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September 13, 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 June 30, 2022 (Report No. OIG-AUD-2022-08)

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, inclusive of 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 January 1 through June 30, 2022.

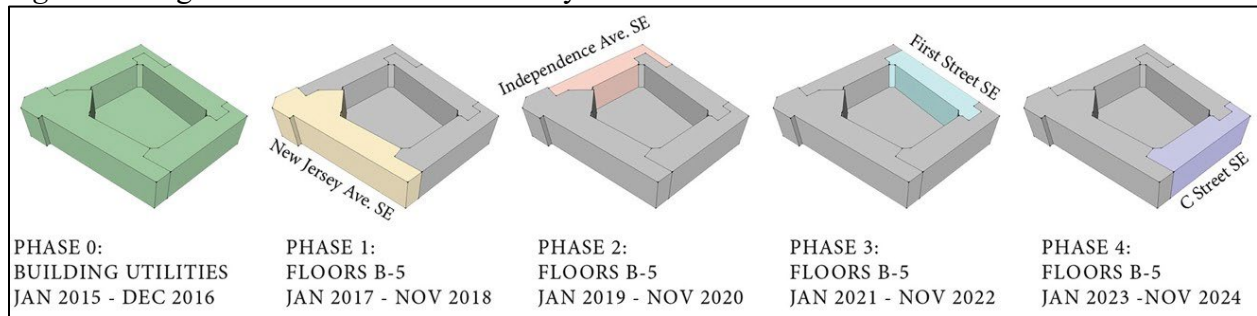
The OIG received the CHOBr Project Semiannual Report (SAR) from AOC project management officials on August 9, 2022. The report was organized into the following seven areas: 1) safety; 2) security; 3) schedule; 4) budget; 5) client satisfaction; 6) contract management and 7) risk management. To assist in our review of the SAR, we also reviewed the AOC's Monthly Executive Summaries for January 2022 through July 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 SAR, as well as in July 2022 and August 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 the 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 June 30, 2022.

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 CHOBr Project; therefore, we did not conduct the procedures in accordance with Generally Accepted Government Auditing Standards. AOC management is responsible for the information presented in the CHOBr 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 CHOBr 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 timeframes/dates are late November 2022 for the basement through the fourth floor (i.e., three to four weeks after the contractual final completion date of November 1, 2022) and January 10, 2023, for the fifth floor (i.e., the contractual final completion date).
  - The AOC and its Construction Manager as Constructor, Clark/Christman, a Joint Venture (CCJV) negotiated substantial and final completion milestone requirements for the fifth floor separately from the other floors to allow for earlier occupancy of those lower floors. Per the CHOBr Project team, the fifth-floor issues are due to delays in acquiring window materials, which the team directly attributes to the COVID-19 pandemic and supply chain issues. The AOC and CCJV also agreed to update the contractual completion dates for the third and fourth floors, which were delayed due to greater than anticipated plaster cornice

repairs, as well the completion of suites affected by the placement of exterior hoists.

- The forecasted substantial completion date for the basement through the fourth floor is also behind schedule – per the July 2022 Monthly Executive Summary, the anticipated substantial completion timeframe is early October 2022 (i.e., approximately one month after the contractual substantial completion date of August 30, 2022).
- The fifth floor is currently projected to be substantially completed on the contractual substantial completion date (i.e., November 14, 2022).
- Phase 4: Scheduled for the period between January 2023 and November 2024.

In June 2020, the AOC and CCJV updated the contractual Phase 2 substantial and final completion dates via 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,<sup>1</sup> and logistical shortfalls caused by COVID-19.<sup>2</sup> CCJV completed the remaining Phase 2 in-session<sup>3</sup> 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 2021 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

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<sup>1</sup> 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 due to the fifth-floor window delays (see Footnote 1).

<sup>2</sup> Between January 1 and June 30, 2022, 16 project contractors and five AOC employees tested positive for COVID-19. Additionally, there were three quarantine cases for project contractors and two quarantine cases for AOC employees. During that same period, the project lost 249 worker-days due to COVID-19. These figures were up from July 1 to December 31, 2021, when eight project contractors and four AOC employees tested positive for COVID-19, and 143 worker-days were lost. As of June 30, 2022, there were no open positive COVID-19 cases.

<sup>3</sup> 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.

Bolyard Peck (MBP) – AECOM, a Joint Venture, for increased escorting and monitoring services, as required by the U.S. Capitol Police (USCP) after the January 6 events.<sup>4</sup> Per the CHOBr Project team, Phase 3’s current forecasted final completion timeframe for the basement through the fourth floor is late November 2022 (i.e., three to four weeks after the contractual final completion date of November 1, 2022). The anticipated final completion for the fifth floor, which concerns three member suites, is January 10, 2023 (i.e., the contractual final completion date). According to the CHOBr Project team, this is due to delays in acquiring fifth-floor window materials, which the team directly attributes to the COVID-19 pandemic and supply chain issues. Phase 3 member move-ins are scheduled to begin on December 1, 2022. The CHOBr Project team is closely monitoring the incentivized schedule in case it is necessary for the House of Representatives’ Office of the Chief Administrative Officer Logistics to accelerate its interior fit-outs to meet December 2022 occupancy. The House Office Buildings Superintendent has indicated that, if necessary, it has temporary space available until the three fifth floor member suites are complete. The AOC pursued the Defense Priority Allocations 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.

Per the December 2019 Integrated Cost Schedule Risk Analysis (ICSRA), the estimated total cost of the CHOBr Project was \$890.2 million (with 90 percent confidence). However, the ICSRA completed in January 2022 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 June 30, 2022, the Project had received \$884.5 million in funding (see Table 1), with \$130.6 million of that funding being awarded in FY 2022. The AOC will request the remaining \$50.4 million in its FYs 2023 and 2024 budgets (\$884.5 million + \$50.4 million = \$934.9 million). In the current reporting period, no contract modifications were awarded that affected the approved budget of \$934.9 million. Table 1 presents the status of funds for the \$934.9 million budget:

*Table 1: CHOBr Project Status of Funds as of June 30, 2022*

<b>Funding Component</b>	<b>Phase Budget</b>	<b>Allocated Funds</b>	<b>Total Obligated</b>	<b>Total Expended</b>	<b>Available Balance</b>
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	\$ 193,261,983	\$ 193,374,644	\$ 193,148,697	\$ 193,023,258	\$ 225,947
Phase 2	\$ 192,641,228	\$ 185,416,232	\$ 184,568,768	\$ 184,300,671	\$ 847,464
Phase 3	\$ 201,593,999	\$ 203,004,491	\$ 184,870,102	\$ 122,942,771	\$ 18,134,389
Phase 4	\$ 209,675,712	\$ 164,987,360	\$ 491,207	-	\$ 164,496,153
<b>Total</b>	<b>\$ 934,865,957</b>	<b>\$ 884,462,126</b>	<b>\$ 700,758,173</b>	<b>\$ 637,946,099</b>	<b>\$ 183,703,953</b>

The AOC formally closed out the Phase 1 construction contract in November 2020. As of June 30, 2022, \$226K remained available in Phase 1, for the AOC Construction Division’s (AOC-CD) completion of upgraded railings on the media balcony, fifth floor control joints and warranty

<sup>4</sup> 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.

items. AOC-CD and House Shops are performing the warranty work, which means they have accepted responsibility for the work from CCJV, thus nullifying CCJV’s warranties.

Based on the \$934.9 million total project cost estimate, Phase 2 is budgeted to cost \$192.6 million. As of June 30, 2022, the total funding was \$185.4 million, a decrease of \$4.7 million from December 31, 2021. This decrease reflects the February 2022 de-obligation of \$1.8 million in scope and funding from CCJV’s Phase 2 contract value, and the transfer to Phase 3 contingency of \$2.9 million of available funds in other budgeted line items. Of the \$185.4 million in funding, the AOC has obligated \$184.5 million and expended \$184.3 million. As of June 30, 2022, the Phase 2 available balance was \$847K to cover additional swing space costs resulting from changes to the liaison suites. Phase 2 punch list work is complete, but as of June 20, 2022, there were 149 open Phase 2 warranty items, compared to 181 open items as of December 31, 2021.<sup>5</sup> The CHOBr Project team had expected CCJV to address/close the remaining warranty items during the August 2022 congressional recess, but, per the Project team, the House of Representatives subsequently scheduled votes during the recess. Because of this, the CHOBr Project team now expects any remaining Phase 2 warranty items to be completed during the upcoming October 2022 recess. The AOC has transferred a total of \$16.3 million in Phase 2 savings to Phase 3.

Based on the \$934.9 million total project cost estimate, Phase 3 is budgeted to cost \$201.6 million. The CHOBr Project team expects Phase 3 to be completed within budget. As of June 30, 2022, the total funding was \$203.0 million, of which the AOC had obligated \$184.9 million and expended \$122.9 million. 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 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.

According to the CHOBr Project team, the AOC expects to award the Phase 4 option to CCJV for \$175.0 million, which is approximately \$3.0 million greater than the \$171.9 million construction costs budget established by the January 2022 ICSRA.

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

*Table 2: CHOBr Project PCO Status January 1, 2022 – June 30, 2022*

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

<sup>5</sup> Per the CHOBr Project team, 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.

PH 3	184	29	\$ 5,014,689	1	111	\$ 4,467,981	197	\$ 3,635,997	143
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From January 1 to June 30, 2022, the project’s contractors initiated 184 PCOs. The CHOBBr Project team voided 29 additional PCOs. Of the 184 PCOs, the CHOBBr Project team determined that only one might impact the project’s schedule. The proposed value of the PCOs initiated during this period totaled \$5,014,689. During this same period, the CHOBBr Project team negotiated and settled 111 PCOs (some of which may have been initiated in a prior period) related to the Phase 3 scope, for a final awarded value of \$4,467,981. As of June 30, 2022, 197 PCOs (some of which may have been initiated in a prior period) remained open (143 of which are pending proposal submission by CCJV), with a proposed value of \$3,635,997.

The CHOBBr 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,<sup>6</sup> the CHOBBr Project received a \$2,573,315 reimbursement for costs incurred related to the COVID-19 pandemic on January 31, 2022. Per the CHOBBr Project team, as of August 22, 2022, the AOC’s Office of the Chief Financial Officer had not requested any reimbursements related to the events of January 6. If the CHOBBr Project team is asked to provide support for any additional supplemental funding requests for costs related to COVID-19 and the January 6 events, the team should ensure that it includes costs related to those events and those events only. The CHOBBr 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 CHOBBr Project.

The CHOBBr Project team analyzes risks to the CHOBBr Project during monthly risk management and standing project meetings. According to the CHOBBr 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 the project employs schedule compression efforts, the quality of work may be negatively impacted or there may be a failure to follow the QA/QC program resulting in an extensive punch-list, ultimately extending the overall project duration.
3. If change orders are not submitted and/or processed in a timely manner, the project schedule could be impacted, or work may be performed out of sequence, resulting in additional cost.
4. A compressed schedule is more difficult to manage, which may result in uncoordinated activity completions and inefficient schedule management.
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 be made.

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<sup>6</sup> 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.

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  
January 1, 2022 – June 30, 2022  
Cannon Renewal Project June 2022 Executive Summary

cc: J. Brett Blanton, Architect of the Capitol