



Building a Better VA: Assessing Ongoing Major Construction Management Problems within the Department

Jan 21, 2015

STATEMENT OF
RAYMOND C. KELLEY, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

Building a Better VA: Assessing Ongoing Major Construction Management Problems within the Department

WASHINGTON, D.C.

NATIONAL HEADQUARTERS

406 W. 34th Street Office 816.756.3390
Kansas City, MO 64111 Fax 816.968.1157

WASHINGTON OFFICE

200 Maryland Ave., N.E. Office 202.543.2239
Washington, D.C. 20002 Fax 202.543.6719

info@vfw.org
www.vfw.org

MR. CHAIRMAN, RANKING MEMBER AND MEMBERS OF THE COMMITTEE:

On behalf of the men and women of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, I would like to thank you for the opportunity to testify today regarding the Department of Veterans Affairs' (VA) management of major construction projects.

Over the past few years it has become very apparent that VA's ability to control costs and deliver major construction projects on time is and should be viewed as a great concern. Veterans are not being served when construction projects take months or years longer than expected to complete and the price tags inflate as time drags on.

Last year, the House passed legislation that would improve VA's major medical facility construction process. These improvements include: using medical equipment planners, developing and using a project management plan, peer reviewing all projects, creating a change-order metric, and using a design-build process when possible.

VA claims they have started using medical equipment planners. This practice will assist in reducing scheduling delays and cost overruns. To ensure VA's construction process can be as efficient as possible, it is important the other provisions are enacted.

VA's lack of standardized project management protocol has led to poor communication within VA and between VA and the general contractor has also led to delays and cost overruns. There have been cases identified where separate VA officials have provided contradictory orders to the general contractor, where one VA employee authorized the continuation or start of a new phase of building, while another VA employee gave the order not to continue or start a particular phase. This lack of VA project management coordination led to a portion of the Orlando, Florida facility to be built then removed.

By developing and using a project management plan, all parties at the onset of the project will have a clear understanding of the roles and authorities of each member of the project team. Included in the plan will be clear guidance on communication, staffing, cost and budget, as well as change-order management.

Construction peer excellence reviews are an important aspect of maintaining a high level of construction quality and efficiency. When used, these review teams are made up of experts in construction management who travel to project sites to evaluate the performance of the project team. These meetings provide important feedback – a separate set of eyes – on the project management plan to ensure a plan is in place to make the project come in on time and on budget.

VA has historically relied on the design-bid-build project delivery system when entering into contracts to build major medical facility projects. Sixty percent of current VA major medical

facility projects use design-bid-build. With this model, an architect is selected to design a facility, the design documents are used to secure a bid, and then the successful contract bid holder builds the facility.

Design-bid-build projects often encounter disputes between the customer – VA in this case – and the construction contractor. Because these contracts are generally firm-fixed-price, based on the completed design, the construction contractor is usually responsible for cost overruns, unless VA and the contractor agree on any needed or proposed changes that occur with a change of scope, unforeseen site condition changes or design errors. VA and the contractor negotiate these changes through change orders. This process can become adversarial, because neither party wants to absorb the cost associated with the change, and each change order can add months to the project completion date.

A design-build project teams the architectural/engineering company and the construction contractor under one contract. This method can save VA up to six months of time by putting the design phase and the construction performance metric together. Placing the architect as the lead from start to finish, and having the prime contractor work side-by-side with the architect, allows the architect to be an advocate for VA. Also, the architect and the prime contractor can work together early on in the design phase to reduce the number of design errors, and it also allows them to identify and modify the building plans throughout the project.

While these initiatives will work to improve future projects, the VFW believes a look back at all currently funded major construction projects should take place to see what steps may be needed to finish the nearly 50 partially funded but not completed major Veterans Health Administration (VHA) construction projects.

VA's FY 2015 Budget Submission shows there was more than \$6 billion available for 49 VHA projects through the end of FY 2013. What the submission does not show is why some projects were initially funded years ago, but little to no progress has been made to complete them. Many of these projects have safety implications or provide specific services for spinal cord injuries and need to be set on a course that will bring these projects to completion.

VA's Strategic Capital Investment Plan (SCIP) has been a great tool in identifying gaps access, utilization and safety, but if a clear plan is not in place to close these gaps, delays in care, safety risks and the increased cost to close these gaps will continue.

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions you or the Committee members may have.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, VFW has not received any federal grants in Fiscal Year 2014, nor has it received any federal grants in the two previous Fiscal Years.

The VFW has not received payments or contracts from any foreign governments in the current year or preceding two calendar years.