backlog for veterans to get appointments with the VA doctors and clinicians. It is not a scheduling problem. The schedulers can only schedule appointments when there is a room available and a doctor available. Getting the medical center completed will begin to solve the problem of shortage of patient and examination rooms.

That is only half of the problem. One of the proposals we have heard is to finance the completion of the medical center by taking away all bonuses for 3 years until the medical center is completed. Because of government regulations, the VA cannot pay the doctors and nurses salaries that are competitive with the private sector. They make up the difference with bonuses. If you take away the bonuses of the doctors and nurses, we could have a mass exodus of doctors. When that happens, we have a much worse problem. The schedulers will have rooms to schedule, but no doctors to schedule. We cannot allow that to happen.

In conclusion, this situation is not the fault of the veterans. The UVC unanimously approved a position 3 years ago, and it continues today. We do not take sides with the VA, or Kiewit-Turner, or Congress, or now the U.S. Army Corps of Engineers. We want the replacement Eastern Colorado health care system built. We want it built with quality. We want it built in the shortest time possible. We want it built by veterans. Like the shovel pin says that I wear, "BTDT," build the damn thing.

My written testimony has some more, and I am more than happy to discuss anything you would like me to. Thank you for the opportunity to testify, and I am available for any questions you may have.

[The prepared statement of Mr. Rylant follows:]

PREPARED STATEMENT OF STEVE RYLANT, PRESIDENT, UNITED VETERANS COMMITTEE OF COLORADO

My name is Steve Rylant and I am the President of the United Veterans Committee of Colorado, a coalition of over 50 Veterans Service Organizations including the Veterans of Foreign Wars, The American Legion, The Disabled American Veterans, The Paralyzed Veterans of America and many others. Our organization works to support, testify and help get legislation passed on the Federal Level, and the State Level, that benefit veterans.

The need for this replacement VA Regional Medical Center goes back many years. I first became involved in 2007 when VA Secretary James Peak told us they had a new plan to lease 3 or 4 floors of the University of Colorado Medical Center for around 300 Million Dollars to replace the current facility. We strongly told him that would not be acceptable. The veterans deserve a stand alone full service Hospital and medical center.

When Eric Shinseki became the VA Secretary in 2009, he agreed. We had a ground breaking in August 2009. The VA put out a call for bids, accepted the bid from Kiewit Turner in October 2010. The VA and Kiewit Turner spent a year negotiating a contract. The UVC and its members told the VA that they needed to get a contact signed and start construction or we would bring our shovels on Veterans Day 2011, and start digging the hole for them. I have a pin that I wear that is a shovel with the letters BTDT. Build The Damn Thing! A week before that Veterans Day the VA and KT signed the contract and we had a celebration Construction began January 2012, Two and a half Years after the ground breaking! From that day on we have kept a close eye on what has been going on, meeting with the VA, with Kiewit Turner, and with the Colorado Congressional Delegation.

There have been many other delays since that time as a result of the VA not approving change orders in a timely manner and subcontractors not getting paid for the work they had been completed for 4 to 6 months after the change order work was finished.

July 2013 Kiewit Turner filed a complain in the United States Civilian Board of Contract Appeals that the construction design that they had received from the VA could not be completed with the 600 Million authorized by Congress and that it would take at least a billion dollars.

A hearing by the House Committee on Veterans Affairs was conducted in Denver in April 2014 and Glenn Hagstrom, then Chief of Acquisition and Construction, testified that the VA did not need any additional funding from Congress and that they would win the litigation and KT would have to build the VA Medical Facility with the 600 Million already authorized. That was ridiculous!

In May 2014 Eric Shinseki resigned as Secretary of the VA and subsequently VA Secretary Robert McDonald and Deputy Secretary Sloan Gibson were confirmed. They had a Big Job ahead of them, as we will knew.

This past December, the United States Civilian Board of Contract Appeals ruled in favor of Kiewit Turner and found the VA in material breach of the contract. Since Kiewit Turner no longer had a valid contract to build the facility, they shut down the Project. When that happened, just weeks before Christmas, the subcontractors with about 1,100 workers on the project had to scramble to find other projects to replace this one to keep their people employed. Another delay

Deputy Secretary of the VA Sloan Gibson, within a week of the decision, came to Denver and met with the UVC and leadership of many of our members, and told us that Kiewit Turner required three things to restart the project. The US Army Corp of Engineers must take over administration of the Project, that they be paid a sum of money that KT put into the project to keep it going, and that they needed a bridge contract on a cost reimbursable basis with the VA until the US Army Corp of Engineers could negotiate and sign a construction completion contract. Deputy Secretary Gibson told us that he was going to agree to all of those requirements the next day in a meeting with Kiewit Turner, which he did.

Kiewit Turner restarted the project and started working to get the subcontractors back to work on the construction.

Then the next delay, The subcontractors have not come back to the Project because they no longer trust the VA and Kiewit Turner to not shut down the project. only 700 of the original 1,100 have come back to the project, and this is causing new delays. They are waiting to see Congress pass Authorization and Appropriation bills so the Corp can negotiate a completion contract with Kiewit Turner before they will come back to the project.

So to your two questions in the letter inviting me to testify on behalf of Colorado's Veterans. There is a serious problem of back log for veterans to get appointments with the VA Doctors and Clinicians. It is not a scheduling problem. The schedulers can only schedule appointments when there is a room available and a doctor available. Getting the Medical Center completed will begin to solve the problem of shortage of patient and examination rooms. The completion of the facility will solve the first part of the equation.

But that is only half of the problem. One of the ways we have heard suggested to finance the completion of the Medical Center was to take away all bonuses for three years until the Medical Center is completed. Because of government regulations, the VA cannot pay the doctors and nurses salaries that are competitive with the private sector. They make up the difference with bonuses. If you take away the bonuses of the Doctors and Nurses, we could have a mass exodus of highly qualified and professional people. If that happens, then the problem of access will be worse! The schedulers will have rooms to schedule, but no doctors to schedule to examine the veterans in those nice new rooms. We can not allow that to happen.

The delays have obviously negatively impacted the veterans that need access to VA Health care with wait times that are totally unacceptable, and the Deputy Secretary has publicly acknowledged that it is unacceptable.

Prior to my retirement in 2008 I was a project manager for General Electric. What I have seen here is alarming because of that experience, but not surprising. I have some thoughts on future projects and how to control the costs and delivery times and would be happy to discuss them with you.

In conclusion, this situation is not the fault of the Veterans, The United Veterans Committee of Colorado unanimously approved a position three years ago, and it continues today. We do not take sides with the VA, or Kiewit Turner, or Congress, or now the US Army Corp of Engineers. We want the replacement Eastern Colorado Regional Medical Center Built! We want it built with Quality! We want it built in

the shortest time possible! And we want it built by Veterans. Like the shovel pin says, BTDT, Build The Damn Thing.

Thank you for the opportunity to testify and I am available for any questions you may have.

Chairman ISAKSON. Thank you very much, Mr. Rylant.

Mr. Robinson, please come forward. We understand you had an emergency, and we are sorry. I hope everything is OK. We appreciate you making it here quickly, and we would love to hear your testimony within 5 minutes.

STATEMENT OF WILLIAM "ROBBY" ROBINSON, CHAIRMAN, COLORADO BOARD OF VETERANS AFFAIRS

Mr. ROBINSON. My apologies, Mr. Chairman, and I appreciate the opportunity to be here.

I am William "Robby" Robinson, and I am the serving Chairman of the Colorado Board of Veterans Affairs, which is a seven-member board appointed by the Governor to advise and assist the Department of Military and Veterans Affairs, the Governor, and the General Assembly on issues affecting veterans.

I would like to note that there are several past members of the board here in our presence today.

The board monitors key issues among the State's veterans, and I can tell you that the concern over the progress on the medical center remains among the top four issues, which also includes claims and appeals processing, homelessness, and access to care from our many rural communities.

We have been monitoring as a board the progress on a new medical center since 1999, virtually since the inception of the whole idea. It was obvious that a new facility was required, and we were pleased that the Department of Veterans Affairs recognized the requirement and began searching for places to build a new medical center.

I think it is a bit ironic that we are sitting here in Aurora this month of 2015, which was originally about the time the facility was supposed to be opened. We know, of course, that it is only about halfway finished right now.

The Board of Veterans Affairs has monitored the construction process and the interaction of veterans' representatives with the VA and Kiewit-Turner in nearly all aspects of the design and construction. The delays have disappointed the veterans who worked hard to bring it to reality. I think more importantly, the delays have led to continued reliance on the old facility which, by its very size and age, limits access to timely appointments and procedures, as well as patient care. That impacts veterans all over Colorado and many in adjacent States that are and will be served by the Denver VA medical facility.

We are very concerned about the challenges facing the VA as they try to complete the new medical center. We hope that all the parties involved can work together productively and cooperatively to complete the project expeditiously.

The Colorado Board of Veterans Affairs stands ready to assist in any way we can. Thank you, Mr. Chairman.

[The prepared statement of Mr. Robinson follows:]

PREPARED STATEMENT OF WILLIAM "ROBBY" ROBINSON, CHAIRMAN, COLORADO BOARD OF VETERANS AFFAIRS

The Board of Veterans Affairs is a seven member board appointed by the Governor to advise and assist the Department of Military and Veterans Affairs, the Governor, and the General Assembly on issues affecting veterans. I would note that several past members of the Board are also here today.

We have been monitoring progress on a new veterans' medical center since 1999. It was obvious that a new facility was required and we were pleased that the Department of Veterans Affairs recognized the requirement and began searching for places to build a new medical center. It is ironic that we sit here in Aurora today discussing construction of the facility when originally it was supposed to be opened about now. The Board of Veterans Affairs has monitored the construction process and the interaction of veterans' representatives with the VA and Kiewit-Turner in nearly all aspects of the design and construction. The delays have disappointed the veterans who worked hard to bring it to reality. More importantly, the delays have led to continued reliance on the old facility which by its very size and age limits access to timely appointments and procedures as well as patient care. That impacts veterans all over Colorado and many in adjacent states that are and will be served by the Denver VA.

We are very concerned about the challenges facing the VA as they try to complete the new medical center. We hope that all parties involved can work together productively and cooperatively to complete the project expeditiously.

The Board of Veterans Affairs stands ready to assist in any way that we can.

Chairman ISAKSON. Thank you, Mr. Robinson. Thank you for your testimony, and thank you for your service to the people of Colorado and to the country.

What we are going to do is each Member is going to ask a question, and time permitting we will have a second round of questions as well. I will ask the first one.

Mr. Rylant, when you responded to the question about paying for the overruns at the VA hospital here in Denver by docking the pay of some of the employees in the Veterans Administration, your response was that it is already hard to hire people for the VA because of what is paid in their salary schedule, and if we had discipline in the VA by lowering the pay of anybody, that they might not come to work. Is that right?

Mr. RYLANT. That is my understanding. I have talked to several VA doctors here, and I believe that the doctors and nurses and all the people in the VA hospital really are interested in helping veterans. They seem to be more dedicated to veterans than civilian hospitals are to civilian patients.

But there comes a point, the civilian hospitals can offer a lot more money to those doctors than the VA can. If I am wrong, somebody please tell me that. It is my understanding that they make up the difference to keep them there through bonuses, and also the opportunities for research, which is why the research facility at this health center is so important, because that helps bring doctors and nurses into the system.

Chairman ISAKSON. I am going to cut you off because we are going to try to keep things moving.

Mr. RYLANT. OK.

Chairman ISAKSON. I think your point is well taken and you are right, but I want to make a point here. When you talk to the VA about discipline within the VA in terms of accountability for work that is done that is not done well or poorly—and I am not talking about nurses and doctors, I am talking about construction superintendents and people building buildings—you are oftentimes told, oh, we cannot fire anybody. If we fire somebody, we cannot get any-

body to come to work for us for fear of being fired. Therefore, you have an agency that is incestuous in terms of less than peak performance.

So, while I agree about nurses, doctors, and physicians and accountability and how you would be very careful in taking their bonus away, I think there is got to be some system, an improved system of accountability in the administration of the VA, to hold people who are responsible for jobs taking place.

When Mr. Goldstein testified a minute ago that there are $12 billion in projects under construction at VA, $4 billion of that $12 billion is in New Orleans, Las Vegas, Denver, and Orlando. Those projects, between the three or four of them, are 66 percent, 147 percent, 427 percent, and 80 percent in cost overruns. There is a consistent failure of the VA to be able to manage its money in construction or manage projects without them running over.

So, I just want to make the point that while your point may be well taken on those delivering the services—the physicians and the doctors and the nurses—somebody has got to be in charge, and somebody who is in charge has got to be held accountable for responsibilities that they take in construction management and cost of construction projects.

Mr. RYLANT. May I briefly respond?

Chairman ISAKSON. Briefly.

Mr. RYLANT. We are in complete agreement. Veterans are also citizens and taxpayers, and we do not want our money wasted, absolutely. If you have selected to have bonuses taken away from the senior management that have done the mismanaging and so forth, we are in complete agreement with that. We just would not want it to be across-the-board wipeout of bonuses that would hurt people at the lower levels that were not responsible for the things that happened. We completely agree with you.

Chairman ISAKSON. Thank you for your testimony.

Senator Blumenthal.

Senator BLUMENTHAL. Thanks, Mr. Chairman.

Thank you to Mr. Rylant and Mr. Robinson for your service to our Nation, and thank you for being here today.

Thank you, Mr. Goldstein, for the work that you have done over the years in holding agencies of the Federal Government accountable.

In this instance, I find your report, even though it is somewhat dated, to be absolutely staggering when it talks about some of the numbers the Chairman has mentioned. The sheer fact that there have been cost overruns in VA construction projects of $2.4 billion, and they are still counting, is unacceptable. I guess my question is, should the VA be out of the construction business?

It is not easy to construct a complex and costly building of this type. People spend their whole lives figuring out how to do it, and maybe the Corps of Engineers should be empowered to do the VA's construction management since that is its business and it has a longstanding and distinguished record in this area. Would taxpayers not be better served? That is my question.

Mr. GOLDSTEIN. Senator, of the 50 projects that we looked at, in addition to these four, we found that roughly half of them had cost increases or schedule increases. In the appendices to the report

that you mentioned, for all 50 of the projects, half of them had cost increases, half of them had schedule increases.

So clearly there is a problem at VA that goes, frankly, beyond Denver and beyond the four major projects. It goes to the entire construction program.

Whether you decide that VA should continue constructing hospitals is really a policy question not well suited for the GAO. However, I would say that regardless of whether you allow VA to do it or the Army Corps, if you do decide to have VA do it, obviously capacity has to be instilled into the agency, into the Department to be able to do it. If you look at the record—and I have spent some time now looking at what happened there—three things come to mind throughout: a lack of planning, a lack of communication, and a lack of oversight. Those three things are critical to whoever is going to manage these programs.

I am not sure it is a silver bullet to just take it away from VA. It may be something you need to do in the short term in order to get this job done. I understand that. But capacity would be the critical——

Senator BLUMENTHAL. But your testimony and your reports and your work indicates deep-seated institutional failings.

Mr. GOLDSTEIN. Absolutely.

Senator BLUMENTHAL. We cannot take down the construction shelves that have been built in Aurora for the hospital facility there. We cannot just start all over again. But, we can start over with the VA and adopt a different system so as to avoid these kind of systemic failings. They are systematic failings in the VA's construction history. They may do some things very well, but construction, apparently, is not one of them. Thank you.

Mr. GOLDSTEIN. Yes, sir.

Chairman ISAKSON. Senator Mike Rounds of South Dakota.

Senator ROUNDS. Thank you, Mr. Chairman.

Gentlemen, thank you for your service to our country.

Mr. Goldstein, I want to go specifically to this project in particular. I have had the opportunity to review your report, and sometimes we try to oversimplify; you did not. You went through this pretty specifically. What I was trying to do, then, was turn around and put it back into something that we can share as far as what the basic challenges are here.

I appreciate the way you have laid out the three specific broad categories in which you saw failings. In this particular case it would appear—and I would just like it if you think I am on the right track or not—it would appear that the original estimate was never correct to begin with in terms of what the cost would be. Second of all, the late change over to the integrated design construction approach late in the game harmed rather than helped the process. Finally, there appeared to be literally no effective and efficient change order process that could efficiently get those changes necessary in a project this size in for approval and back out again so our contractors could get paid on a timely basis.

Am I on the right track?

Mr. GOLDSTEIN. You are right on all three counts, Senator. Yes, sir.

Senator ROUNDS. Thank you, sir.

Thank you, Mr. Chairman.

Chairman ISAKSON. Thank you, Senator Rounds.

Senator Bennet.

STATEMENT OF HON. MICHAEL F. BENNET, U.S. SENATOR FROM COLORADO

Senator BENNET. Thank you, Mr. Chairman.

I know that we have to decide whether we are going to give an opening statement or ask a question. So I would ask that my opening statement be included in the record.

Chairman ISAKSON. Without objection.

Senator BENNET. Thank you, Mr. Chairman.

[The prepared statement of Sen. Bennet follows:]

PREPARED STATEMENT OF HON. MICHAEL F. BENNET, U.S. SENATOR FROM COLORADO

Chairman Isakson and Ranking Member Blumenthal, thank you for your attention to this important project.

And, thank you for traveling to Denver to see and hear first-hand what its completion means for our veterans in Colorado and across the Rocky Mountain region.

Now that you've seen the structure and heard from our veterans here in Colorado, I'm sure you understand why our delegation has been so outraged and frustrated by this process, and also why we're adamant that this hospital is completed.

There is no other option.

Bottom line: those most hurt by the VA's negligence and mismanagement are our veterans and our taxpayers who have lost faith in the VA to complete this project.

In the words of Steve Rylant and the UVC—"BTDT"—Build The Damn Thing.

There is also much work to be done to ensure that the mistakes that were made on the Denver replacement facility never happen again—especially since lessons learned from previous VA construction projects were not applied to this project.

That must change.

We owe that to our veterans and to the taxpayers.

The story of this Denver replacement facility should have been about the government improving the delivery of care to our veterans, instead of how feckless and shortsighted it can be.

The delegation here today looks forward to working with our colleagues in Congress and our partners in the Rocky Mountain region to do just that.

Chairman, we will work with you, our veterans and the other Members of the Committee to find a solution that completes the hospital so veterans can access the care they have been promised.

Thank you.

Senator BENNET. I would also ask to put in the record a letter that was sent August 9, 2013, to the Inspector General of the Veterans Affairs Commission from Bernie Rogoff, the Commissioner of Veterans Affairs for the city of Aurora.

Chairman ISAKSON. Without objection.

[The information referred to follows:]

LETTER FROM BERNIE ROGOFF, COMMISSIONER, VETERANS AFFAIRS, CITY OF AURORA SUBMITTED BY HON. MICHAEL F. BENNET, U.S. SENATOR FROM COLORADO

VETERANS AFFAIRS COMMISSION
City of Aurora
P. O. Box 440889
Aurora, CO 80044

August 9, 2013

George J.Opfer, Inspector General
Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Attn: Hotline Division

Dear General Opfer:

If ever the term " res ipsa loquitor" applies, it is in the case of the mismanagement by those who were given the responsibility of designing and contracting for what was to be the largest treatment, diagnostic and reaearch center in the United States just for veterans. It was budgeted originally at $ 660 million. It was supposed to receive patients onor about March of 2014. Today the budget overage stands at $400 million and the newETA for this care center may not be until mid 2016.

I have enclosed an article. . . editorial comment by Dave Perry, the editor of the Aurora Sentinel, our largest newspaper serving Aurora and the surrounding municipalities. Yes, res ipsa loquitor, it speaks for itself. Those who were given the responsibility for delivering this veterans medical support facility have been arrogant and cavalier. They have participated in a systamatic white wash of the facts. Their coverup behavior can only now be described as criminaly and grossly negligent.

It is now time for the office of the Inspector General of the Department of Veterans Affairs to come to Denver in order to conduct an in depth investigation to reveal who is responsible and bring them to justice. There are 35,000 veterans living in Aurora, 430,000 in the state. The present ancient VA hospital is a dungeon. We are seeing 77,000 patients.

When you begin your investigation it will quickly become apparent that there are those callous individuals who must answer for their misdoings. Please make this request a priority.Thank you.

V/R

Bernie Rogoff, Commissioner
Veterans Affairs
City of Aurora

Senator BENNET. He has still not received an answer to that letter. I hope the fact that it is now in the record means he will receive an answer to that letter.

I want to thank you both, Mr. Chairman and the Ranking Member from Connecticut. Senator Gardner and I are well aware of the importance you attach to the oversight of the VA hospital, but your willingness to hold this hearing in Colorado—it is very unusual not to have it in Washington—is a real demonstration and testament to your seriousness, and it honors Colorado's veterans and the veterans of the Rocky Mountain West. On their behalf, I want to thank you very much for being here.

I would also like to thank the veterans that are here today because we wanted to hold this hearing here so you could be here. And in that spirit I guess I would start by asking Mr. Rylant and Mr. Robinson, if they would like to comment, what the state and condition of the VA hospital is that our veterans are using right now in Colorado. In other words, why do we need this new veterans' hospital, and what efforts did your organizations take and have you taken to alert the VA to the challenges that have been occurring out at the Aurora site?

Mr. Rylant, why do not we start with you?

Mr. RYLANT. In reference to the need, the doctors and nurses and——

Senator BENNET. I am sorry to interrupt, but also include in the need access to care by the rural veterans as well.

Mr. RYLANT. OK. The doctors and nurses and staff at the present medical facility work hard with what they have, but it is an ancient hospital. It has been built on. I mean, the times that I have had to go there and find a room, I go through halls trying to figure out where I am supposed to go.

One specific instance. A good friend of mine—and if I said his name, I am sure you would know who I was talking about—has developed cancer as a result of Agent Orange exposure in Vietnam. The hospitals work very hard to help him, and he tells me that they are doing a great job of taking care of him as quickly as they possibly can.

But, he had an appointment to have an MRI, and the day of his appointment when he went, they had a shortage of people to do that. There were four veterans in wheelchairs waiting in the hallway to get into the MRI room. That is just not acceptable. If you went to a civilian hospital and saw that, heads would roll.

So, we need the new hospital and medical facility to take care of people, the veterans who have sacrificed so much, to take care of them in a dignified manner. Also, in this hospital we are going to have spinal injury facilities. I believe it is 30 spinal injury beds, which we have needed for a long time. If somebody has got a spinal injury, they have got to go to San Diego or other places.

A friend of mine right now is in San Diego getting a spinal injury problem taken care of that he has had for years and years and years. He would not have to go to San Diego if this hospital was built. He would be able to stay here with his family and get it taken care of. Those are just a couple of personal examples.

Prior to my retiring in 2008, I was a project manager for General Electric. Kiewit-Turner, when they started construction, they start-

ed having briefings for the UVC to let us know what is going on. As I learned about the change order process and the design-to-build process, as a project manager, I guess I was not surprised but I was horrified.

When I was a project manager, we had a specific design to build. I knew exactly what we had to build. We also had a specific date that we had to complete it on, and if we did not complete it on that date, we had late delivery penalties. If we delivered early, we had early bonuses.

The change order process that I worked with, we first gave a written proposal of scope, cost, and any delay in time that would cost the project, and we did not do anything until we had a signed document from the customer that he agreed to the scope, he agreed to the price he would pay, and he agreed to the change in the delivery date.

What I saw in the process here, Kiewit-Turner would propose a change and the VA would say, OK, go ahead and do the change and we will decide how much we are going to pay you. That is crazy. I do not know how I would have functioned as a project manager. There was never a specific date. It just kept floating out there, and there was no accountability to KT of when they had to have it built. I think they have been working hard to get it done because they need to minimize their costs. But the moving target of an end date has been horrible.

I have been attending meetings with their activation committee that has to buy equipment to put in there, and they have got to schedule delivery of that equipment. If they buy it too early, it is going to be out of warranty before it ever gets used. The activation committee has had horrible problems trying to plan their part of it because they do not know when it is going to be built, and we do not know when it is going to be built.

Does that kind of answer your question?

Senator BENNET. It more than kind of answers my question.

Chairman ISAKSON. I will inject there two things. One is on the spinal cord injury. We have a distinguished Vietnam veteran who is in the audience today who has already consulted with me before the meeting about the need to pay attention to the needs of veterans with disabilities in the planning process of our facilities, and we are going to do that, I promise you.

Mr. Robinson, you might have a comment? Please try to keep your answers a little bit more brief, if you can.

Mr. ROBINSON. I will echo from personal experience much of what he said, but not as chairman of the board. We work for the Governor, and this is fundamentally a Federal issue. We stand ready to assist in any way we can.

My personal experience at the VA has resulted in the fact that I do not go to the VA anymore, for several reasons. They are too antiquated. They are too small, which leads to, in orthopedics for instance, waiting 2–3 months in specialty care to get an appointment; that is after you go through your primary care physician. It took me 7 months to have a simple scoping of my ankle done.

I have had several procedures there. I look around and I say I have access to other care. I have TRICARE. Now I have Medicare and TRICARE for life. I am not going to jam up their system over

there by being one more person who has access to outside health care who has to go to the VA and wait so long but, more importantly, give the access to other veterans who do not have anything but the VA.

That facility and the limited ORs and the limited exam rooms really creates a burden on the veterans. Where does the State come in to play a role? Well, this board administers about a $1 million grant program that goes to veterans, provided by the taxpayers of Colorado through the tobacco fund settlement, but also another $1 million we provided. You would be amazed at how much of that money goes for transport of rural veterans into the hospital system here, and how much of it goes for homelessness and the other projects we mentioned. Part of that is because the Denver VA just cannot handle all the medical issues and the appointments and what-not, nor the transportation requirements.

So, that is what the State has done to kind of fill some of the gaps.

Chairman ISAKSON. Senator Gardner?

STATEMENT OF HON. CORY GARDNER, U.S. SENATOR FROM COLORADO

Senator GARDNER. Thank you, Mr. Chairman, and to Senator Blumenthal and Senator Rounds from the Veterans' Affairs Committee, thank you for coming to Denver today to be a part of this, to see the work that has taken place and to see the work that needs to be done.

Believe it or not, it does look a lot more like 50 percent completed than the last time they told us it was 50 percent completed.

I had the opportunity to travel to Afghanistan and the Middle East 2 weeks ago. I met with a young 19-year-old soldier from Brighton, CO, and all the way from Colorado to Afghanistan we talked about what was happening with the veterans' hospital, the VA hospital here in Colorado. The last thing a 19-year-old soldier ought to be worrying about while he is on the frontlines is what is happening with his care on the home front.

Mr. Goldstein, we have seen the report here that you have laid out before us. We know there are ongoing conversations that you are having with the Veterans Administration. What concerns you? What surprises are there? What things are you looking out for as we try to solidify an agreement on what is now a $1.73 billion project?

Mr. GOLDSTEIN. I think, Senator, that we would continue to be concerned about the overall management of the project and the relationship between the Army Corps and VA to ensure that lines of communication and oversight and accountability between those two organizations as they go forward are effective. At the end of the day, this is still a VA project. VA is still accountable for the results. I would hate to see accountability for this project be dissipated by yet a new arrangement that VA uses in order to achieve its results.

That is something that I would be most concerned about right now, is making sure that that process works and that people who are going to do this are still held accountable for it, if you all decide to go down that road.

Senator GARDNER. Thank you, Mr. Chairman.

Chairman ISAKSON. Let me just comment. You can rest assured that this Committee and the U.S. Senate is going to see to it that that does not happen. I mean, this testimony, the visit today, your testimony and all that we have learned, it is absolutely incumbent, no excuses, that we are going to get the project done, get it done right, and hold the VA accountable. I do not care what kind of contractual arrangement they make with anybody. It is their baby, it is their responsibility, and we are going to hold them accountable for it, you can count on that.

Let us see. Congressman Perlmutter? I almost got it right.

STATEMENT OF HON. ED PERLMUTTER,
U.S. REPRESENTATIVE FROM COLORADO'S 7TH DISTRICTn

Mr. PERLMUTTER. You got it right, Mr. Chairman. Thank you, and thanks to the panel for allowing us to participate in this, and thanks to the city of Aurora for sharing their municipal chambers.

As you heard from Mr. Robinson, we are now on our third administration: the Clinton Administration, the Bush Administration, and the Obama Administration. We have been through at least seven secretaries. At least six senators have dealt with this, starting with Senator Ben Campbell, Senator Wayne Allard, Senator Ken Salazar, Senator Mark Udall, and the two senators from Colorado sitting here today. I think we are on the fifth Member of Congress that is had some level of participation in this, and it is something that we have all wanted to see built. It should have been a reward to our veterans. Instead we have all been embarrassed by how this has proceeded. But even being embarrassed, all of us still have resolve to get this done and to provide the services to our veterans.

You mentioned Arty Guerro over there. Arty was one of the driving forces, along with many of the other vets in this chamber today, to get this done, because we have not had a spinal cord unit of any kind for ages and ages.

I would like to say to Mr. Goldstein, if you go back to 1999, you probably would see 1,000 percent increase in cost of this thing. We need to keep moving. These delays certainly do not help.

In your study, did you figure out how much is cost overruns due to increases in prices from when we did the original groundbreaking in 2009? Was that part of your study at all?

Mr. GOLDSTEIN. We looked generally at the cost increases and schedule delays overall. We did not break it down into the specific reasons beyond that and attribute cost to individual pieces of it, sir.

Mr. PERLMUTTER. Did you——

Mr. GOLDSTEIN. That would be more like an audit.

Mr. PERLMUTTER. Did your office look at the initial contract that was drawn up between the general contractor and the VA for the initial construction at the original price of about $600 million? Did you analyze that at all?

Mr. GOLDSTEIN. I do not know if we analyzed it or not, sir. I would have to go back and look.

Mr. PERLMUTTER. Obviously, this is something that has been on the drawing board, and I would just want one little thing. Secretary Gibson came out in June of last year. We all met at the old facility. All of us—Senator Gardner, Representative Coffman, Sen-

ator Bennet and I, and a number of others—got on an elevator over there, and it immediately dropped a foot, and we had to climb out of the elevator to then walk up steps, which was no problem. My point being the hospital serves, but it is undergone benign neglect since at least 1999.

Chairman ISAKSON. Congressman Coffman.

STATEMENT OF HON. MIKE COFFMAN, U.S. REPRESENTATIVE FROM COLORADO'S 6TH DISTRICT

Mr. COFFMAN. Thank you, Mr. Chairman. Thank you so much for coming out to the State of Colorado, and your colleagues, our counterparts in the U.S. Senate. We deeply appreciate you being here.

As a combat veteran and as a taxpayer, I could not be more offended by what has occurred by the leadership of the Veterans Administration on building this project, that our veterans in this region have earned the right to state-of-the-art health care that they are not receiving because of construction delays and out-of-control costs on this hospital.

The core function of VA is the delivery of health care and benefits. They are clearly not a construction entity.

Mr. Goldstein, you in your report, I will tell you what amazes me, that Senator Bennet, Congressman Perlmutter, and Senator Gardner and myself had repeated meetings with the VA after this report was issued in April 2013. I have been on the Veterans Committee since January 2013, and before I even got on the Veterans Committee, the House Veterans Committee of the Congress of the United States requested this study to be done by the GAO. It said that this hospital was hundreds of millions of dollars over budget and knew it was behind schedule in 2013. That is your analysis. Yet we had meeting after meeting with the VA where, quite frankly, we were lied to. We were lied to again and again and again.

My question to you is that even before this report, the GAO, probably for the last three decades, had been looking at VA construction and had been sounding the alarm about problems in terms of cost overruns and schedule delays, and I wonder if you could comment on that.

Mr. GOLDSTEIN. We have issued a number of reports over the years to get to that very issue of delays, cost increases, and problems in the management of the VA construction program. That is correct.

Mr. COFFMAN. I believe in your report, and when I put forward legislation in 2013, passed in 2014 after this report came out, because one thing you referenced in this report, although you did not make it a specific recommendation because I think you said that was a positive question, was that the Army Corps of Engineers has built similar projects for the Department of Defense, and I think you also referenced—I am trying to remember the name of the Army Corps of Engineers counterpart for the U.S. Navy.

Mr. GOLDSTEIN. The Naval Engineering Command.

Mr. COFFMAN. Right, that both these organizations have built similar projects for the Department of Defense on schedule, on budget. In the four projects that you mentioned here that were ongoing at the time, the four major construction projects, again each

hundreds of millions of dollars over budget and years behind schedule, I wonder if you could comment on that.

Mr. GOLDSTEIN. They were, sir. They were over budget and had multiple delays for a number of reasons. The principal reason for all of them included incomplete designs, change order processing delays, construction and approval delays, cost of material increases, and risk-based pricing. Because of the processes and the management of VA, the subcontractors and contractors were bidding up and asking for prices because they knew there would be problems associated with the program. All of those factors led to the delays and to the cost increases generally in all those projects. Some were specific, of course, to Denver or Orlando and the like. Yet, those overall problems were in each one of the projects we looked at.

Mr. COFFMAN. I firmly believe that the VA has to focus on its core mission, and its core mission is delivering health care benefits and delivering claims processing and other benefits to the men and women who have served this country in uniform, and I think we have got to get this hospital built. There is no question about that. But in that process, this cost has got to come out of VA's hide. In part, that is going to be bonus money.

There is got to be an outside investigation. VA cannot be entrusted to do their own investigation.

Third, they must be stripped of their management construction authority on major construction projects going forward.

With that, Mr. Chairman, I yield back.

Chairman ISAKSON. Thank you very much.

While we switch to the second panel, let me thank Mr. Goldstein, Mr. Rylant, and Mr. Robinson for your sacrifice, your time, and your service to the country.

As Sloan Gibson and Mr. Caldwell are making their way forward I want to ask Mr. Perlmutter to do me a favor.

Arty Guerro, Vietnam decorated veteran, lost the use of your legs from Vietnam—is that correct?—48 years ago.

Mr. GUERRO. Forty-eight years ago. Yes, sir.

Chairman ISAKSON. We are contemporaries, you and I. We are of the same vintage and the same age. I want you to know I had a coin struck when I became chairman of the Committee that has got an acronym on it, "IDWIC." That stands for "I Do What I Can." That is the way a guy named Second Lieutenant Noah Harris used to email me from the battlefront in Iraq when he would send me updates on how he was doing, right up until the day before he died, which was the last email I got.

I want Congressman Perlmutter to present this medal to you, Arty, as a token of our appreciation, from the Senate Veterans' Affairs Committee, for all your work and sacrifice, and for representing all that veterans have done for the United States of America. [Applause.]

Chairman ISAKSON. It does not get any better than that.

Thank you very much, Arty.

RESPONSE TO POSTHEARING QUESTION SUBMITTED BY HON. RICHARD BLUMENTHAL TO MARK GOLDSTEIN, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE

Question 1. GAO's written testimony mentions VA's use of a Construction Review Council to assume oversight and accountability roles relative to VA's real property programs. In the April 15, 2015 House Committee on Veterans Affairs hearing on VA construction, Deputy Secretary Gibson testified that the Council had not met since he was sworn in, and he believed that it "diffuses responsibility." Do other Agencies have bodies that play a role similar to the Construction Review Council, and are there best practices in this area?

Response. We have not done work regarding whether other agencies have a council of high level officials, such as VA's Construction Review Council, that serves as the single point of oversight and performance accountability for the planning, budgeting, execution, and delivery of property capital-asset program. However, we have identified leading practices for performing these functions based on OMB and GAO guidance.[1] For example, before choosing to purchase or construct a capital asset, agencies should carefully consider a wide range of alternatives. In addition, agencies should establish and follow a formal process for senior management to review and approve proposed capital assets. Further, after a construction project is implemented an evaluation team, composed of individuals not directly involved in a project should determine how accurately the project meets the objectives, expected benefits, and the strategic goals of the agency and indicate the extent to which the agency's decisionmaking processes are sustaining or improving the success rate of capital investments.

Chairman ISAKSON. On our second panel we will hear first from the Hon. Sloan Gibson, Deputy Secretary of the U.S. Department of Veterans Affairs, and then from Lloyd C. Caldwell, the Director of Military Programs, U.S. Army Corps of Engineers.

I believe, Mr. Gibson, you are accompanied by Stella Fiotes. Is that right? Is that the right pronunciation?

Mr. GIBSON. That is right. Yes, sir.

Chairman ISAKSON. I have been messing up "Perlmutter" all day long, so I wanted to get that right.

And Dennis Milsten.

Deputy Secretary, the floor is yours for no more than 5 minutes.

STATEMENT OF HON. SLOAN D. GIBSON, DEPUTY SECRETARY, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY STELLA FIOTES, EXECUTIVE DIRECTOR, OFFICE OF CONSTRUCTION AND MANAGEMENT FACILITIES; AND DENNIS MILSTEN, DIRECTOR OF OPERATIONS, OFFICE OF CONSTRUCTION AND MANAGEMENT FACILITIES

Mr. GIBSON. Yes, sir. The current situation is totally——

Chairman ISAKSON. Make sure your mic is on.

Mr. GIBSON. There is no switch here. I am relying on somebody else to switch it on.

Chairman ISAKSON. You are OK.

Mr. GIBSON. The current situation is totally unacceptable. The VA made mistakes on this project. I apologize again. This must not happen another time, not on my watch or in the longer-term future at VA.

[1] Office of Management and Budget, *Supplement to Circular No. A–11: Capital Programming Guide* (Washington, DC: July 2012). GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, GAO/AIMD–99–32 (Washington, DC: December 1998). GAO, Federal Courthouses: Recommended Construction Projects Should Be Evaluated under New Capital Planning Process, GAO–13–263 (Washington, DC: April 2013)

Our priorities are to finish the project, make the best use of resources, and put in place sound construction management processes to ensure it never happens again.

That means embracing lessons learned. It means taking meaningful corrective actions. Some of the improvements are already in place: requiring major medical construction projects to achieve at least 35 percent design prior to establishing cost estimates or schedules, or requesting funds; implementing a rigorous requirements control process; institutionalizing a project review board, similar to that used by the Corps of Engineers' district offices; conducting pre-construction reviews of major construction projects; a private construction management firm evaluates design and engineering factors; and integrating medical equipment planners into construction project teams from concept through activation.

In addition to these measures already in place, the Corps of Engineers is conducting a broader examination of the VA's largest construction projects, and we expect that report next month.

An independent third-party organization is also conducting a comprehensive assessment of VA's entire construction program as part of the Choice Act legislation and will report their findings to Congress by September of this year. We will use the findings of the Corps' report and the independent third-party assessment to further strengthen VA's construction management practices. In the future, VA believes the Corps should be designated as construction agent for our largest medical facility projects.

The Denver project has a long history. Let me briefly cover two major decision points that I believe led us to where we are today.

In 2009, we hired an architect-engineer joint venture to complete a design with an estimated cost of $583 million. VA's acquisition strategy for the project was to complete 100 percent design and then solicit proposals to build. VA, in a misguided effort to get work under way, changed strategies to a contract mechanism known as integrated design and construct, the idea being to bring the contractor on board early to participate in the design.

In August 2010, VA entered into contract with Kiewit-Turner to perform design constructability and cost reviews, with an option to award facility construction. KT maintained that the project could not be built for the established cost. Under pressure to move the project forward, VA and the contractor executed an option to construct the project in November 2011. This option committed VA to deliver a design that could be built for $583 million.

These two watershed events, the selection of the IDC contract form and VA's commitment to deliver a design that could be built for less than $600 million, were both critically flawed. VA's legal interpretation of these two agreements, and our ensuing litigation strategy, also compounded these errors.

In July 2013, KT filed a complaint with the Civilian Board of Contract Appeals, and in December VA was found in breach of the contract for failure to provide a design that met the contract price. I would be remiss in my testimony if I did not take particular note of the commitment that Kiewit-Turner has to this project and the quality of work that KT and their subcontractors have completed over the life of the project. I think the fact that Peter Davoren has—who are both sitting here today present at this hearing is an

indication of their commitment to this project and their desire to see veterans being served at this facility.

That brings us to where we are today. After analysis by the Corps of Engineers, we informed Congress that the total estimated cost of the facility will be $1.73 billion, which includes the Corps' estimate of $700 million to complete construction. The total would require an authorization increase of $930 million and additional funding of $830 million.

After consulting with our partners, reviewing the status of the project, considering cost, risk, scope and scale, and time required, we believe the best option for veterans and for taxpayers is to contract with KT to complete the project, leveraging the 100 percent design, KT's knowledge of the project, presence on the site, and existing subcontractor relationships.

Now we must work with this Committee and others to secure funding. We have proposed funding the cost by using a portion of the $5 billion provided for minor construction and non-recurring maintenance in the Choice Act, and we look forward to discussing that proposal and other options with the Committee.

We know that accountability is also central to ensuring that VA never repeats the mistakes that led to these delays and cost overruns. As stated earlier, I believe two critical decisions led to the current situation, decisions made in 2010 and 2011. None of the people who were in positions of responsibility for the project during this critical time are still in these positions. In fact, only one still remains at VA.

Our administrative investigation board is still under way, and I have also asked our IG to conduct a formal investigation of all aspects of the Denver project. I will continue to pursue accountability actions wherever evidence supports it.

All that said, when completed, the Denver facility will be a tremendous resource for veterans and their family members in Eastern Colorado and throughout the Rocky Mountain area, an exceptional Level 1A facility.

Thank you, Mr. Chairman. We look forward to answering your questions.

[The prepared statement of Mr. Gibson follows:]

PREPARED STATEMENT OF HON. SLOAN D. GIBSON, DEPUTY SECRETARY, U.S. DEPARTMENT OF VETERANS AFFAIRS

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

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

BACKGROUND

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

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

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

At the time of the 2010 contract award, the design had progressed to a point that limited the opportunity for the contractor to influence the design and cost. The contractor provided pre-construction services and amid attempts at cost reconciliation with the designer, the contractor maintained that the project was over budget and could not be built for the established ECCA. The parties negotiated for a period of approximately six months to arrive at a construction contract price but differences remained. Feeling the need to finally get to construction award for the project, VA and the contractor executed an option on November 11, 2011, to build the replacement hospital, which became known as Supplemental Agreement 07 (SA–07). The total design was not 100 percent complete at the time; it was at what was deemed an "enhanced design development or roughly 65% stage." SA–07 stated that VA would ensure that the design produced would meet the ECCA of $582.8 million and that the contractor, KT, would build the project at the firm target price of $604 million, which included pre-construction services and additional items. This was the next and probably most critical point in the project's evolution. VA's promise to ensure that the design produced met the ECCA became the centerpiece of diverging interpretation and conflicts between VA and the contractor. Course correction opportunities were missed because of the fundamentally different interpretation of SA–07, poor project and contract management, and the increasingly strained relationships among the parties.

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

OPTIONS AND COSTS FOR COMPLETION OF PROJECT

After the decision by the CBCA, VA identified two primary courses of action. The first was to allow KT to continue demobilizing and have VA assume maintenance of the site, update the construction contract documents, and re-compete the contract for the remaining work. The second option was to re-establish a contractual relationship with KT for continued construction of the medical center. The option to re-compete the project represented a potential 18- to 22-month delay, involving close-out of the existing contract and development and award of a new contract to finish the job. While this work was ongoing, VA would also need to engage several contrac-

tors to maintain the site and preserve the work accomplished to date. In addition, VA would have to recognize the bidding climate for this project would not be advantageous, and a premium would be applied by subcontractors to cover perceived risk. These factors would have served to increase both the length of time to complete the project and its ultimate cost.

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

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

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

VA added the cost necessary to continue the interim contract through June 2015, additional funds for closing out the original contract and funds for completing the Post Traumatic Stress Disorder residential treatment facility. This totaled $130 million in addition to USACE's construction completion estimate. The money currently on the project of $899.8 million, plus the $700 million and the $130 million, drive the $1.73 billion estimate for the project.

Now, we must work with this Committee and others to secure funding. We have proposed funding the increased cost by requesting authority to use funds provided to VA in The Veterans Access, Choice, and Accountability Act.

The Act provided $5 billion in mandatory funding to increase health care staffing and improve physical infrastructure. We propose adjusting that language to enable VA to redirect a portion of this funding toward the remaining requirements to complete the Denver project. We will forward to the Committee an updated spend plan for the $5 billion that shows how this proposed change would impact the allocations for other VA programs. We believe this is the best approach among the difficult choices before us.

This hospital complex is an important part of VA infrastructure, and completing it will improve access to care for over 390,000 Colorado veterans. The development of this new, state-of-the-art medical center will enhance Veteran health care capabilities in the Eastern Rockies by ensuring every patient receives the fullest complement of clinical services. The expansion of Mental Health services will meet a projected workload increase of 16% over the next 20 years support VA's targeted goal of improving Veteran wellness and economic security. Clinical education will also be significantly enhanced by increasing space to match clinical need and patient demand.

ACCOUNTABILITY

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

ties Management reports directly to me to ensure continued visibility and accountability in real time.

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

THE FUTURE OF VA CONSTRUCTION

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

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

• Incorporating integrated master planning is essential to ensure that the planned acquisition closes the identified gaps in service and corrects facility deficiencies.

• Requiring major medical construction projects must achieve at least 35-percent design prior to cost and schedule information being published and construction funds requested.

• Implementing a deliberate requirements control process, where major acquisition milestones are identified to review scope and cost changes based on the approved budget and scope. Any significant changes in project scope or cost need to be approved by the Secretary prior to submission to Congress.

• Institutionalizing a Project Review Board (PRB). VA worked with USACE to establish a PRB for VA that is similar to the structure at the USACE District Offices. The PRB regularly provides management with metrics and insight to indicate if/when a project requires executive input or guidance.

• Using a Project Management Plan to outline a plan for accomplishing the acquisition from planning to activation to ensure clear communication throughout the project.

• Establishing of VA Activation Office to ensure the integration of the facility activation into the construction process for timely facility openings.

• Conducting pre-construction reviews—Major construction projects must undergo a "constructability" review by a private construction management firm to evaluate design and engineering factors that facilitate ease of construction and ensure project value.

• Integrating Medical Equipment Planners into the construction project teams—Each major construction project will employ medical equipment planners on the project team from concept design through activation.

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

In the past five years, VA has delivered 75 major construction projects valued at over $3 billion that include the new medical center complex in Las Vegas; cemeteries; polytrauma rehabilitation centers; spinal cord injury centers; a blind rehabilitation center; and community living centers. The New Orleans replacement facility is currently on schedule, and is anticipated to be completed in the fall of 2016. This is not to diminish our serious concerns over the mistakes that led to the current situation on the Denver project, but only to emphasize that we have successfully managed numerous projects through our major construction program. VA takes full responsibility for the situation in Denver, and we will continue to review our major construction program and the details of this project to improve our performance. We must ensure these mistakes never happen again. Not only will we rigorously apply the best practices above and those included in the Corps' report, we look forward to receiving the independent study directed by The Choice Act. We will work with the Independent Commission established by Congress under the Choice act to provide a comprehensive proposal for the future of VA's construction program.

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

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

Chairman ISAKSON. Thank you, Deputy Secretary Gibson.

Mr. Caldwell, am I correct that you all are there in support; you are not to testify?

Mr. MILSTEN. Yes, sir. Correct.

Chairman ISAKSON. OK.

Mr. Caldwell, welcome.

STATEMENT OF LLOYD C. CALDWELL, P.E., DIRECTOR OF MILITARY PROGRAMS, U.S. ARMY CORPS OF ENGINEERS, U.S. DEPARTMENT OF THE ARMY

Mr. CALDWELL. Thank you, Chairman Isakson.

Chairman ISAKSON. I know you are a good man because you married a Georgia girl. [Laughter.]

Mr. CALDWELL. Yes, sir, and she keeps me straight, that is for sure. Thank you.

Thank you, Chairman Isakson, Senator Blumenthal, Members of the Committee and congressmen. We appreciate the opportunity to appear before you on behalf of LTG Thomas Bostick, the Chief of Engineers.

My job with the Corps of Engineers is the application of our engineering and construction capability in support of defense agencies and other agencies that we may support.

The Corps recognizes the importance of the service of the members of the Armed Forces and the service of our veterans in sustaining the strength of our Nation. The Corps has significant construction management capabilities and experience in delivering medical facilities, primarily for the Department of Defense, but also with other agencies.

Today I will address the actions we are taking in partnership with the Department of Veterans Affairs to complete the construction of the Denver hospital and otherwise assist them with their construction program.

The Department of Defense construction program utilizes designated construction agents, of which the Corps of Engineers is one. Earlier someone mentioned NAFEC, the Naval Facilities Engineering Command, which is also one. These agencies procure and execute the design and construction of projects to deliver the Department of Defense infrastructure requirements, as authorized by law.

Interagency collaboration is an important element of the Corps' work, and the Corps provides interagency support to non-defense agencies as well as part of our service to the Nation. The Economy Act provides the necessary authority for the Corps to assist the VA with any construction requirements, from minor to major construction, to include completion of the Denver hospital.

There are currently three lines of effort associated with the Corps' support to the VA's major construction program, which includes completing the Denver hospital project as the construction agent. We are also undertaking a review to identify lessons learned from the Denver hospital project and three other major projects, the Las Vegas, the Orlando, and the New Orleans projects. Finally,

we are engaging with the VA leadership in discussion regarding the application of best practices and other application and execution of their program.

In December 2014, the VA and the Corps entered into an Economy Act agreement to allow the Corps to assist the Denver project. Beginning in January, we had a number of technical experts visit the site and assess the completed work and the design documents. We later modified that agreement to provide funding and authority to prepare for the award of a new contract to complete the construction. Currently we are working with the VA on a new agreement that would allow the Corps to actually award a contract and to manage the contract when that action is authorized by Congress.

Our teams of professionals have made progress to formulate a new construction contract. We have identified the preferred course of acquisition. In February, we issued a Notice of Intent to industry of our intent to negotiate and award a sole-source contract to Kiewit-Turner. That gave industry the opportunity to comment on our plan of action. We have recently achieved approval per the Federal acquisition regulation from appropriate Army acquisition authorities to proceed in this manner, and we began discussions just this week with the senior leadership of Kiewit-Turner to prepare for the negotiations of that new contract.

As we work toward a new contract award, we will continue to assess the developments on this project and the detailed requirements, taking into account the fact that the construction is continuing under an interim separate VA contract with Kiewit-Turner. The Corps provided a preliminary estimate for completing construction at Denver, which was one component of the increased authorization requirements reported to Congress by the VA. The VA included the Corps' estimate, along with other VA costs, for the project. Meanwhile, we are developing an independent estimate that will be suitable for our negotiation of the new contract.

As the actions for the new contract are proceeding, the Corps is also advising the VA on the management of the interim contract with Kiewit-Turner. The interim contract permits continued progress on the project while the Corps prepares to assume construction agent responsibilities. Although the Corps will assume a lead role in the construction of the Denver hospital, the VA remains the project proponent and is still responsible for project requirements, for resourcing, and for facility transition to full operation.

In partnership with the VA, and in partnership with Kiewit-Turner, and by using the Corps of Engineers' project delivery process, we are confident that the Corps can complete the construction of the Denver hospital in a most effective way.

Concerning the Corps' review of the four major medical projects—Denver, New Orleans, Las Vegas, and Orlando—the purpose of that review is to assess the management processes which were then used by the VA and which they may then use to assess their organizational structure, processes, and controls. The scope of our effort is an analysis of the current techniques and procedures used by the VA for these projects, and we will compare those with how the Corps of Engineers conducts its business with the Department of Defense process for executing major medical infrastructure

projects. That review is under way, and the objective is to provide a report to the VA in May.

We have other projects not related to the Denver hospital that we continue to execute for the VA. That association predated the existing challenges. We are committed to working with the VA as construction agent to complete this project, as well as future projects, as may be appropriate.

Mr. Chairman, that concludes my statement. I will be glad to answer questions that you may have.

[The prepared statement of Mr. Caldwell follows:]

PREPARED STATEMENT OF LLOYD C. CALDWELL, P.E., U.S. ARMY CORPS OF ENGINEERS, U.S. DEPARTMENT OF THE ARMY

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

The Corps fully recognizes the importance of the service of members of the Armed Forces and the service of our veterans in sustaining the strength of our Nation. We understand the vital link between the goals of their service and the technical capabilities we provide, from consultation to delivery of infrastructure. The Corps has significant construction management capabilities and experience delivering medical facilities for our servicemembers and veterans.

DOD's construction program utilizes designated Construction Agents, of which the Corps is one, that procure and execute design and construction of projects to deliver the Department's infrastructure requirements authorized by law. The Corps is also known for the Civil Works projects it executes for the Nation, and the Corps' capabilities are perhaps uniquely developed to deliver both defense and non-defense infrastructure. Interagency collaboration is an important element of the Corps' work, and the Corps provides interagency support as a part of its service to the Nation. The Economy Act (31 U.S.C. 1535) provides the necessary authority for the Corps to assist the VA with any construction requirements, from minor to major construction.

Today, we have been asked by the Committee to testify on the subject of the Denver Replacement Medical Center in Aurora, Colorado (Denver Hospital), including the Corps' review of the original and interim contracts and the completion estimate. We have also been asked to address the Corps' review of the Department of Veterans Affairs (VA) major construction program and recommendations to improve project oversight and delivery.

There are currently three lines of effort associated with the Corps' support to the VA's major construction program. One is the completion of the Denver Hospital project as the construction agent. Another is a review of management processes from the Denver Hospital and three other major projects, which may be used by VA to assess their organizational structure, processes and controls. The third is discussion with VA leadership regarding best practices and how we may help support major project execution in their future program.

In December 2014, the VA and the Corps entered into an Economy Act agreement to allow the Corps to assess the Denver Hospital construction project. Subsequent modifications to this agreement have provided funding and the authority to prepare for the award of a new Corps contract to complete the construction. We are currently working with VA to develop a new agreement that would allow the Corps to award the new contract and transition the construction agent responsibility to the Corps to manage the new contract. Beginning in January, we had a number of technical experts on site to assess the completed work and contract documents. Subsequently those and other teams of professionals, including from the Northwestern Division, Omaha District, Huntsville Engineering and Support Center, and Corps Headquarters are undertaking the steps that will lead to award of the new construction contract as well as to managing the contract through to completion. We have identified a preferred course for acquisition, and in February we issued a Notice of Intent to negotiate and award a sole source contract to Kiewit-Turner, and we have requested approval for the acquisition strategy. As we work toward a new contract award, we continue to assess the detailed requirements of this project, taking into account the fact that construction is continuing under a separate VA contract with Kiewit-Turner.

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

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

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

Concerning the Corps' review of VA's four major medical projects, the purpose is to review management processes, which may be used by VA to assess their organizational structure, processes and controls. The scope of the Corps effort is an analysis of current VA techniques and procedures utilized in executing construction of their major hospitals compared to procedures used by the Corps in executing major medical infrastructure projects. The construction projects under review include the medical facilities at New Orleans, Las Vegas, and Orlando, in addition to the Denver Hospital. The review is underway with the objective to provide a report to VA in May. There are no findings and conclusions currently to report.

In regard to the third line of effort, we have assisted the VA to establish a project review process for major projects.

In other efforts, which predate our involvement with the Denver Hospital project, we provide assistance to VA to execute multiple minor construction and non-recurring maintenance projects for the Veterans Integrated Service Networks and the VA's National Cemetery Administration. We are committed to work with VA to complete the Denver Hospital, to continue our partnership and to collaborate on future major construction projects.

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

Chairman ISAKSON. Thank you very much, Mr. Caldwell.

Secretary Gibson, you made the comment that all those that had a responsibility for the problems at the Denver VA are no longer working on that project. Is that correct?

Mr. GIBSON. That is correct. Those directly responsible, yes.

Chairman ISAKSON. Is it true that the principal person responsible earlier retired with a full pension? Correct?

Mr. GIBSON. In fact, I believe most of the people that were involved in the project retired.

Chairman ISAKSON. They either retired or they were transferred within the agency. Is that correct?

Mr. GIBSON. There is one individual that still works at the agency. He was the project executive at the time. He was moved from this project, assumed a position without supervisory responsibilities at a lower grade.

Chairman ISAKSON. My point is that Secretary McDonald told us he had made 700 personnel moves in his first year as Secretary. Eleven of those were terminations. All the rest of them, 689 of them, were transfers, early retirements or things of that nature.

The reason we are always given for accountability being difficult is that you cannot really fire anybody in the Federal Government. Well, you can, for cause. It would seem to me, in places where you are talking about hundreds of millions or billions of dollars, there are causes there that contributed to the losses of the taxpayer, and there ought to be accountability more than somebody taking a pension and retiring or transferring within the agency. That is just my

statement. Since you are not answering that statement, I am going to put a question in.

Mr. GIBSON. I agree with that sentiment precisely.

Chairman ISAKSON. We will probably make it one out of two because here is my next observation. Senator Blumenthal, Congressman Coffman——

Senator BENNET. Can I just say, nothing else in Washington runs as well as this Committee runs under this chairman. So, we are grateful for the example.

Chairman ISAKSON. Congressman Coffman made reference to some consequences for people in terms of how we pay for this overrun at the Denver VA. The ranking member has made a number of comments about it—let me just give you an observation.

I am sitting in the Committee and the VA comes to me and says we have got a $930 million overrun on top of a $600 million overrun, we need to find some way to pay for it, we are going to take it out of Veterans Choice, that is our solution.

I am going to ask you two questions. How much in the administrative budget of the VA did you first look for to find that money? Number 1. Number 2, if you are going to take it out of Veterans Choice, who are you going to penalize and how are you going to fix them when their problem comes up?

I will give you one good example. If you go through the Fiscal Year 2015 budget for the administrative offices of the VA, there is an increase of 73 FTE and $66 million in 1 year for personnel. That is some money that should be available for a contribution toward the $930 million. That is number 1.

Number 2. If, in fact, the Corps of Engineers is going to take over construction and this thing is going to be out of your hair, I do not know why you need $53,874,000 for acquisition, logistics, and construction. You might need some of it, but you are certainly not going to need all of it. That money ought to be going to the overruns, and that is where you need to find as much of the money as you can, not in penalizing veterans from the program Congress passed to try to improve their access to VA health care. That was a statement, not a question. However, if you want to respond, you can.

Mr. GIBSON. I would like to respond, Mr. Chairman. We will take a look at those specific areas that you have raised. I would tell you, if there was ever a time when VA had the ability to go reach inside its organization and scrape out additional resources for any particular purpose, this is not the time.

We have been working for almost a year now to do everything possible to accelerate care for veterans. We have hired 8,000 additional staff in VHA over the last 12 months. We have got emergency leasing activity going on at locations around the country in order to be able to provide additional access to care. We had nothing in our 2015 budget for the new Hepatitis C protocol, and we were able to go in and find $700 million that we pulled over in there which, frankly, we are about to run out of. So, we are trying to figure out how to be able to bridge the period until the 2016 budget to continue to provide that Hepatitis C care.

Last, while we have not done a good job of executing the Choice Program, per se, we have seen an explosion in referrals of veterans

to VA care in the community, as opposed to allowing them to continue to wait.

All of these things done to try to accelerate access to care. Historically, what VA did, my view is we managed to a budget, and what we are shifting to is managing to veterans' requirements, managing to the needs of the people that we are serving, and that is what is happening right now, and that is why we do not find ourselves in a situation where we have got buckets of money sitting in different places that we can go scrape together to come up with a meaningful impact on that $830 million.

Chairman ISAKSON. I apologize to the Committee, but I want to finish the thought.

Mr. GIBSON. Yes, sir.

Chairman ISAKSON. We have got maybe 2 months to come up with the money or else there is going to be a slowdown in construction further or a stop altogether at the site.

Mr. GIBSON. Yes, sir. I think we have less than that.

Chairman ISAKSON. To me, that is unacceptable.

Mr. GIBSON. It is unacceptable to us.

Chairman ISAKSON. It is equally unacceptable if there is that much of an emergency and half of the Senate committee came all the way across the country to hold this hearing. When we go back to Washington, having heard what you heard today and what I heard today, and knowing what your plans are in terms of turning things over to the Corps of Engineers, and we see a request that comes in for that money that has some source of finding that money within the VA's budget, if you can find $700 million for Hepatitis C on your own volition—and I am not penalizing, that is a good thing to do—there is probably some more money somewhere else.

Every contribution that comes from an existing spent dollar rather than a new dollar we have to borrow from China is really important to me.

Excuse me, Senator Blumenthal, and I apologize for taking more time than I should have.

Senator BLUMENTHAL. Thank you, Mr. Chairman. Again, I want to thank all of my colleagues, particularly the Colorado delegation, for focusing not only today, not only this year, but over a long period of time on these issues, and we are here because of your advocacy.

Second, I want to thank Mr. Guerro for being here today and for his long-time advocacy, because I think you personify the kind of fight that many of our veterans sustain day in and day out, year in and year out, so that their brothers and sisters can have the kind of care they deserve.

In that spirit, I would just like to ask all the veterans who are here today to please raise your hand so that we can acknowledge you and thank you for your service. Thank you. [Applause.]

Senator BLUMENTHAL. I have got a couple of quick questions for you, Mr. Gibson. I would like you to commit to me that you will undertake a complete overhaul of construction practices and systems in the VA, including considering, in effect, delegating that authority to the Corps of Engineers or some other similar organization. I have not reached any conclusions about whether it should

be done, but I want a commitment that you will undertake reform of the system.

Mr. GIBSON. You have that commitment. The good news is that a substantial portion of it has already been completed.

Senator BLUMENTHAL. Well, I do not want to hear about what has been completed. I want to hear about what is going to happen, because——

Mr. GIBSON. Part of it is what will continue to happen.

Senator BLUMENTHAL. Great.

Mr. GIBSON. Understood and——

Senator BLUMENTHAL. We are here to make sure things go right in the future, but also for the sake of transparency, so that people understand where the fault lies and what is going to be done in the future. In that spirit I would ask that you make available to the Committee and to the public the Jones/Lang/LaSalle report that was done examining alternatives. That has not yet been made public.

Mr. GIBSON. We will do that. We just received the report the day I gave it to you. That was the day I received it, so the day before. We will make that available.

Senator BLUMENTHAL. All of the cost estimates of specific components going into the overruns that have occurred so far as the Corps of Engineers is analyzing them, and all of the components, the specific numbers, how they are attributed to the additional costs that will be incurred. We spoke about this earlier today, and I think that the Corps of Engineers has committed to do it. To the extent they are under your control, I would like you to make available those documents.

Mr. GIBSON. To the extent that those amounts can be determined, we will do that.

Senator BLUMENTHAL. Well, they need to be determined. Otherwise, it is more of the same. "Well, we will make it up as we go along." If you are building a house, any of us in this room, you do not go into it and say, well, we will figure out the cost after we are three-quarters of the way through. We need to know with some certainty and finality, when we make a decision about whether to give you this money, whether it is going to be what is necessary. So, I would like a commitment that you make those numbers available as soon as possible.

Mr. GIBSON. We will make the numbers necessary, as much as we can, of the $830 million. The portion that I was referring to was the ability to somehow disaggregate the components of the added cost to the facility. As you heard Peter Davoren mention earlier today, the essence of the issue was VA's failure to acknowledge what it was going to cost to build in the first place.

Senator BLUMENTHAL. I would like your commitment also that you will make available all the relevant documents relating to whistleblowers, when their complaints were filed, what the responses were, and what you are going to do, in effect, to correct any wrong that has been done unjustly and unfairly.

Mr. GIBSON. I believe you are referring to the 2012 whistleblower related to this particular project. Is that correct?

Senator BLUMENTHAL. Correct.

Mr. GIBSON. We will do that. There is a pending action before the Merit System Protection Board, but we will do that in a manner that is appropriate and protects that confidentiality.

Senator BLUMENTHAL. I would like your commitment that you will support an outside investigation. I know that there is an AIB, an IG. For those who do not know, an Administrative Investigation Board, the Inspector General. By the way, the Inspector General has involved the FBI, but the Inspector General is still the one responsible for investigating the Phoenix delays, and we have yet to receive a report from the IG, not yet done. I have complained about the amount of time that it has taken, and my questions—your predecessor I asked about when that report would be done, and we still have no guarantee that it will be done.

I am asking for your commitment that we will see a request from you for an outside investigation, likely the Department of Justice.

Mr. GIBSON. You asked that I would support it. I agree that I will support the request.

Senator BLUMENTHAL. Thank you.

Finally, I would like a commitment that you will respond to other requests for documents that we will be submitting. I do not want to go through the list now because I do not want to take the time of my colleagues to cull them out. I think that this document, for example, this document is a list of the projects that would be deferred or delayed indefinitely from around the country if the $1 billion is taken from the Choice Program. I do not want to speak for any of my colleagues, and they are all affected, the majority of my colleagues in the U.S. Senate, by what will happen if the $1 billion is taken from the Choice Program, but I know in West Haven, Connecticut, that this project on primary care facility upgrades has been delayed for years and years and years, and I do not want to see it delayed again. I do not want to see any veterans across the country have to sacrifice because of the incompetence, or worse, on the part of past VA administrations.

I agree with the Chairman that we need to find an alternative path. Thank you.

Chairman ISAKSON. Senator Rounds.

STATEMENT OF HON. MIKE ROUNDS, U.S. SENATOR FROM SOUTH DAKOTA

Senator ROUNDS. Thank you, Mr. Chairman. My comments and my questions are going to be very brief.

To Mr. Gibson, I remember the first time when you and I met was the same time that Secretary McDonald was in, and the Chairman made it very clear that we as a committee wanted you to be successful. We wanted you and the Veterans Administration to succeed, and I thought this is coming from a Republican chairman to a member of the Administration saying we want you to be successful, and I thought that is what this is all about.

I heard the Chairman say here today one of the most important things that we can do here is to find the resources to build this project, to get this project done. I support him in that. We will find a way. The project is not going to hang out there and it will get done.

In looking at it, I thought about this. You have not been with the VA that long. You came in at a time literally when the pond was already full of alligators, and you and the new Secretary agreed to walk into the middle of it to help take care of things and make things right again, and I admire you for that, and I thank you for that. We want you to be successful, and we want you to drain the pond. This pond has got a lot of alligators in it. Construction projects that are out there right now are one more alligator you do not need.

I am just curious. There are some folks that do this all the time, and I know that part of the process here is you would like to see—and we talked about it at lunch today, and I asked you then, why do you want to take on the challenge of continuing to try to build projects when the expertise could be found and laid out on a regular basis by people that deal with these things all the time and do them without the kinds of problems that I believe you have run into here, that you found when you walked in.

What does the VA bring to the table that should convince us that you should be the responsible party for construction projects in the future?

Mr. GIBSON. First of all, I will reiterate my commitment that we want to work with the Corps, have the Corps work as our construction agent on our largest, most complex projects.

As I mentioned in our earlier discussion, we look at the 15 or so projects that are categorized as active as we look over the next 3 years. Five of those are already substantially under way. Of the remaining ten, we are prepared to send seven of those, some of which are actually under $250 million, to work with the Corps because we feel like that is what makes the most sense in those cases. That represents 86 percent of the dollars of that prospective construction.

In the meantime, we have got somewhere on the order of 50 major construction projects that we are in the middle of, all over the country. We have got to see those construction projects through to conclusion.

As you look at VA's vast infrastructure that includes—I cannot even tell you how many buildings, with an average age of 50 years or so, what you find are not only requirements to complete non-recurring maintenance but minor construction projects that enhance those facilities. It is our knowledge of those requirements——

Senator ROUNDS. I do not disagree that you should, for maintenance and so forth. I get that. I understand your desire to try to be a part of finishing. But long term, and that is what we are talking about—we are not going to fix all the problems in a matter of 18 months. But long term, what does the VA bring to the table?

The reason I ask is because one of the major issues here, even the sizes of the rooms had to be upgraded because you did not know how big the equipment was that was going to be put in it to begin with. It seems to me that if you are one of the providers of the services to buy this equipment, you ought to at least be able to bring that kind of expertise up front, and it was not included.

Mr. GIBSON. I am not following the last point, sir.

Senator ROUNDS. The medical equipment that was required within the rooms themselves, as I look back at the reports and some

of the problems that were found, I am not sure which one of the panelists provided that information, but you had to expand the size of the rooms just to fit the medical equipment in.

Mr. GIBSON. We agree with that point completely, and that is one of the reasons why we now include medical equipment planners at the very beginning of our process. We did not do that in the past.

Senator ROUNDS. Thank you, sir.

Mr. GIBSON. Yes, sir.

Chairman ISAKSON. Senator Bennet.

Senator BENNET. Thank you, Mr. Chairman.

I listened carefully to my colleague from Connecticut's points, and observations from the Chairman earlier and we may not have complete agreement on how to find this money to pay for this project and to finish this project, but I do think we have complete agreement that we need to find the money and that we will finish the project. I am very, very grateful because you do not need to do that. Thank you.

Mr. Secretary, it will take me a minute to get through my question, and I am optimistic we are going to get it done. What is so depressing about today for me is how predictable it is that we were going to end up here in this kind of conversation, and I think I speak on behalf of all of my colleagues when I say that.

You said that the fundamental fatal error, the first error was picking a number that was too low for this project. The very first time I went to the site and stood there on the same floor where we were meeting today, and nothing was yet even constructed, there were designs, there was a picture I saw of what is now called the concourse and what was then called the spine. The person who worked for me who was actually with me that day and with whom I would worked in the city, in the County of Denver on various projects, took one look at that and said there is no way they are going to be able to build this project for the estimated cost—not an expert in construction, but an expert in common sense.

In 2014, in May I think of 2014, in desperation for not having been heard, I wrote a letter. I wrote it myself, just as the veterans did here, to the preceding Secretary of the VA pointing out all of the things I would been hearing from our veterans and from the contractor, and with my colleagues who are up here today. Among other things, I observed that the VA's position at that time, in 2014—that is before you got there, and I want everybody in this room to know that—was that 46 percent of the building had been built. That was the VA's position. The contractor's position was that 25 percent had been built. The VA's position of 46 percent was based on the fact that 46 percent of the money had been spent. There is not a person here, whatever project they were working on, who would say it is 46 percent built because we spent 46 percent of the money. It is laughable.

As I said in my letter to Secretary Shinseki, any passerby would know that it is not 46 percent built. Today we learned that it is actually 50 percent complete. In the following year, somehow we have reached an incremental 4 percent. Obviously, the 46 percent was wrong. It was obviously wrong when I wrote the letter. Any school kid could have told the Veterans Secretary that.

Then the legal position of the VA hardened, and the position was, over and over again to the delegation, they have to build this thing for $660 million, that is our position, even though every single person up here, including some who actually are lawyers, who know what they are talking about on this stuff, told them that they were going to lose the lawsuit. It was patently obvious that they were going to lose the lawsuit. In fact, you did lose the lawsuit, by a lot, not by a little. That is what enabled the contractor, who I think has done a good job on this project and on so many other projects in Colorado, to have to walk off the project until they knew what the budgeting was going to be.

What I want to know is, when you consider the fact that for three or more years the congressional delegation made it clear that it was wildly off track, and we now know that your own employees, some of them, said there was no way you were going to build it for what you said you were going to build it. When the contractor was telling you we cannot build it for what you are telling us you are going to build it, and you are putting out of business subcontractors here in the State of Colorado because of your unwillingness to pay the overages—and again, I am talking about the VA, not you—your unwillingness to pay the overages of these change orders, how is it possible that an institution could be that immune to that level of information and that arrogant about what it was doing? What are we going to do at the VA to ensure that that never happens again? Because that is not about building a building. That is about having a culture of disrespect, a culture that does not actually believe in service to our veterans here in Colorado, and a culture that is unwilling to learn from what were obvious facts.

Mr. GIBSON. Is that it?

Senator BENNET. That is it. Did I leave anything out?

Mr. GIBSON. I cannot think of anything that you might have left out, and I do not know that I would change a single word of what you said.

I think my perception, my personal perception, what I saw as I transitioned into the organization, what was a—you might call it an insular organization. It was not kind of an open and transparent organization. I hope you have sensed in the last 10 or 12 months a difference in the tenor and tone of communication and openness and the interest in other views and other opinions, and the willingness to embrace those other views and other opinions, the realization that we cannot accomplish what we want to accomplish without partnering with other organizations.

I would tell you, when I came in the door, I have known Peter Davoren for years. I have known Jim Clark, whose firm is building the hospital in New Orleans, and I have known Jim Gorey and his dad, Miller Gorey, for 20-some-odd years, who built Orlando. The first thing I said when I got on the ground was this is a relationship business. I need to reach out and interact with these folks. We have got to get this back on track; But the mindset was no. That was the mindset at the time. That has changed.

In June 2014, in the first week of my tenure, the first week or two, I reached out to all three of those contractors, and now I have open communication with them regularly.

Chairman ISAKSON. For the benefit of the three remaining members who have not asked questions, I am going to move on, if that is OK, because we have plane connections that are important.

Senator BENNET. Thank you.

Chairman ISAKSON. Sorry to cut off the senior senator from Colorado, but I think I just did. [Laughter.]

Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

To the Deputy Secretary, thank you for being here.

I look out to the participants today in the auditorium, and I have known many of them for decades now. There are city council members. There are veterans here, opinion leaders, policymakers. But I have got to be honest. Some of the veterans that kicked off this project in 1999 are not looking as good today as they were then, a little bit older, a little bit grayer. Some of them have oxygen that they never were on.

They started this project in 1999 in good faith, and I honestly believe that you are trying in good faith to get this done. This hearing is about answers. It is about answers looking forward, and it is about answers to make sure that what happened to put us here is prevented, never happens again.

Mr. GIBSON. Yes, sir.

Senator GARDNER. So, while we look out and see the veterans here, we know we have an obligation to finish it so that they can see their work done, so that they can see their promises fulfilled.

I have two questions. Is there any cost, litigation, project, construction, new information, is there anything out there that can still surprise us?

Mr. GIBSON. As it relates to Denver, or in construction generally?

Senator GARDNER. As it relates to the construction of the Denver hospital.

Mr. GIBSON. Pardon me?

Senator GARDNER. As it relates to Denver and the construction of the Denver hospital.

Mr. GIBSON. There is nothing else. We are in the process, have been in the process since probably January, of amicably resolving the claims both that KT had made, but also the claims of the subcontractor, and we have been working methodically through those. The residual amount of that is part of what we requested in the $130 million that will allow us to resolve the last of those claims before the Corps takes over the project so it is a complete new start.

There is nothing else that I am aware of.

Senator GARDNER. No surprises?

Mr. GIBSON. No, sir.

Senator GARDNER. The last question I have is this. In August, I believe, of 2014, testimony at the State capitol before myself and Congressman Coffman, Glenn Haggstrom, then the chief of acquisition—I am reading from Steve Rylant's testimony today—Glenn Haggstrom, then chief of acquisition and construction, testified that the VA did not need any additional information from Congress, any additional funding from Congress, and that they would win the litigation and KT would have to build the VA medical facility with the

$600 million already authorized. That is the quote from Mr. Rylant's testimony today.

Who approved Mr. Haggstrom's testimony?

Mr. GIBSON. I do not know the answer to that question, but I will pursue an answer to the question. I will tell you that was consistent with what VA's legal posture was at the time. Not an excuse for it, because it was profoundly wrong.

Senator GARDNER. I guess we still have to get an answer of when legal posture and when the truth can actually prevail.

Mr. GIBSON. I think the truth prevailed in December when the Board of Contract Appeals issued their decision. Somebody else said it. I think Congressman Perlmutter is the one who said it to me the first time, "you couldn't have lost any worse." That is when the truth came out, which made it very clear, and that is what you heard me reiterate in my opening remarks. This is on us, no mistake.

Senator GARDNER. Mr. Chairman, thank you.

Chairman ISAKSON. Congressman Perlmutter.

Mr. PERLMUTTER. Thank you, Mr. Chairman. Again, thanks to the Senate Committee for taking the time to come out here.

I do want to say that since December/January, I have heard among the Corps, the VA, and the contractor that what was a horrible working relationship last year, the year before, the year before that, that there is a positive, good working relationship, and I want to thank you for that.

The senators have expressed everything that I have been feeling and thinking. We recognize that you are sitting in the hot seat, you have stepped into something that is been very difficult to resolve, you are working at it. We appreciate that.

The big question is, why do you want to keep doing this? I am just putting it out there rhetorically like he did, OK? You have other priorities and responsibilities, and I just appreciate your taking the bull by the horns. I thank the Corps for jumping into this. This was not really in your agenda more than 3 months ago.

I appreciate the senators for listening and taking this so seriously because this is a mess, it is a big mess, and we have got to straighten it out. Thank you.

Chairman ISAKSON. Thank you Congressman Perlmutter, and thanks for participating in the hearing today.

We will end with——

Mr. COFFMAN. Mr. Chairman, can I——

Chairman ISAKSON. I was saying, we are going to end by hearing from Congressman Coffman.

Mr. GIBSON. Please. I have been waiting to hear Congressman Coffman's questions since the inception. [Laughter.]

Senator BLUMENTHAL. In the course of Representative Coffman's questioning, I may have to leave to catch a plane. I hope you will forgive me. But I want to thank again the Chairman, the Colorado delegation, our colleague Senator Rounds; and, Mr. Gibson, thank you for your service to our Nation.

Mr. GIBSON. Yes, sir.

Senator BLUMENTHAL. I know you have a history of service in uniform and now in the VA, and a family history of service in

World War II. So, thank you for being here today, and also Mr. Caldwell.

I just want to join in the remarks made by Senator Bennet. We will get it done. We owe it to the brave veterans and heroes of the Rocky Mountain States to make sure that their needs are served, and needs of veterans across the country as well. Thank you very much.

Thank you, Mr. Chairman. Sorry to abandon you.

Chairman ISAKSON. Congressman Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

This GAO report from April 2013, Mr. Milsten, when did you read this report?

Mr. MILSTEN. Shortly after it was published. Actually, I would have read the draft also.

Mr. COFFMAN. Ms. Fiotes, when did you read this report?

Ms. FIOTES. Approximately the same time.

Mr. COFFMAN. Mr. Gibson, when did you read this report?

Mr. GIBSON. I read the report—actually, the first time might have been before I was confirmed. Subsequently, I have been in and out of the report as I transitioned into the Department.

Mr. COFFMAN. This report showed that this project was just totally out of control. This report showed that it was being mismanaged. This report showed that it was way behind schedule. This report showed that it was hundreds of millions of dollars over budget. I got on the House Veterans' Committee in January 2013, and the Committee had requested this report before I even got on it. This was certainly public knowledge.

What action did you take relative to this report, Mr. Milsten?

Mr. MILSTEN. One of the things we did relative to all of the reports that we received—and this report in 2013 had its basis in 2009—we instituted the requirements package that says at 35 percent, 65 percent, and before we work construction now we do a requirements. We check to make sure that the project has not grown in scope, it stays in budget, it stays in the requirements. This was not done until——

Mr. COFFMAN. You have been working on this project, Ms. Fiotes. You have been working on this project, too. Am I right?

Ms. FIOTES. I am sorry?

Mr. COFFMAN. You have been working on this project, too. Am I correct?

Ms. FIOTES. I have the oversight of this project.

Mr. COFFMAN. How is it that, Mr. Gibson, you are saying there is only one person remaining that has been working on this project when we have two people sitting across from us today that have been in the meetings with this congressional delegation multiple times?

Mr. GIBSON. The point that I made, sir, was that the two crucial decisions that got us to where we are today were made in 2010 and 2011, and all the people that were involved in the project in any kind of a direct role, all but one are gone from——

Mr. COFFMAN. So, Mr. Haggstrom, who remained on the project all the way up until there was a complete stoppage of work on the project, because the general contractor—his remedy in terms of prevailing in court—was allowed to walk from the project, which

they did. They refused to come back on the project until one of the conditions met was that you would be replaced by the Army Corps of Engineers on the project after a transitional period.

Now, Glenn Haggstrom was ultimately in charge—am I correct?—on this project.

Mr. GIBSON. He was the executive director——

Mr. COFFMAN. He got a bonus during the very time that this report came out. Can you share with us the criteria for the bonus, getting a bonus on a project that was hundreds of millions of dollars over budget and years behind schedule? And not just this project; he was responsible for four projects that were all in the same category.

Mr. GIBSON. He did not get a bonus on my watch, and I cannot tell you what the criteria were prior to that.

Mr. COFFMAN. You know, why were you telling the members of this Colorado congressional delegation, all the way up until the decision came down from the court, that this project could be built for $640 million?

Mr. GIBSON. Why was he telling you that?

Mr. COFFMAN. Why was the VA telling us? I met with Secretary McDonald just after he was confirmed, and he reiterated to me that this project could be built for $640 million despite this report.

Mr. GIBSON. I cannot explain that statement.

Mr. COFFMAN. You know, let me tell you that I think what you heard from the members certainly of the Senate Veterans Committee who are here today, from Senator Bennet and Senator Gardner, and I believe Congressman Perlmutter, as well as myself, is that your core responsibilities are to deliver health care benefits and other benefits that our veterans have earned, and you are not a construction management entity. In my view, you cannot be trusted, as I have said before, to build a lemonade stand, let alone a major hospital. So, you have got to extricate yourself from that business, and the folks with their fingerprints on these projects now need to find another line of work.

I just think that this is just more of the same. Your predecessor and the predecessor before and the predecessor before have all been before Congress and said we can make this better, we can make this work, and it never has. Unfortunately, I do not believe it ever can.

With that, Mr. Chairman, I want to thank you so much for holding this hearing today, and I yield back.

Chairman ISAKSON. Thank you, Congressman Coffman.

Let me just observe this. This has been a great hearing. I have attended a lot of hearings. I think everybody stuck to the point, and I want to thank our witnesses and each Member of Congress and the Senate.

Nine days ago I, and I think most everybody else in this room, wrote a check to the U.S. Treasury. It was painful. It was my money that I had worked hard to earn. Let the record show that sometimes we waste money in Washington, but sometimes we are willing to come and hold people accountable when things go wrong, and that is what we are trying to do here.

We want to see to it that this hospital is finished, it is finished efficiently and effectively and without any more cost overruns, and

see to it the lesson learned in Denver is not replicated again somewhere else because we forgot about it, because another Secretary came in or another congressman got elected or another Senate chairman came in. We are going to make this a permanent and indelible lesson to be learned for not just the Veterans Administration but for all the government.

For those of you who served in the military or have sons and daughters who did, God bless you and thank you for that, and God bless the United States of America.

This hearing stands adjourned, with the record open for 7 days.

[Whereupon, at 3:13 p.m., the hearing was adjourned.]

RESPONSE TO POSTHEARING QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO HON. SLOAN D. GIBSON, DEPUTY SECRETARY, U.S. DEPARTMENT OF VETERANS AFFAIRS

Question 1. The Civilian Board of Contract Appeals, GAO, and the Army Corps of Engineers all have found that VA faced issues with design completeness on the replacement Denver VA Medical Center. These challenges led to issues with change order management, and delays in procuring subcontractor work.

a. Who at VA was responsible for quality control when it comes to reviewing facility designs?

Response. In general, the Project Manager and Contracting Officer, along with subject matter experts, are responsible for quality control reviews of each project's design. Additionally, the Department of Veterans Affairs (VA) employs the use of a third party peer architect/engineer (A/E) firm for technical reviews throughout the design process. In the future, the United States Army Corps of Engineers (USACE) will be the construction agent for the Department of Veterans Affairs projects over $250 million.

b. What is the process VA utilizes to review designs and ensure they meet Federal and user standards, and how can it be improved to avoid challenges in the future?

Response. The Department of Veterans Affairs (VA) reviews major projects at three stages during the design process: 1) schematic design (35%); 2) design development (65%); and 3) construction documents (95%). The review team comprises VA medical center staff, Construction and Facilities Management (CFM) staff (including engineering staff, cost estimators, and scheduling staff), along with private sector peer reviewers (at the construction documents (95%) review). All comments are gathered, reconciled, and recorded in the United States Army Corps of Engineers review system known as Dr. Checks, for response and resolution by the design team professionals. As part of the design review, VA has since mandated an independent third-party constructability review at the completion of each design phase, which ensures an efficient and effective construction process.

Question 2. Many parties have provided cost estimates for this project, yet VA took little to no action to evaluate them fully or determine what changes could be made to stay within the budget.

a. How do you plan to add more rigor to the Department's cost estimation policies and practices?

Response. As part of the three stages of the design process, VA has partnered with the USACE to implement a management review process that re-examines the scope and cost estimates for construction projects to assure the scope and cost remain within the established budget for each project. This management review includes a review of the estimated cost by CFM cost estimators, and will assure there is alignment between all estimates and the budget before the design is allowed to proceed to the next phase. In this way, VA can assure reconciliation of ALL estimates prepared for the project. As part of the partnership with USACE, they provided two experts to assist VA in developing the internal VA review process.

b. VA's testimony notes that it is now doing constructability reviews from outside contractors. The initial contract awarded to Kiewit-Turner was for site work and preconstruction services to assist the design team on this project. Please explain how preconstruction services on this project differ from the constructability reviews that are now being conducted.

Response. In general, there are minimal functional differences between the preconstruction services provided by Kiewit-Turner (KT) and the independent constructability reviews.

While these reviews are a standard practice under an Integrated Design and Construct (IDC) contract—which allows the award of the construction to the company that served as the construction management agent and provided the constructability review—they were previously not required for all major construction projects. Additionally, VA now requires the independent reviews be conducted at each phase of design and each review will require management reviews to assure reconciliation between the cost estimates.

Question 3. Please explain the legal basis upon which VA interpreted that the contractor had agreed to a fixed, target price on this project.

Response. The legal basis supporting VA's interpretation that the contractor had agreed to a fixed, target price on the project is due to the fixed-price incentive contract between VA and KT pursuant to FAR 16.403–2; 52.216–17. A fixed-price incentive contract is a fixed-price contract that provides for adjusting profit and establishing the final contract price by applying a formula. The formula is based on the relationship between the total final negotiated cost and the total target cost. The contract modification known as SA–007, that both VA and KT signed, was the document that finalized the profit adjustment formula and the other elements key to the fixed-price incentive contract including the firm target price ($604,087,179.00) and the ceiling price ($610,087,179.00). That is the modification that KT signed and through which it agreed to build the project for the target price of $604M not to exceed the ceiling price of $610M. The ceiling price is the maximum that may be paid to the contractor. The purpose of fixed-price incentive contracts is to motivate the contractor to earn more compensation by achieving better performance and controlling costs. Thus, in this contract, the incentive for KT was to build the design as close to the firm target price as possible in order to maximize its profit.

Question 4. What accountability measures are being taken as a result of the misinterpretation of SA–007, the agreement that set out terms of agreement between VA and Kiewit-Turner?

Response. The ongoing VA Administrative Investigation Board (AIB) has been charged with evaluating SA–007 and will make specific findings with respect to the roles various VA employees played in its negotiation, execution, and interpretation.

Question 5. The use of early contractor involvement project management models can result in savings, but only if the contractor is involved at the beginning of the design process. One of the biggest cost drivers on this project was the decision to switch from design-bid-build to an early contractor involvement model after design had been underway for some time and the first round of design documents had already been submitted. Who at VA made the decision to switch project management methods after the design was so complete, and what were the reasons cited to justify that change at the time?

Response. The ongoing VA AIB has been charged with determining how and why an IDC (Integrated Design and Construct) contract vehicle was chosen for this project and will make specific findings with respect to the roles various VA employees played in that decision. Most of the key personnel associated with the use of the IDC contract for this project are no longer employed by the VA. However, some retired VA employees have agreed to be interviewed by the AIB, which should help shed light on some of these early contracting decisions.

RESPONSE TO POSTHEARING QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO LLOYD C. CALDWELL, P.E., DIRECTOR OF MILITARY PROGRAMS, U.S. ARMY CORPS OF ENGINEERS, U.S. DEPARTMENT OF THE ARMY

Question 1. The Civilian Board of Contract Appeals ruling noted that when proposed changes were approved, the designer of record refused to incorporate them into the design, and even though the independent project manager asked, VA did not require the designer to take appropriate action. This made building a challenge, and likely complicated the Army Corp's efforts to review this project. When the Army Corps assumes construction agent responsibilities for this project, what plans will be in place to ensure that changes are incorporated into design and progress is tracked?

Response. The Army Corps of Engineers has a well documented process for change order management, which includes steps for identifying, approving, communicating and documenting or incorporating required changes into the contractual documents. On-Site Corps Representatives have different responsibilities and au-

thorities and play a key role in managing and implementing the change order process. We will use the Corps of Engineers Resident Management System to track and manage all Change Orders, both discretionary and mandatory. The Corps of Engineers understands that if the process of identifying, approving, communicating and documenting changes is disorderly or disrupted, there is potential for schedule and cost impact as well as impact on the working relationship between the Government and the contractor.

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