STATEMENT FOR THE RECORD OF
THE AMERICAN LEGION

TO THE

COMMITTEE ON VETERAN AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

ON

BUILDING VA'S FUTURE – CONFRONTING PERSISTENT CHALLENGES IN VA'S MAJOR CONSTRUCTION AND LEASE PROGRAMS

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Chairman Miller, Ranking Member Michaud, and distinguished Members of the Committee;

Building a hospital is no easy task – neither is running one for that matter. The Department of Veteran Affairs (VA) owns and operates more than 1,700 hospitals around the country, with 32 hospitals being recognized as "Top performers" by The Joint Commission, a not-for-profit organization that ensures the quality of U.S. health care by its intensive evaluation of more than 20,000 health care organizations.

On behalf of our National Commander and the two and a half million members of The American Legion, thank you for inviting us to share our views on the VA's major facilities construction program.

When American Legion National Commander Dellinger testified before a joint session of Congress on September 10th 2013, Congressman Coffman referred to the Commander's construction background and asked Commander Dellinger if he would please offer his comments, based on his personal experience in the construction industry, about construction challenges that VA was facing in Colorado and other areas. Commander's Dellinger's responded "Maybe the VA should get out of the construction business, and do what they do best – take care of our veterans"

Since September, American Legion leaders and staff have been researching and reviewing possible policy changes regarding VA's major construction and leasing programs, and will be presenting our findings and recommendations to our voting members during our upcoming meeting in March 2014. It will be at this meeting that The American Legion will decide whether or not to develop and pass a resolution regarding the VA construction program.

As part of our research and investigation, The American Legion met with senior officials from The Army Corps of Engineers, The VA Office of Acquisition, Logistic & Construction (OALC), and the VA Office of Construction and Facilities Management to assess the viability of diversifying VA's construction management responsibilities.

During our evaluation, we found that;

The Army Corps of Engineers

- Is adequately suited to undertake the long-term mission of managing VA's construction portfolio
- Has a track record that is equal to or better than the federal industry standard regarding on-time, on-budget construction projects
- Would report directly to VA and not replace OALC
- Has worked on VA construction projects in the past
- Routinely builds hospitals for the Department of Defense

The Corps is not without its criticisms, however most of the criticisms suffered by the Army Corps of Engineers involve their Civil Construction arm and the amount of money Congress has dedicated to disaster relief, beach erosion and other civil engineering projects, not their construction projects. One note regarding this organization is that, there is more transparency and ready access to information regarding overhead expenses and actual costs than with private firms as the Government Accounting Office has an entire collection of assessments and evaluations of The Army Corps of Engineers ready for public review. Information about Army Corps can also be found at the Congressional Budget Office, The Congressional Research Service, as well as other federal research activities and offices.

It is also important to note that inserting the Army Corps of Engineers into the VA construction program would not reduce VA's authority or oversight in any way, as VA would always maintain the roll of "customer" in any future relationship. Another advantage is the advocacy role that Army Corps assumes on behalf of VA. In the event of cost overruns not covered by the reserve fund, Army Corps takes on the responsibility of representing VA before Congress to request additional appropriated funds needed to complete the project.

Based on our initial research, we don't believe that Army Corps would be adequate solutions to interject into the troubled projects currently in progress, but would have the flexibility and ability to be retained as a consultant to help evaluate paths to completion, if requested, and their value to VA on future construction projects will be the subject of our pending resolutions and recommendations. That said; it is also true that the Army Corps of Engineers is routinely relied on to offer oversight and advice when federal projects are not performing as planned, thus giving Army Corps the reputation of expert in the construction management industry.

While reviewing VA's construction program we found that the VA initiated a Construction Review Council (CRC) in April 2012 to serve as the single point of oversight and performance accountability for the planning, budgeting, execution, and delivery of the VA real property capital asset program. It was further explained that the CRC undertook a complete review of the Department's real property capital asset program life cycle to ensure the phases of the life cycle were properly identified and the inputs and outputs of the respective phases were achieved to ensure the successful completion of the capital program.

The council made four recommendations:

- Requirements - Complete 35 percent of design prior to submitting project for construction funding. Define processes for capturing origin requirements, approving requirements, and approving changes to the requirements once project development has started. Conduct master planning of all VISNs (include all VBA and NCA facilities) and integrate plans into the SCIP 10-year plan. Master plans will include major projects, leases, minor projects, and non-reoccurring maintenance (NRM) construction for all Administrations.

- Design Quality - Identify and implement steps to reduce design related issues that increase cost and/or delay construction. Improve peer review process by including assessment of constructability, using construction management firms to augment Architectural/Engineering (A/E) technical peer review.

- Funding - Coordinate SCIP process with budget to assure alignment with services and related initiatives. Consider a dedicated design fund to allow design to proceed seamlessly from start to finish. Recognize and include OI&T costs and activities as part of project cost and effort. Consider a separate fund for historic preservation activities.

- Program Management & Automation - Adhere to common leading indicator metrics for construction. Implement new construction management software tool. Streamline processes and procedures for change orders. Increase professional certifications for program/project managers. Link medical equipment procurement to specific construction to ensure synchronization.

Since no new projects have been initiated since the implementation of these recommendations, it is not possible to gage what impact, if any the recommendations will have on VA's construction program.

VA has developed a change order handbook since the original one was not consistently applied across project sites. In addition, change orders below $250,000 will not be submitted to VA Central Office for approval which should speed up change orders on the local level.

While The American Legion is not prepared to make any specific recommendations to Congress at this time, we are confident our Veteran's Affairs and Rehabilitation Commission, who has oversight of this issue, will present their findings and recommendations to The American Legion during our Winter Conference, and will then make copies of our work, and any future approved resolutions available to this committee.

In conclusion, should this Committee consider any changes to the current procurement process of VA construction, The American Legion would insist that language be included into any bill that

requires any contracting agency participating in VA construction activities be required to adhere to VA's Vets First contracting policies in accordance with Public Law 109-461, and all applicable VA procurement policies regarding veteran small business procurement priorities.

Thank you again for inviting The American's Legion to share our views on this important matter.

For additional information regarding this testimony, please contact Mr. Louis Celli at The American Legion's Legislative Division, (202) 861-2700 or lcelli@legion.org.