

**STATEMENT OF  
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DEPARTMENT OF VETERANS AFFAIRS (VA)  
BEFORE THE  
HOUSE COMMITTEE ON VETERANS' AFFAIRS  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
APRIL 22, 2014**

Good morning, Mr. Chairman and Members of the Committee. I am pleased to appear here this morning to update the Committee on the status of the construction of the replacement medical center in Denver. Joining me today is Stella Fiotes, Executive Director for Construction and Facilities Management.

I would like to take a few moments to highlight two of VA's most recent projects that have been completed to serve Colorado Veterans. Valor Point Homeless Domiciliary, which opened in May 2013, is a 40-bed facility with a two-fold mission: 1) To identify homeless and at-risk Veterans who need residential treatment to overcome homelessness; and 2) To provide these Veterans transitional, recovery-focused treatment that increases their independent living skills so that they can obtain and maintain housing upon graduation. The new Golden VA Clinic, which

opened in February 2014, is a two-story, 40,000 square foot facility, with a Silver LEED energy efficiency rating, that replaced the 2,000 square foot Lakewood VA Clinic at the Denver VA Regional Office. Serving 12,000 Veterans, the Golden VA clinic has been outfitted with additional radiology, laboratory and mental health staff to increase access for Veterans. To date, over 6,000 Veterans have switched their primary care site to this clinic over other facilities in the Denver metropolitan area.

The Office of Acquisition, Logistics and Construction (OALC), is currently managing the major construction project to replace the existing Denver VA Medical Center in the VA Eastern Colorado Health Care System (ECHCS) with a new medical center complex at the Fitzsimons campus in Aurora, Colorado and is actively engaged in the execution of 46 additional major medical and cemetery projects that are either in active planning, design, or construction. This year, VA plans to deliver five medical and two cemetery projects for Veteran use

The Denver VA replacement medical center project will include 182 inpatient beds, an outpatient clinic, a 30-bed community living center, a 30-bed spinal cord injury center and a 4-bed blind rehabilitation unit. To date, construction has been completed on three phases, bringing the total project to 44 percent complete. This project will also allow continued collaboration

between the Denver VA Medical Center and the University of Colorado Hospital, which relocated to the Fitzsimons campus, and with the U.S. Air Force, for which OALC completed construction and delivered the outpatient clinic currently in operation. VA currently serves over 78,000 Veterans through these facilities, with 170,000 Veterans enrolled.

VA is under contract with Kiewit-Turner (KT), as prime contractor, to provide pre-construction services and to build the new facility within a 40-month construction schedule. Both the VA Secretary and Deputy Secretary are briefed monthly on the status of this project as part of our Construction Review Council (CRC) meetings. The primary purpose of the CRC, which was established by the Secretary in 2012, is to serve as a single point of oversight and performance accountability for VA's major construction program, and the regular meetings serve to ensure that VA leadership has visibility and oversight of the VA construction program— to include program requirements development and major changes. To date, VA is still in litigation with the contractor regarding the interpretation of the integrated design construct contract. As of March 2014, the contractor has filed a total of 23 complaints seeking monetary relief for approximately \$13.3 million and has made it clear that it will continue to file additional complaints with the Civilian Board of Contract Appeals (CBCA) if KT is not

compensated in the exact amount requested for changes or contract modifications. On February 28, 2014, VA filed a motion to dismiss KT's initial complaint, and KT filed its response with CBCA on March 31, 2014. VA filed its reply on April 14, 2014 which CBCA will take under advisement.

Accordingly, I ask for the Chairman's and the Committee's understanding since VA will be unable to respond to the matters at issue in the litigation as it may compromise the Government's legal position. However, regardless of the litigation, construction is ongoing.

Regarding the cost of the project, VA received the final appropriation of the \$800 million total project cost as part of the FY 2012 VA budget. VA signed a contract with KT to provide pre-construction services on August 2010 and to build the new facility for \$604 million with a firm ceiling price of \$610 million. As of March 2014, VA has paid KT \$254.9 million for work performed, and supported by required documentation, under the contract agreement. The original contract amount has been revised to \$616.6 million (not to exceed \$630 million), to reflect approved contract modifications. In a good faith effort and to assist the contractor in making payments for work performed, VA has allowed the contractor to bill for work performed later in the project up to \$30 million.

As part of its schedule reviews, VA will extend the contract completion date to adjust for delays that were not the responsibility of the contractor. The first extension was offered in February 2014, and VA awaits a response from the contractor. VA will continue to monitor the schedule during its reviews and work to mitigate further delays in the completion date. However, VA is concerned that KT continues to fall behind their proposed schedule based on monthly evaluations of schedules provided to VA.

In the Spring of 2013, VA initiated monthly meetings with KT to facilitate open communication amongst senior executives to ensure that the project continued apace in spite of the ongoing litigation. It was very disappointing that the contractor made the decision to discontinue these meetings. However, VA staff continue to work with the contractor to ensure the construction of the medical center moves forward and is still operating within the appropriation. The local respective project teams also continue to meet to address any issue that may arise during the normal course of construction. Additionally, Glenn Haggstrom, Principal Executive Director for the VA Office of Acquisition, Logistics and Construction, meets monthly with Mr. Scott Cassels, of Kiewit Corporation, to discuss issues of concern.

VA appreciates the Committee's interest and support to ensure that VA major construction projects, and more specifically the Denver replacement facility, are delivered successfully. While there have been challenges with this project, we have undertaken a comprehensive review of the major construction program and have taken numerous actions to strengthen and improve our execution of VA's ongoing major construction projects. With the acceptance and closure of the April 13, 2013, Government Accountability Office report recommendations and implementation of CRC recommendations, VA has changed the way it conducts business, significantly.

Change orders are not unusual during the construction of any large, complex project, such as the Denver replacement medical center; however, VA recognized that our process was too lengthy and too cumbersome resulting in delays in the execution of change orders. We addressed those challenges by establishing new policies and metrics for change orders, by adding staff and legal counsel to help with the review of change orders and by bringing online a real-time, information technology tool to accept and track change orders. As a result, we are in a much better position now and are processing change orders at a much faster rate than in the past. Although the total number of changes in progress is in constant flux, our

goal is to process all change orders within 60 days. Other areas identified for review and improvement include the design-review process and steps to streamline procedures, while at the same time ensuring that decisions are made at the appropriate levels within the Department. We will keep the Committee informed of our progress in these areas.

Discussions continue with our Federal and industry partners, including the U.S. Army Corps of Engineers (USACE), on collaboration with VA on various aspects of our major construction program. VA and USACE have a long history of working together to advance VA facility construction and share best practices. Recent collaboration includes involvement in contract reviews for this construction project and the New Orleans construction project. Current discussions are a logical evolution of that relationship, and we will continue work with our Federal and private partners to drive the successful delivery of these facilities.

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. To that end, to help ensure previous challenges are not repeated and to lead improvements in the management and execution of our capital asset program as we move forward, we will continue to focus on:

- Ensuring well-defined requirements and costs are provided to Congress when seeking appropriations for construction projects;
- Ensuring appropriate staffing levels are met to ensure timely project and contract administration;
- Continuing open dialogue at every level that includes VA and construction and design contractors;
- Ensuring early involvement of the medical equipment planning and procurement teams; and
- Applying the acquisition program management framework to our projects.

VA continually seeks innovative ways to further improve our ability to design and construct state-of-the-art facilities. VA is fully committed to this goal, and we have demonstrated great efforts to work together with our Federal and private partners to achieve VA's goal of being a people-centric, results-driven, and forward-looking organization, which ultimately enables us to better serve Veterans and their families.

This committee has been a strong and supportive advocate for Veterans' health care, and VA will continue to ensure transparency during the construction of the Denver replacement facility.

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.