

**STATEMENT OF
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**Regarding Oversight of the Renovations to the Cannon House Office Building
Lessons Learned**

Committee on House Administration, U.S. House of Representatives

AUGUST 5, 2021

Chairperson Lofgren, Ranking Member Davis, members of the Committee, I am pleased to submit this testimony regarding the lessons learned during the oversight of Cannon House Office Building Renewal (CHOBr) Project.

The Cannon House Office Building (Cannon) is part of the Capitol campus in Washington, D.C., and is occupied by more than 2,000 people. The CHOBr Project was undertaken to ensure that the Cannon continues to provide safe and adequate space for members and staff to perform legislative business. The Cannon has not received a comprehensive systems upgrade since the 1930s, and many of the building's systems are original, dating back to 1908. The CHOBr Project began in 2014 and is scheduled to take approximately 10 years to complete with five phases (0 through 4) aligned to fall between congressional move cycles. Phase 0 and Phase 1 of the project are complete. The Architect of the Capitol (AOC) and its contractor are working to close Phase 2, and Phase 3 is ongoing.

As you know, this will be my second testimony on the CHOBr Project since becoming the AOC Inspector General in April 2017. During the last CHOBr hearing, we informed the Committee that our office contracted Cotton & Company (Cotton), an independent public accounting firm, to assist us with our oversight of the CHOBr Project and help us seek project economies and efficiencies, as well as to ensure adherence to contract conditions and AOC policies and procedures and industry standards. Since partnering with Cotton in July 2019, our office has issued several products for the CHOBr Project to include three audit reports, four semiannual reports, 17 monthly executive summaries, weekly project status reports and daily COVID-19 infection status updates.

The CHOBr Project team anticipates that Phase 2 of the project will be completed under the \$203.9M budget. The final budget figures for Phase 2 are expected by September 30, 2021. The \$177.4M Phase 3 budget is at risk due to potential exposure resulting from COVID-19 costs, change orders and an accelerated schedule. The project team has initiated another Integrated Cost Schedule Risk Analysis (ICSRA), which is scheduled for completion in fall 2021. The results of this analysis will determine if the overall project budget of \$890.2M will require another formal

budget revision. Prior to the last ICSRA issued in December 2019, our office was the first to signal that the project's original total budget of \$752.7M was at risk for increase. We conducted a review of the last ICSRA and found that it confirmed a budget increase by \$137.5M, approximately 15 percent, totaling \$890.2M.

The CHOBr Project team has identified five top risks that could adversely affect the timely completion of the project and/or the overall budget. The risks identified relate to the following:

- 1) not managing the accelerated schedule early in the phase,
- 2) significant design changes driven by the U.S. Capitol Police,
- 3) not receiving relief from COVID-19 and security related costs may result in insufficient funds to cover Phase 3 contingencies,
- 4) significant Owner/Stakeholder changes and
- 5) supply chain issues, unavailable workforce, lack of site access and increased safety protocols due to COVID-19.

The project expended \$885K to date for Phase 3 COVID-19 costs with an additional \$2.2M of potential financial exposure through the end of Phase 3. The CHOBr Project utilized contingency funding to cover additional costs. In May 2021, the AOC submitted a supplemental funding request for project costs related to the COVID-19 pandemic and January 6, 2021 security events in the amount of \$9.2M.

The AOC OIG Audit Division is working to assess some of the noted project risks as well as risks earlier identified by the Office of Inspector General (OIG). Early in Phase 1, there were concerns with owner/stakeholder changes through potential changes orders (PCOs), along with budget overruns. My office issued two audit reports on the project's contract modifications and PCO process, and the AOC's invoice review and approval process. We found that these processes were generally adequate. We identified \$102K in unallowable costs and determined that some aspects of the AOC's invoice review and approval process did not adhere to provisions in the contract. We issued eight recommendations in these reports with which the AOC concurred. Seven of eight recommendations are currently closed.

In addition to these initial CHOBr Project audits, we completed an audit in June on the CHOBr Project's reimbursable costs to the contractor, Clark Christman Joint Venture (CCJV), and we are currently in the process of finalizing an audit on subcontractor's bids and awards. For these two audits, we again note that the CHOBr Project is generally adequately managed. Specifically, we note that the process for reimbursing funds and awarding subcontractor's bids and awards is effective. However, in our audit sample of Phase 1 and 2 costs (34 instances), we identified \$54,246 in unallowable costs, questioned \$234,383 in legal fees for allowability and reasonableness and \$286,933 for no or insufficient supporting documentation. During our subcontractor bids and awards audit, we found additional concerns regarding inadequate documentation and not following a provision in the contract. This report is estimated to be released later this month. Last week, we initiated two additional CHOBr audits, one on the effects of the COVID-19 pandemic and the events of January 6 on the CHOBr project in which we intend to gain better fidelity on the AOC's supplemental funding request, and the second, a follow-up review to identify additional unallowable costs reimbursed to CCJV in the remaining

contractor invoices we have not already analyzed. Finally, we have awarded Cotton two additional task orders to announce audits later this fall to include one on the CHOBr Project's Materials Substitutions, and one on Contract Provisions for Multi-million Dollar Construction Projects that will review multiple AOC construction contracts.

The AOC OIG Inspections and Evaluations Division is currently working on a review of the CHOBr Project's construction inspection approval process to examine the impact of associated costs, quality of work and time delays attributed to rework on construction inspections. This review seeks to determine the effectiveness of the CHOBr Project team's quality assurance and quality control process that was an OIG recommendation after Phase 1. The CHOBr Project has already made improvement in the reduction of punch list items between Phase 1 and Phase 2 from the 1000s to the 100s.

Overall, it is our conclusion that this large and complex construction project is generally managed well, though adjustments could be made to improve effectiveness and efficiency. Cotton has remarked that the majority of issues found are commensurate with industry standards. Most of our recommended improvements primarily deal with maintaining adequate documentation to support transactions and management decisions, and adhering to specific contract provisions. To date, we have issued 15 recommendations for improvements to the CHOBr Project and the AOC has closed seven. A complete list of open and closed AOC OIG recommendations can be found at www.oversight.gov.

We have observed from Phase 1 to Phase 3 that these closed recommendations have had a positive impact on the CHOBr Project and we encourage the AOC to close the remaining eight, improve their documentation and review of invoices, and correct or adhere to contract provisions in the subsequent phases that will draw this project to an end. It is our hope that the AOC adopts these recommendations and uses these audits and evaluations as lessons learned for future complex large construction projects on the Capitol campus.