

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**

**COMMITTEE ON VETERANS AFFAIRS
UNITED STATES SENATE**

ON

**DEPARTMENT OF VETERANS AFFAIRS
DENVER REPLACEMENT HOSPITAL, AURORA COLORADO**

April 24, 2015

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you on behalf of Lieutenant General Thomas Bostick, 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. We understand the vital link between the goals of their service and the technical capabilities we provide, from consultation to delivery of infrastructure. The Corps has significant construction management capabilities and experience delivering medical facilities for our service members and 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 projects it executes for the Nation, and the Corps' capabilities are perhaps 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 the VA with any construction requirements, from minor to major construction.

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' review of the original and interim contracts and the completion estimate. We have also been asked to address the Corps' review of the Department of Veterans Affairs (VA) major construction program and recommendations to improve project oversight and delivery.

There are currently three lines of effort associated with the Corps' support to the VA's major construction program. One is the completion of the Denver Hospital project as the construction agent. Another is a review of management processes from the Denver

Hospital and three other major projects, which may be used by VA to assess their organizational structure, processes and controls. The third is discussion with VA leadership regarding best practices and how we may help support major project execution in their future program.

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 have provided funding and the authority to prepare for the award of a new Corps contract to complete the construction. We are currently working with VA to develop a new agreement that would allow the Corps to award the new contract and transition the construction agent responsibility to the Corps to manage the new contract. Beginning in January, we had a number of technical experts on site to assess the completed work and contract documents. Subsequently those and other teams of professionals, including from the Northwestern Division, Omaha District, Huntsville Engineering and Support Center, and Corps Headquarters are undertaking the steps that will lead to award of the new construction contract as well as to managing the contract through to completion. We have identified a preferred course for acquisition, and in February we issued a Notice of Intent to negotiate and award a sole source contract to Kiewit-Turner, and we have requested approval for the acquisition strategy. As we work toward a new contract award, we continue to assess the detailed requirements of this project, taking into account the fact that construction is continuing under a separate VA contract with Kiewit-Turner.

The Corps provided a preliminary estimate for completing construction at Denver, which was one component of the increased authorization requirements reported to Congress by the VA. The VA combined the Corps' estimate with other VA costs for completing the project. The preliminary estimate was appropriate to inform the increased authorization requirements. Meanwhile, we are developing an independent estimate suitable for negotiation of the new contract.

As the actions for a new Corps contract are proceeding, the Corps is also advising the VA on the management of the VA's interim construction contract with Kiewit-Turner.

This approach continues progress on the project while the Corps prepares to assume construction agent responsibilities.

While the Corps will assume the lead role in the construction of the Denver Hospital, the VA, as the project proponent, will remain responsible for project requirements, resourcing and facility transition to full operations. By using our project delivery process, we are confident that the Corps, acting as the Construction Agent, can complete construction of the Denver Hospital for VA and our veterans.

Concerning the Corps' review of VA's four major medical projects, the purpose is to review management processes, which may be used by VA to assess their organizational structure, processes and controls. The scope of the Corps effort is an analysis of current VA techniques and procedures utilized in executing construction of their major hospitals compared to procedures used by the Corps in executing major medical infrastructure projects. The construction projects under review include the medical facilities at New Orleans, Las Vegas, and Orlando, in addition to the Denver Hospital. The review is underway with the objective to provide a report to VA in May. There are no findings and conclusions currently to report.

In regard to the third line of effort, we have assisted the VA to establish a project review process for major projects.

In other efforts, which predate our involvement with the Denver Hospital project, we provide assistance to VA to execute multiple minor construction and non-recurring maintenance projects for the Veterans Integrated Service Networks and the VA's National Cemetery Administration. We are committed to work with VA to complete the Denver Hospital, to continue our partnership and to collaborate on future 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 you or other Members may have.