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April 12, 2022

The Honorable Tim Ryan
Chairman
Subcommittee on Legislative Branch
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Subject: Semiannual Status Update on Cannon House Office Building Renewal (CHOBr) Project, Period Ended December 31, 2021

Dear Mr. Chairman:

The Explanatory Statement accompanying the Fiscal Year (FY) 2016 Legislative Branch Appropriations Act, P.L. 114-113, directed the Architect of the Capitol (AOC) Office of Inspector General (OIG) to transmit quarterly status updates to the House Committee on Appropriations (HCA) regarding the AOC's progress related to the CHOBr Project (formerly addressed as the Cannon Project). The statement required the AOC OIG to provide the HCA with the AOC's confirmation that the CHOBr Project is progressing in a timely and cost-effective manner, to include scope, budget, schedule and cost schedule risk assessments. In spring 2018, the Committee approved our request to transmit these status updates semiannually. Therefore, this letter covers the period from July 1 through December 31, 2021.

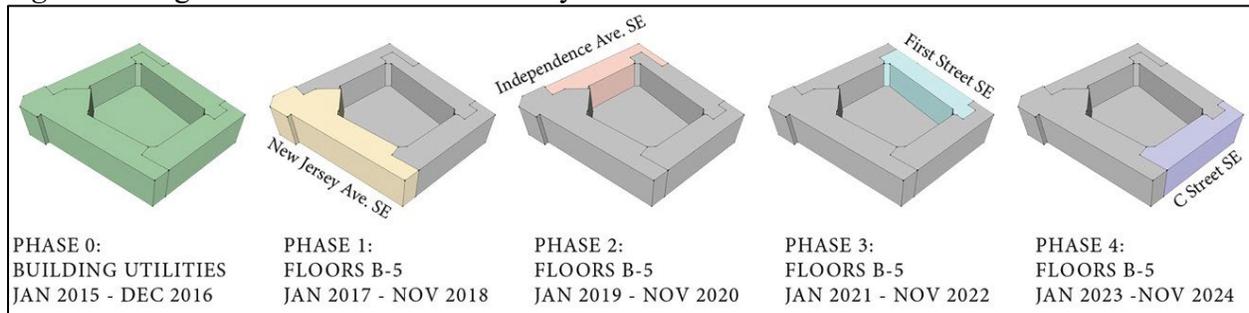
The OIG received the CHOBr Project Semiannual Report (SAR) from AOC project management officials on March 4, 2022. The report was organized into seven areas: 1) safety, 2) security, 3) schedule, 4) budget, 5) client satisfaction, 6) contract management and 7) risk management. To assist in our review of the SAR, we also reviewed the AOC's Monthly Executive Summaries for July 2021 through January 2022, which provided the status of the CHOBr Project for those months. We then reviewed the minutes of weekly meetings held between the CHOBr Project team and the contractor during the period covered by the semiannual report, as well as in January and February 2022. Specifically, we performed a limited review of the status of the CHOBr Project presented in these reports. We prepared detailed questions for the AOC pertaining to progress outlined in the reports; reviewed summary-level documentation supporting the project funding, obligations and expenditures; and obtained relevant updates to tasks that were in process or expected to be completed shortly after December 31, 2021.

We have presented the results of our review in this letter for the Committee's review.

It is important to note that our review was not an audit of the CHOBBr Project, and we therefore did not conduct the procedures in accordance with Generally Accepted Government Auditing Standards. AOC management is responsible for the information presented in the CHOBBr Project SAR and Executive Summaries. Our review did not substantiate all information presented in these reports; therefore, we do not express an opinion in this letter.

The CHOBBr Project includes urgent work to replace major outdated building systems and components while preserving historic building characteristics and improving its safety conditions. The Cannon House Office Building dates back to 1908 and is the oldest congressional office building on the Capitol campus. It includes a combination of member suites, committee hearing rooms, support offices, food services, and facility and utility space. The building has not had a comprehensive systems overhaul since the 1930s, leaving many of its systems outdated and at risk of failure. The AOC completed pre-construction on the Cannon House Office Building in December 2014. Construction is scheduled to be completed in five phases over a 10-year period (see Figure 1).

Figure 1: Original Construction Schedule by Phase



Here is the current status of Phases 0 through 4:

- Phase 0: Started in January 2015 and completed in December 2016.
- Phase 1: Started in January 2017 and achieved occupancy permit in December 2018. The AOC formally closed out the Phase 1 construction contract in November 2020.
- Phase 2: Started in January 2019 and achieved occupancy permit in November 2020. However, Phase 2 final completion was not achieved until November 30, 2021.
- Phase 3: Started in January 2021. Current forecasted final completion date is January 10, 2023 (i.e., approximately two months after the contractual final completion date of November 1, 2022).¹
- Phase 4: Scheduled for the period between January 2023 and November 2024.

In June 2020, the AOC and its Construction Manager as Constructor, Clark/Christman, a Joint Venture (CCJV), updated the contractual Phase 2 substantial and final completion dates via

¹ Per the CHOBBr Project team, this is due to supply chain issues and delays in acquiring fifth-floor window materials, which the team directly attributes to the COVID-19 pandemic. According to the February 2022 Executive Summary, it appears as though the CHOBBr Project team plans to remove the fifth floor from the Phase 3 substantial and final completion milestone requirements as a result of the delays in acquiring fifth-floor window materials. However, substantial and final completion for floors one through four is forecasted to be achieved utilizing staggered dates between late August 2022 and late October 2022, respectively.

Modification M073 to their contract (AOC13C2002). CCJV achieved Phase 2 substantial completion by November 1, 2020, as opposed to the October 15, 2020 substantial completion date negotiated in June 2020. The AOC subsequently agreed to modify the substantial completion date to November 1, 2020 via Modification M086. CCJV did not maintain the contractual Phase 2 final completion date of November 27, 2020 negotiated in June 2020. The milestone delays following June 2020 were largely due to unforeseen conditions, work stoppages,² and logistical shortfalls caused by COVID-19.³ CCJV completed the remaining Phase 2 in-session⁴ interior work on May 21, 2021. On July 1, 2021, Modification M093 updated the Interior Contract Final Completion date to May 21, 2021 and the Exterior and Site Contract Final Completion to September 17, 2021. However, CCJV did not achieve Phase 2 final completion until November 30, 2021. Despite CCJV not meeting the contractual completion dates, the CHOBr Project team turned over the Phase 2 member suites in December 2020, thus allowing 32 members and their staffs to move in on schedule.

Phase 3 (east wing) construction partially commenced in January 2021, but some work features were delayed until March due to the January 6 events and the resulting National Guard occupation of some Phase 3 space in the Cannon House Office Building. The AOC has continued to award contract modifications to its Construction Manager as Agent, McDonough Bolyard Peck (MBP) – AECOM, for increased escorting and monitoring services, as required by the U.S. Capitol Police (USCP) after the January 6 events.⁵ Per the CHOBr Project team, Phase 3's current forecasted final completion date is January 10, 2023 (i.e., approximately two months after the contractual final completion date of November 1, 2022). According to the CHOBr Project team, this is due to supply chain issues and delays in acquiring fifth-floor window materials, which the team directly attributes to the COVID-19 pandemic. The AOC is working with CCJV to restructure the schedule to be able to still achieve the November 1, 2022 date for Phase 3 final completion.⁶ Additionally, the AOC pursued the Defense Priority Allocations

² The January 6, 2021 events at the Capitol Building led to 44 days of potential delay, including the following work stoppages: 1) January 6, 2021 itself; 2) January 13, 2021 to January 20, 2021 for Inauguration Day security precautions (Note: During a typical Inauguration, work would be stopped for only one day – Inauguration Day itself); 3) February 2, 2021 to February 3, 2021 for the Lying in Honor Ceremony for Officer Brian Sicknick; and 4) the National Guard's occupation of part of the Phase 3 wing. CCJV's mitigation efforts to resolve the 44 days of delay were successful, but per the CHOBr Project team, Phase 3 is currently approximately two months behind schedule (see Footnote 1).

³ Between July 1 and December 31, 2021, eight project contractors and four AOC employees tested positive for COVID-19. Additionally, there were 14 quarantine cases for project contractors and nine quarantine cases for AOC employees. During that same period, the project lost 143 worker-days due to COVID-19. These figures were up from January 1 to June 30, 2021, when six project contractors and two AOC employees tested positive for COVID-19, and 60 worker-days were lost. As of December 31, 2021, there were seven open positive COVID-19 cases.

⁴ Other interior work (e.g., work related to elevators, Americans with Disabilities Act fountains, and certain tasks in member suites) was slated to be completed during the August 2021 recess when Congress was not in session. The contractual completion date for the remaining interior work was the same as the exterior completion date (i.e., September 17, 2021), but since CCJV did not complete the work on-time, the CHOBr Project team and CCJV had to develop a revised contractual final completion date. Eventually, the final completion date became November 30, 2021.

⁵ After an OIG inquiry during the *Audit of the Effects of COVID-19 and Events of January 6 on the AOC's CHOBr Project*, the AOC determined that MBP-AECOM's escorting services were not fully attributable to the events of January 6 because the CHOBr Project had not separately tracked that portion of the escorting service costs.

⁶ Phase 3 member move-ins are scheduled to begin on December 1, 2022, but before that can happen, the House's logistics team needs 1.5 days per member suite to complete its interior fit outs. As there are 42 member suites, that

System (DPAS) to help mitigate delays resulting from fifth-floor window materials supply chain issues. The CHOBr Project may utilize its DPAS authority again in the future to mitigate material delays, with the understanding that this authority is limited to obtaining materials related to security and life-safety. The CHOBr Project team’s current forecasted Phase 3 substantial completion date of October 28, 2022 is also approximately two months behind schedule – the contractual date is August 30, 2022. The delay is due to substantial completion and final completion being tied to the fifth-floor window installation; floors 1-4 remain on schedule. Per the February 2022 Executive Summary, it appears as though the CHOBr Project team plans to remove the fifth floor from the Phase 3 substantial and final completion milestone requirements as a result of the window material delays.

Per the December 2019 Integrated Cost Schedule Risk Analysis (ICSRA), the estimated total cost of the CHOBr Project was \$890.2 million. However, the recently issued January 2022 ICSRA estimates that the project’s total cost will increase by \$44.7 million to \$934.9 million (with 90 percent confidence). Per the CHOBr Project team, as of December 31, 2021, the Project had received \$753.9 million in funding (see Table 1). For FY 2022, the Project received \$128.0 million. The AOC will request the remaining \$53.0 million in its FYs 2023 and 2024 budgets (\$753.9 million + \$128.0 million + \$53.0 million = \$934.9 million). In the current reporting period, no contract modifications were awarded that affected the approved budget of \$890.2 million. Table 1 presents the status of funds for the \$890.2 million budget:

Table 1: CHOBr Project Status of Funds as of December 31, 2021

Funding Component	Phase Budget	Allocated Funds	Total Obligated	Total Expended	Available Balance
Preconstruction	\$ 38,039,161	\$ 38,039,161	\$ 38,039,161	\$ 38,039,161	-
Phase 0	\$ 99,653,874	\$ 99,640,238	\$ 99,640,238	\$ 99,640,238	-
Phase 1	\$ 194,738,000	\$ 194,701,293	\$ 193,106,450	\$ 192,960,017	\$ 1,594,843
Phase 2	\$ 202,374,000	\$ 190,120,005	\$ 186,392,565	\$ 181,932,399	\$ 3,727,440
Phase 3	\$ 178,895,000	\$ 192,727,208	\$ 172,787,871	\$ 74,104,429	\$ 19,939,337
Phase 4	\$ 176,484,000	\$ 38,660,906	-	-	\$ 38,660,906
Total	\$ 890,184,035	\$ 753,888,811	\$ 689,966,285	\$ 586,676,244	\$ 63,922,526

The AOC formally closed out the Phase 1 construction contract in November 2020. Based on the \$890.2 million total project cost estimate, Phase 1 was budgeted to cost \$194.7 million. As of December 31, 2021, the total funding for Phase 1 was \$194.7 million, of which the AOC has obligated \$193.1 million and expended \$192.9 million. As of December 31, 2021, \$1.5 million remains available in Phase 1, most of which is anticipated to be transferred to Phase 3 in 2022.

Based on the \$890.2 million total project cost estimate, Phase 2 is budgeted to cost \$202.4 million. As of December 31, 2021, the total funding was \$190.1 million, a decrease of \$1.6

amounts to 63 working days (approximately three months taking holidays and weekends into consideration) to complete the interior fit outs. Given current project delays and the time it takes to complete the interior fit outs, member move-ins would not have been able to start until early January 2023. Therefore, the AOC and CCJV developed an incentivized schedule to improve the first-floor turnover date by five weeks, the second-floor turnover by three weeks, and the third-floor turnover by one week. The cost impact of the incentivized schedule is not clear, nor is it clear what incentives CCJV was offered, but given the incentivized schedule includes further schedule improvements related to security infrastructure, security closets, and acceleration for USCP/ Physical Security Division scope, it is reasonable to assume costs will increase as a result of the incentivized schedule.

million from June 30, 2021. This decrease reflects the transfer of scope and funding for the CHOBr Rotunda Roof repairs of \$1.4 million, and the transfer to Phase 3 of \$200K of unobligated funding for other line items. Of the \$190.1 million in funding, the AOC has obligated \$186.4 million and expended \$181.9 million. As of December 31, 2021, the Phase 2 available balance was \$3.7 million, of which \$2.8 million will be transferred to Phase 3 in January 2022. The remaining \$900K will remain in Phase 2 to cover additional Swing Space costs resulting from changes to the Liaison Suites. Phase 2 punch list work is complete, but there are currently 181 open Phase 2 warranty items.⁷ The AOC has transferred a total of \$16.3 million in Phase 2 savings to Phase 3. In December 2021, the AOC awarded the project's contractors (i.e., CCJV, MBP-AECOM, and Shalom Baranes Associates [Architect/Engineer]) the Phase 2 Partnering Fee at 87.4 percent (\$1,974,366) of the Phase 2 available partnering fee and a portion of the Phase 1 partnering fee rolled over into Phase 2. Partnering fees are based on the AOC's subjective and objective assessment of the contractors' performance, including at-schedule, on-budget, high quality performance.

Based on the \$890.2 million total project cost estimate, Phase 3 is budgeted to cost \$178.9 million. As of December 31, 2021, the total funding was \$192.7 million, of which the AOC had obligated \$172.8 million and expended \$74.1 million. This means that as of December 31, 2021, 90 percent of the Phase 3 budget had been obligated, with approximately 12 months left in the phase. Therefore, at the end of 2021, it seemed likely the Phase 3 budget was at risk of being exceeded due to potential exposure for unforeseen and owner changes; COVID-19 impacts; expanded support services; and additional scope impact beyond the AOC's control. However, the CHOBr Project team believes the recent Phase 3 budget increase from \$178.9 million to \$201.6 million (assuming that the updated total budget of \$934.9 million is funded) will be sufficient to complete the phase. Based on an estimate provided by the CHOBr Project team, the team expects the continued daily high-touch cleaning and other potential COVID-19 mitigation efforts are likely to cost approximately \$1.2 million through the end of Phase 3 (January 2022 to December 2022). The AOC awarded the Phase 3 guaranteed maximum price (GMP) contract to CCJV for a negotiated value of \$135.6 million, amounting to \$12.1 million more than the budgeted GMP of \$123.5 million. At the time of the award, the AOC funded the shortfall using savings from Phase 2 and Phase 3 construction contingency funds. Per the CHOBr Project team, this is how the AOC subsequently funded Phase 3.

As of December 31, 2021, the AOC had obligated \$1,795,470 of Phase 2 contingency and \$777,845 of Phase 3 contingency for COVID-19 costs (i.e., \$2,573,315 total). On January 31, 2022, the Project received a \$2,573,315 reimbursement for these COVID-19 costs.

The CHOBr Project team continued to provide detailed information regarding Potential Change Orders (PCOs) (see Table 2).

⁷ The Phase 2 warranty items have no impact on the Phase 3 construction schedule because the completion of warranty work has a separate schedule and staff from CCJV. The CHOBr Project team anticipates that CCJV will complete approximately 121 of these items in May 2022, barring any unforeseen building access impacts. The remaining items beyond those 121 are long-lead and remain targeted for completion during summer 2022. In general, these items primarily include finishes and minor miscellaneous mechanical/electrical/plumbing-related items.

Phase	PCOs Initiated	PCOs Voided	Proposed Dollar Value Initiated PCOs	Potential Schedule Impact	PCOs Approved	Dollar Value Approved PCOs	Open PCOs	Proposed Dollar Value Open PCOs	PCOs Pending Proposal
PH 2	39	11	\$ 357,040	3	48	\$ 199,125	0	0	0
PH 3	179	31	\$ 4,365,505	9	44	\$ 6,826,915	159	\$ 3,055,633	133

Phase 2

- From July 1 to December 31, 2021, the project’s contractors initiated 39 PCOs. The CHOBr Project team voided 11 additional PCOs. Of the 39 PCOs, the CHOBr Project team determined that three might impact the project’s schedule. The proposed value of the PCOs initiated during this period totaled \$357,040. During this same period, the CHOBr Project team negotiated and settled 48 PCOs (some of which may have been initiated in a prior period [i.e., before the July 1, 2021 to December 31, 2021 SAR period]) related to the Phase 2 scope, for a final awarded value of \$199,125. As of December 31, 2021, all outstanding Phase 2 PCOs have been negotiated and settled.

Phase 3

- From July 1 to December 31, 2021, the project’s contractors initiated 179 PCOs. The CHOBr Project team voided 31 additional PCOs. Of the 179 PCOs, the CHOBr Project team determined that nine might impact the project’s schedule. The proposed value of the PCOs initiated during this period totaled \$4,365,505. During this same period, the CHOBr Project team negotiated and settled 44 PCOs (some of which may have been initiated in a prior period) related to the Phase 3 scope, for a final awarded value of \$6,826,915. As of December 31, 2021, 159 PCOs (some of which may have been initiated in a prior period) remained open (133 of which are pending proposal submission by CCJV), with a proposed value of \$3,055,633.

The CHOBr Project received \$658,000 from the Coronavirus Aid, Relief and Economic Security Act, which was enacted in March 2020. After the AOC received further supplemental appropriations in July 2021,⁸ the CHOBr Project received a \$2,573,315 reimbursement for costs incurred related to the COVID-19 pandemic on January 31, 2022. Per the CHOBr Project team, as of February 3, 2022, the Project had not received any reimbursements related to the events of January 6. The Project team noted that even with the supplemental funding, the Phase 3 budget will still be at risk of being exceeded due to potential exposure for unforeseen and owner (i.e., the U.S. government via the AOC) changes; COVID-19 impacts; expanded support services; and additional scope impact beyond the AOC’s control. If the CHOBr Project receives any supplemental funding for costs related to COVID-19 and the January 6 events, the AOC should ensure the funding is used to reimburse the project for costs related to those events and those

⁸ On July 30, 2021, Public Law 117-31 appropriated \$21,869,069 to the AOC to prevent, prepare for, and respond to the coronavirus, and \$300,000,000 to respond to the events at the United States Capitol on January 6, 2021.

events only. The CHOBr Project team appears to have accepted that COVID-19 is a significant risk to delivering the project on time and has taken actions to mitigate that risk. However, we expect that impacts to the schedule and budget due to COVID-19 will warrant review for the foreseeable future of the CHOBr Project.

The CHOBr Project team analyzes risks to the CHOBr Project during weekly and quarterly risk meetings. According to the CHOBr Project team, the top five Phase 3 risks during the reporting period were:

1. If there are supply chain issues, workforce unavailability, lack of site access and increased worker safety protocols related to COVID-19, the project may experience increased cost and adverse schedule impacts.
2. If construction is not completed on time, then stakeholder outfitting and move schedule may be impacted.
3. A compressed schedule is more difficult to manage, which may result in uncoordinated activity completions and inefficient schedule management.
4. If owner/stakeholder-requested changes or USCP-driven design changes are significant or are incorporated late in the phase, the project schedule will be impacted and turnover potentially delayed.
5. If work plans are not created, vetted and approved well ahead of work that potentially impacts building occupants, then execution of work may be delayed allowing for proper notification (Dear Colleague Letter, etc.) to stakeholders.

I have provided a similar letter to The Honorable Jaime Herrera Beutler, Ranking Member. Please do not hesitate to call me at 202.329.6408 if you have any questions, or if I might be of further service.

Sincerely,



Christopher P. Failla, CIG
Inspector General

Enclosure:

Cannon Renewal Project Semiannual Report to the Inspector General
July 1, 2021 – December 31, 2021
Cannon Renewal Project December 2021 Executive Summary

cc: J. Brett Blanton, Architect of the Capitol