

# CARTER

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## CONCRETE STRUCTURES

House Veterans' Affairs Committee Hearing:  
"Building a Better VA: Assessing Ongoing Major Construction Management Problems within  
the Department."

Sam Carter  
President, Carter Concrete Structures  
Statement for the Record  
January 21, 2015

Carter Concrete Structures (CCS) is a construction contracting firm based in Stone Mountain, GA. CCS is also a Service Disabled Veteran Owned Small Business (SDVOSB) and has a strong record of service to public and private clients. It is important to note that CCS self-performs the majority of the work outlined in each contract with the federal government and does not simply act as a small business stand-in for a larger entity. In this statement I will outline CCS's ongoing issues and concerns with CCS's current contract work for the U.S. Department of Veterans Affairs (VA).

When the Atlanta construction market began slipping in 2007, CCS determined that it would seek federal contracting opportunities. Our first federal contract was as Design-Build Prime Contractor for a parking deck for the VA Medical Center in Nashville, TN. Although a technical challenge, this \$8 million project proved to be a very successful venture and the VA Resident Engineer recommended us for future assignments with the VA. Aware of the federal government's ongoing efforts to stimulate the economy through small business participation, we enrolled in the VA Small Business Program, competed for and won two additional VA projects, and are now a \$38 million small business stakeholder in two VA projects.

Our first project, administered locally by the Nashville VA Medical Center, proved to be straightforward and everyone was well satisfied. However, our second two projects have been poorly managed and have proven to be financially detrimental to CCS. The two projects in question are located at VAMC in Bay Pines, FL and VAMC in San Juan, PR. On the first, CCS subcontracted in 2011 to perform the concrete work for general contractor, Archer Western/Demaria JV II. Our role as concrete foundation and frame subcontractor is worth \$11.4 million of the \$92 million addition to the VA Bay Pines Florida Mental Health facility. On the second, CCS contracted as the Design-Build Prime Contractor with the VA to build a parking deck at the VA Medical Center in San Juan, PR, a contract totaling of \$26.8 million.

Both projects are being managed by the VA at the national level, and both have suffered from significant delays, suspensions of work, change orders, and untimely responses from the VA. These issues have caused severe financial strains for CCS to bear. The Bay Pines contract has been delayed for a total of 605 days. The San Juan contract has been delayed 404 days. Not a single day of these delays is attributable to CCS. Between the two contracts, over \$38 million of CCS's construction volume has been delayed over 38 months. Additionally, over \$1,500,000 in scope changes are in play between both projects. We have reached out to the VA on countless occasions and have received inadequate and conflicting responses with nowhere near the urgency

that we applied in the execution of our contracts.

Due directly to the VA delays and lack of responsiveness mentioned above, CCS has had to resort to borrowing, something which this small business has not had to do previously. CCS's resources have been exhausted financing the VA's delays. We are, effectively, banking the VA delays, and being overburdened in the process. It is important to note that VA delays disrupt operations and create losses. However, this is but the first harm. Resolution and eventual settlement take months and years, compounding the damage. Our claims for compensation have been a long time in the making, in some cases over thirty months.

In addition to costs of delay, the VA has not settled changes timely, another source of financial strain. Some of these changes go back over two years. The disruption to CCS's business is not restricted to financial strain. We are losing talented supervisors and craftsmen, losing our surety bonding credit, and losing our reputation for paying our suppliers timely. Most importantly, our plans to build our way out of the construction recession with the VA are denying this firm an opportunity to participate in the improving economy as we are dragging the VA through these projects. The value of CCS, a SDVOSB, has been catastrophically degraded by participation in VA projects.

For the Bay Pines project CCS is dependent on Archer Western/Demaria JV II to resolve claims with the VA. As such, it is difficult for CCS to provide you any specific details on the status of those claims. However, from conversations with Archer Western/Demaria JV II and CCS's limited contact with the Bay Pines VA Contracting Officer, we have been informed that five separate delay claims for this project have been submitted and are currently pending. What I can tell you is that CCS performed its subcontract as planned when finally released to work and topped out the structure in September 2014. With our work completed, the VA has an obligation to timely pay the full value of that work, including additional costs attributable to VA caused changes and delay. At this time, it appears that the five delay claims will go to court in October 2015, fully 13 months after our work was completed, so we are financing the delay as well as the drawn out aftermath.

At this point we are still awaiting a written response from the VA regarding both of CCS's claims, which for the Bay Pines project was submitted over a year ago and for the San Juan project were submitted over six months ago. We have requested mediation. In November 2014 we requested a meeting with VA Undersecretary Gibson to discuss our ongoing issues with these two projects and to develop a solution. We have yet to be granted such a meeting with him or any member of his staff. Meanwhile, CCS continues to accommodate the VA's schedule delays at our expense.

As a veteran myself I was proud to contract with the VA and contribute construction improvements to facilities that my fellow veterans would utilize. CCS has always been proud of our record of service to our public and private clients. At first our work with the VA was a project we could be equally proud of, now we are confronted with delays and a financial burden that is no fault of ours. When we have requested updates or answers to remedy the situation we have been given incomplete and contradictory responses.

At this point CCS recommends that the House Veteran's Affairs Committee request that the VA improve its overall management of construction projects from award to completion. The VA should be strongly encouraged to avoid introducing changes that burden and delay all contractors, but especially the small business contractor. Changes and delays destroy well formulated schedules. Coupled with poor response, changes are destructive, financially unfair, and unsustainable. CCS also recommends that the Committee advise the VA to improve its responsiveness to small businesses who are directly involved in VA construction projects. Small businesses are inherently nimble and responsive, and therefore uniquely suited to construction projects. CCS has provided superior values to the VA, an efficiency the VA should be encouraged to utilize. However, the VA must reciprocate to sustain the increased economy that small businesses provide. That is not happening in our case.

An increased focus on communications with small businesses should include efforts by the VA Office of Small Business to engage directly with small business owners to resolve contract and payment issues in a timely manner.

My immediate and primary concern is the future of my firm, which provides employment to 228 employees. CCS does not seek special privilege, despite the fact that our VA contracts have enfeebled a previously healthy contractor. We merely insist upon reciprocity and want our claims settled, equitably, and immediately. The VA and Small Businesses should be a productive match. Small Businesses should not be crippled by working with the VA.

If you or your staff have any questions or require additional information please feel free to contact me directly.

Sincerely,

A handwritten signature in black ink that reads "Sam Carter". The signature is written in a cursive, flowing style.

Sam Carter

President

Carter Concrete Structures