

U.S. ARMY CORPS OF ENGINEERS

DEPARTMENT OF THE ARMY

TESTIMONY OF

**LLOYD C. CALDWELL, P.E.
U.S. ARMY CORPS OF ENGINEERS
BEFORE THE**

**VETERANS AFFAIRS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES**

ON

**DEPARTMENT OF VETERANS AFFAIRS
DENVER REPLACEMENT MEDICAL CENTER CONSTRUCTION
PROJECT, AURORA COLORADO**

JANUARY 17, 2018

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you on behalf of Lieutenant General Todd Semonite, 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. The Corps has significant capabilities and experience delivering medical facilities for our service members and veterans. We understand the link between the technical capabilities we provide to enable vital health care for our 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 mission we execute for the Nation, and the Corps' capabilities are 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 USC 1535) provides the necessary authority for the Corps to assist other federal agencies, to include the Department of Veterans Affairs (VA), with any design and construction requirements.

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' accounting of the total construction costs known to date and any ancillary construction activities. In addition, I will provide information pertaining to the Corps' lessons learned as related to the Denver Hospital.

While the Corps has the lead role in the construction execution of the Denver Hospital, VA, as the project proponent, remains responsible for project requirements, resourcing and facility transition to full operations, as well as the activation budget and timeline and planning for the existing medical center's continued use or decommissioning.

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 and a new agreement provided the Corps the necessary funding and authority to transition the project's construction agent responsibility to the Corps.

Upon completion of the initial Corps assessment, we identified a preferred course for procurement as a Fixed Price – Incentive Firm Target contract. This contract was awarded on October 30, 2015, after lengthy negotiations with the contractor, and it has demonstrated effectiveness in cost and time savings, due to numerous factors, not the least of which has been a dedicated team consisting of the Corps, VA, and the Contractor working towards the goal of timely, cost effective delivery of a quality facility.

During construction, the Corps and VA have collaborated with each other, and staff from the House Veterans Affairs Committee to provide transparency of the completion status, ongoing activities, changes and expenditures associated with the project. Additionally VA and the Corps provided quarterly briefings to committee staff on the project's completion status.

Our contract provided a target value for completing this project of \$570.75 million, with contingency for unforeseen conditions held in the amount of \$14.25 million, for a total estimated construction value of \$585 million. With the construction now 98 percent complete, our current estimate anticipates that upon final completion, we will have expended approximately \$555 million for construction resulting in approximately \$30 million being returned to VA. Additionally, we anticipate returning \$10 million from the government and contract oversight and audit costs. This will result in a total of approximately \$40 million being returned to VA from the original \$625 million provided to the Corps via Interagency Agreement. Construction remains on schedule for substantial completion of all buildings this month.

Upon completion of the new facilities, there will remain ancillary construction activities for the Denver Hospital, which fall into two categories; punch list items and modifications to address current medical facility requirements. Punch list requirements

are routine with any construction project, and involve minor work remaining for correction or completion that the contractor must finalize to be in full compliance with the contract. These punch list items will not delay project occupancy and use.

The second category typically involves emergent requirements necessary to assure the new facility complies with current codes and practices that may have evolved during the course of the construction. These are relatively minor as compared to the total project requirements.

These emergent requirements were identified and validated by VA, and will be a separate contract action from the contract with Kiewit Turner. We anticipate completing these requirements using the same government team currently on the project but with a new contract. The time required to complete this contract action is still under review but we are currently targeting to have this remaining work completed by the summer of 2018. It is normal that medical facilities require modifications to address emergent requirements. The Corps and VA made the decision to address these emergent medical requirements via a new contract. This course of action provides clarity and transparency to completion of the project and assures finality in completion of the larger contract. This decision also allows the current contractor to concentrate on completing their contract requirements.

As part of our process the Corps reviews our project execution at various stages and identifies lessons learned. The lessons learned help to determine if quality objectives have been met, enable us to identify root cause(s) for quality objectives not met, and help us to formulate strategies to improve performance during ongoing execution of current or future projects. While this project is not yet complete, lessons learned are being continuously recorded.

For example, one significant lesson learned is the value of consistent Senior Executive Review of the project. The Senior Executive Review Group for this project was comprised of senior leaders from VA, the Contractor's organization, and the Corps. This group met regularly to receive project updates from the team on the project and to provide guidance. This commitment at the senior levels of the organizations of all

stakeholders helped to ensure that the entire team remained focused on the success of the project and achieving our collective goals. At the completion of the project, a final package of lessons learned will be formally developed and documented.

Finally, while we are pleased to be nearing completion of this important project, we are also keenly aware of the trust the Committee has placed in the Corps. We appreciate the partnership that has developed during this project between the Corps and VA. We believe that the completion of the Denver Hospital will be a source of great value to the veterans in the region, and will validate the trust that you have placed in the Corps and the VA to bring it to completion. We are committed to working with VA for final completion of the Denver Hospital, and to continue this partnership and collaboration on future VA 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.