

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Review of
Alleged Mismanagement
of Construction Projects at
the VA Medical Center in
Clarksburg, West Virginia*

March 24, 2017
15-032310-319

ACRONYMS

A&E	Architectural and Engineering
CSI	Clinical Specific Initiatives
FMS	Facility Management Services
FY	Fiscal Year
IGCE	Independent Government Cost Estimate
NRM	Nonrecurring Maintenance
OIG	Office of Inspector General
SF	Square Feet
VA	Department of Veterans Affairs
VAMC	VA Medical Center
VISN	Veterans Integrated Service Network

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Highlights: Review of Alleged Mismanagement of Construction Projects at the VAMC in Clarksburg, WV

Why We Did This Review

In March 2015, the Office of Inspector General received a Hotline allegation of improper management and oversight of minor, nonrecurring maintenance, and clinical specific initiative construction projects at the Louis A. Johnson VA Medical Center (VAMC) in Clarksburg, WV. The complainant alleged eight construction projects were mismanaged, which led to project cost overruns, delays, cancellations, unnecessary change orders, and additional work.

What We Found

We substantiated the allegation that VAMC managers did not effectively manage and oversee the eight construction projects identified in the complaint. Most significant was a parking garage planned at a cost of approximately \$9.7 million that was reduced from approximately 430 new spaces to approximately 25 new spaces before the project was canceled in March 2016. The VAMC also had to reduce other construction projects in scope because of inadequate planning and delayed project completion. The VAMC has completed only three of the eight projects; all three cost significantly more than planned.

This occurred because of inaccurate cost estimates, untimely performance of site surveys, and failure to ensure project designs were within funding limitations.

In total, we identified approximately \$2.8 million in unnecessary costs and delays in completing projects needed to serve veterans.

What We Recommended

We recommended the Veterans Integrated Service Network 5 Director ensure the Louis A. Johnson VAMC implements a plan to use or repurpose the heating and air conditioning system identified by this review, train staff on developing cost estimates and funding requests, and ensure timely performance of site surveys.

Agency Comments

The Director of the Louis A. Johnson VAMC concurred with our recommendations. The Director also included four comments related to the Parking Garage and Acute Mental Health Unit projects.

A handwritten signature in blue ink that reads "Larry M. Reinkemeyer".

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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RESULTS AND RECOMMENDATIONS

Finding **The VA Medical Center in Clarksburg, WV, Mismanaged Eight Construction Projects**

On March 9, 2015, the Office of Inspector General (OIG) received a Hotline allegation of improper management and oversight of minor, nonrecurring maintenance (NRM) and clinical specific initiative (CSI)¹ construction projects at the Louis A. Johnson VA Medical Center (VAMC) in Clarksburg, WV. The complainant alleged the VAMC mismanaged eight construction projects that led to project cost overruns, delays, cancellations, unnecessary change orders, and additional work. The review assessed only the merits of the eight projects in the hot line allegation.

Types of VAMC Construction Projects

VAMC construction projects are categorized as either major construction (projects funded over \$10 million) or minor construction (projects funded at \$10 million or less). Construction projects identified in the Hotline allegation were funded at less than \$10 million, and included minor, NRM, and CSI projects. As of April 15, 2015, the VAMC had 17 active minor construction projects valued at approximately \$27.9 million according to records in VA's Electronic Contract Management System. (See Appendix A for additional background information on the types of VAMC construction projects.)

Criteria

The Federal Acquisition Regulation and VA acquisition procedures require project planning to include preparation of a reasonable Independent Government Cost Estimate (IGCE),² clearly detailed Statement of Work, and unambiguous specifications. The Federal Acquisition Regulation also requires coordination and clear communication with contractors to ensure project objectives are completed within budget. VHA Handbook 1002.02, *Minor Construction Program*, contains policy and procedures for managing the Minor Construction Program, providing guidance that covers project planning, funding, execution, and reporting.

What We Did

We interviewed the complainant to gather additional information on the projects identified in the allegation. We reviewed VAMC and contracting office documents related to the construction projects in VA's Electronic

¹ CSI projects focus on VHA high-profile needs that add at least 1,000 SF in new building construction and have total project costs of less than \$5 million. CSI projects are funded through the Medical Facilities Appropriation.

² An IGCE is the Government's estimate of costs that a contractor may incur performing services and/or providing supplies to achieve the Government's objectives. It serves as an objective basis for determining price reasonableness and provides the basis for comparing costs and prices proposed by offerors. It also serves as the basis for reserving funds for the contract during acquisition planning.

Contract Management System. We conducted a site visit at the Louis A. Johnson VAMC in April 2015. While on site, we interviewed VAMC management, including the Director, Associate Director, Chief of Facility Management Services (FMS), and other staff. We also interviewed the Veterans Integrated Service Network (VISN) 4 Contracting Officer for the eight construction projects.

What We Found

We substantiated the allegation that the Louis A. Johnson VAMC did not effectively manage the eight minor, NRM, and CSI construction projects identified in the allegation. Specifically, the VAMC FMS Chief and engineering staff did not ensure structures and patient treatment facilities were available for full utilization as planned. This occurred due to inaccurate cost estimates, untimely performance of site surveys, and failure to ensure project designs were within approved funding. As a result, the OIG identified approximately \$2.8 million in unnecessary costs and delays in completing projects needed to serve the medical needs of veterans and other VA beneficiaries that could have been prevented with more effective construction management.

Parking Garage Project

The Parking Garage Project (Minor Construction Project No. 540-320) was planned in 2009 for the construction of a new parking garage on VAMC grounds for an estimated \$9.7 million, which would add an additional 430 parking spaces to the VAMC's property. However, by December 2015, the planned parking garage project was reduced in scope from a parking garage adding about 430 new parking spaces to a parking garage adding 25 new parking spaces. After more than 2½ years of delays from the planned completion date in September 2013, the Contracting Officer canceled the contracting action prior to making an award in March 2016.

This occurred because of inadequate planning and underestimation of project costs. Former VAMC managers and engineering staff did not plan for two site surveys or other available options when initially planning the project. Under Title 36 Code of Federal Regulations 800 that implements the National Historic Preservation Act of 1966 (the Act) requirements, surveys are among several options to demonstrate a good faith effort for identifying historic sites. As a result of not taking timely action on the Act's requirements, the VAMC engineering staff did not obtain completed surveys for the project until August 2013, unnecessarily delaying the project by approximately two years.

The project experienced another significant delay because bids received for construction exceeded available funding. In June 2014, the Contracting Officer received two responsive bids to construct the parking garage. Both bids exceeded available construction funding of \$8.7 million by at least \$1 million. At the end of August 2014, the Contracting Officer discussed with the two offerors scaling down the project by eliminating 180 spaces to better align the cost with the available project funding of \$8.7 million. From

the end of August through November 2014, the VISN Capital Management office staff did not release construction funds because of concerns that the scaled-down parking garage would not address the VAMC's estimated parking shortfall of 625 spaces.

On November 24, 2014, the Contracting Officer contacted the low bidder to offer a contract. In reply to the Contracting Officer on November 25, 2014, the contractor stated that because so much time had passed without word from VA, it believed the VAMC decided not to go forward with the project. In addition, the contractor stated it would need to negotiate and set up new subcontracts, and claimed the cost of concrete had increased four percent during the intervening time. Between December 2014 and February 2015, the Contracting Officer canceled the original solicitation, updated the construction cost estimate, and requested additional funds to support a new project solicitation, which was issued in July 2015.

In July 2015, the Contracting Officer and VAMC FMS Assistant Chief expected approved funding would only permit construction of a parking garage with an estimated 250 parking spaces. In September 2015, according to the Contracting Officer, an unsuccessful bidder initiated a protest that delayed the award of a new construction contract for the parking garage.

In December 2015, the Contracting Officer stated the anticipated contract only provided funding for an estimated 25 new parking spaces instead of the 250 parking spaces planned for at a cost of approximately \$9.7 million. The VAMC FMS Chief also stated the project was still necessary because of the current lack of available parking spaces. We advised the two VA representatives that spending \$9.7 million to increase parking capacity by only 25 spaces did not represent a prudent use of taxpayer funds. Construction of this parking garage as planned would cost approximately \$388,000 per parking space. Furthermore, once this project was complete, the VAMC would still not have solved its parking space shortfall of approximately 625 spaces.

Subsequent to OIG discussing concerns related to the contract with VA Regional Counsel in January 2016, the Contracting Officer decided to not make an award in March 2016. In June 2016, the VAMC Director stated alternative solutions were being considered to address the parking issue. Since the VAMC incurred about \$400,000 in Architectural and Engineering (A&E) costs to design a parking garage that they no longer plan to build, the VAMC has only approximately \$9.3 million of the original \$9.7 million for other options to address the parking shortfall.

*Red Firm
Project*

The Red Firm Project (NRM Project No. 540-09-611) was planned in 2010 to renovate clinic space for an estimated \$360,000 with an October 2012 completion date. Despite paying contractors more than \$1 million, the VAMC terminated the contract for convenience in

July 2013 prior to completion. During our April 2015 site visit, we noted the contractor left the clinical area partially demolished, with the VAMC using the space for construction materials storage. As of December 2015, the space remained unchanged and unusable for its intended purpose. According to the VAMC FMS Chief, a VA administrative judge imposed a settlement on the contract disputes, which left no available project funds to make the space suitable for any other purpose. As shown in Figure 1, the partially demolished clinical space was used as a storage area for construction materials.

Figure 1. Unfinished Red Firm Project



Source: VA OIG; Unfinished Red Firm Project; Clarksburg, WV; April 28, 2015

During construction, contradictory VAMC specifications and design changes created disputes, delays, and ultimately contract termination in July 2013. For example, project specifications required both stand-alone and integrated climate controls, causing confusion for the construction contractor, resulting in delays and disputes with the VAMC. Additionally, the Contracting Officer issued a unilateral modification requiring the contractor to make a material design change, moving the heating and air conditioning system from

an interior location to the roof of the VAMC, which resulted in an increase in project costs. We estimated the VAMC unnecessarily paid approximately \$733,000 due in part to the administrative judge-mediated resolution of disputes in favor of the contractor related to the unfinished project. The settlement for \$450,000 resolved almost \$538,000 in Contracting Officer denied equitable adjustments claims.

In addition, according to VAMC management, subsequent to contract termination, the VAMC took possession of a heating and air conditioning system from the contractor that cost approximately \$285,000. The VAMC placed the system in storage at a nearby parking lot shortly after contract termination in July 2013. The VAMC Director and Associate Director were unaware that the system was in VAMC possession until we notified them during our April 2015 site visit. The VAMC FMS Chief advised us the system could not be used for the redesigned renovation project. As a result, the VAMC will waste approximately \$285,000 unless they find a new use for the system. According to the VAMC Supervisory Engineering Technician, the VAMC was performing an evaluation to determine the serviceability of the system. As shown in Figure 2, the unused heating and air conditioning system is stored in a parking lot near the VAMC.

Figure 2. Heating and Air Conditioning Unit in Storage



Source: VA OIG; Heating and air conditioning system in storage; Clarksburg, WV; April 28, 2015

In July 2016, the Contracting Officer stated the revised plan was to make an award to an A&E firm for the redesign of the space in August 2016. The VAMC FMS Chief stated the VAMC is still waiting for VISN 5 to approve additional construction funding for the project.³ The FMS Chief also stated

³ Louis A. Johnson VAMC moved from VISN 4 to VISN 5 on October 1, 2015.

the VAMC is clearing the space of construction materials because the materials were identified as a potential fire hazard. As a result of poor decisions and lack of oversight by VAMC management, the VAMC unnecessarily incurred or wasted over \$1 million on the renovation of the clinical space that is more than 3½ years behind schedule and still unavailable to support veterans' health care services.

*Electrical
Distribution
Alterations
Project*

The Electrical Distribution Alterations Project (NRM Project No. 540-04-121) in FY 2009 was planned to make electrical alterations to multiple VAMC buildings for an estimated \$8 million. After beginning the project, the VAMC needed to obtain additional funding to complete the project because it had not performed a site survey, which the VAMC FMS Assistant Chief stated should have been performed during planning. A former Contracting Officer awarded a modification for approximately \$640,000 to address unidentified site conditions during project planning resulting from not performing a site survey. According to the Chief Engineer and the Assistant Chief Engineer, conducting a site survey is a best practice in engineering and could have eliminated the need for this modification. We were unable to determine why the site survey had not been conducted because the manager responsible for project planning was no longer employed by the VAMC.

Because of inadequately planning for a site survey, the VAMC needed approximately \$640,000 in additional funding to complete the project. According to the Contracting Officer, the project was completed in January 2014.

*Community
Buildings
Project*

The Community Buildings Project (CSI Project 540-CSI-201) was an FY 2011 project intended to build “two to three” buildings for the Residential Rehabilitation Program.⁴ The A&E contractor estimated the project cost at approximately \$5 million. In 2011, the VAMC received approximately \$5 million in funding for the project.

After receiving three contractor bids, the Contracting Officer and VAMC management determined that all bids significantly exceeded the A&E estimate and funding for construction of this project. Bids ranged from approximately \$6.9 to \$9.9 million (approximately 37 percent to 98 percent higher than the A&E project cost estimate). We were unable to determine whether the VAMC completed an IGCE prior to soliciting bids as required by Federal Acquisition Regulation 36.203, because the Contracting Officer and VAMC staff could not locate it. However, the VAMC's cost estimate discussed in other documentation was identical to the A&E firm's cost estimate. Regardless, the VAMC's original cost estimate of \$5 million to

⁴ The program provides structured and supervised residential rehabilitation to facilitate veteran transition to safe, affordable, and appropriate community housing.

construct two to three buildings was underestimated by at least 40 percent. The VAMC FMS Chief and FMS Assistant Chief stated the former engineering staff had not received adequate training for preparing IGCEs. The FMS Chief also stated the current engineering staff could benefit from IGCE preparation training.

To address the significant variance between the A&E's estimated cost and the bids received, the VAMC re-scoped the project to one building and completed an IGCE showing a cost of approximately \$4.2 million. In May 2012, the Contracting Officer awarded the construction contract for approximately \$4.3 million. Because of an inadequate cost estimate to construct up to three buildings, the VAMC could construct only one building. In addition, the project was delayed from June 2011 to March 2012 or approximately 9 months. According to the Contracting Officer, veterans have been occupying the building since May 2015.

*New Villas
Project*

The New Villas Project (Minor Construction Project No. 540-345) was planned in 2010 to construct two inpatient residential rehabilitation buildings for an estimated \$7.2 million with completion by September 2012. However, according to the Contracting Officer and VAMC FMS Assistant Chief, a former VAMC FMS Chief requested and received only \$4.5 million to construct the two buildings. This occurred because the former FMS Chief used a cost estimate that significantly understated the cost to construct the buildings when requesting project funds. VAMC and contracting staff could not provide a copy or source of the estimate.

In 2013, the VAMC FMS Chief requested additional funding of approximately \$2.7 million to complete the New Villas Project, which VISN 4 officials denied. Also in 2013, the Contracting Officer awarded a contract to design the two buildings for approximately \$904,000, despite not having sufficient funds to construct the two buildings. In August 2015, the Contracting Officer requested offers for the redesign of the New Villas Project consisting of only one building because VISN 4 continued to deny additional funding requests to construct the second building. In April 2016, the Contracting Officer planned to award a contract for the redesign of only one building for an estimated cost of \$134,000.

Due to inadequate planning, A&E costs increased to more than \$1 million for building design with the approved funding. In July 2016, the Contracting Officer and VAMC FMS Chief confirmed only one of two residential rehabilitation buildings would be constructed. The FMS Chief anticipated the award of a construction contract in FY 2017 and project completion in FY 2018. As of July 2016, the construction of the first building had been delayed 45 months from the planned project completion date in September 2012. In addition, according to the FMS Chief, it is uncertain when, if at all, additional funding will be approved to construct the second building. As a result, the VAMC incurred approximately \$904,000 to design two buildings

that the VAMC lacked funding to construct. The VAMC also needed to incur approximately \$134,000 to redesign one of the two buildings that will only partially address veterans' needs. This increased the A&E costs to \$1,038,000.

*Community
Living Center
Relocation
Project*

The Community Living Center Relocation Project (NRM Project No. 540-12-103) was planned in 2011 as an \$8 million project to renovate an area in a VAMC building for transitional care, with a completion date in September 2015. Although the project was scheduled to begin in June 2015, the Contracting Officer advised in December 2015 that a contract would not be awarded until sometime in 2016. According to the Contracting Officer, construction needed to be delayed because this area was in use for patient care and continued to be unavailable for renovation.

In July 2016, the Contracting Officer stated the revised plan anticipated awarding a contract for construction by July 30, 2016, and construction completion in August 2017. As of July 2016, the project originally planned to be completed by January 2014 has been delayed 29 months. With a delay of 29 months, it is probable that project construction costs increased significantly.

*Ambulatory
Care Project*

The Ambulatory Care Project (Minor Construction Project No. 540-325) was planned in 2010 to construct and renovate a 29,000 square feet (SF) multi-level addition (21,500 SF of new space and 7,500 SF of renovated space), at the main entrance of the VAMC at a cost of approximately \$9.7 million. The design contract had a September 2014 completion date. In 2011, the VAMC received approval from VISN 4 only for approximately 18,500 SF and funding of approximately \$9.2 million. Despite approval for a smaller addition, a former VAMC FMS Assistant Chief incorrectly told the A&E contractor to design this addition using 29,000 SF during project planning. We could not determine why this occurred because this VAMC manager is no longer a VAMC employee.

According to VAMC representatives, the delay in delivering an acceptable design was due to prioritizing and eliminating requirements to bring the estimated cost within the approved funding of \$9.2 million. In October 2015, the VAMC received VISN approval for an approximately 13,000 SF multi-level addition to the VAMC, which is approximately 55 percent smaller than originally planned. Despite the significant reduction in project SF, the \$9.2 million project cost remained unchanged.

As a result, in December 2015, the Contracting Officer awarded a contract modification to the A&E contractor to redesign the scoped-down project at an additional cost of approximately \$160,000. In July 2016, the Contracting Officer stated the project redesign was on schedule for completion in October 2016, which means a delay of approximately 21 months as of June 2016.

*Expanded
Acute Mental
Health Project*

The Expanded Acute Mental Health Project (NRM Project 540-11-106) was planned in 2011 to renovate and expand the Inpatient Acute Mental Health Unit for approximately \$5 million. The former Contracting Officer established a construction start date of August 2012 and completion date of May 2013. However, the former Contracting Officer delayed start of construction approximately five months because the VAMC did not properly plan for making the space available for renovation, as the space was still in use for patient care. The cost of the delays and unplanned work resulted in approximately \$53,800 in additional project funds paid to the contractor. In addition, the project was further delayed to replace an exhaust fan system not considered in project planning. We determined the VAMC paid approximately \$96,600 to the contractor to install the system. The VAMC FMS Chief told us the work was completed in June 2015.

The delays and unnecessary expenses within VAMC and Contracting Officer control occurred due to inadequate planning. According to the current Contracting Officer, the former Contracting Officer awarded a contract with an unrealistic start date because the space was not available until five months after the scheduled start of the project. In addition, according to the Contracting Officer representative, the VAMC should have identified the need for a new exhaust fan system during project planning. Because of inadequate planning, delays, and additional work, the total unnecessary cost to the VAMC was approximately \$150,000 and completion scheduled for May 2013 was delayed approximately 25 months.

Conclusion

Our review substantiated the overall allegation of construction project mismanagement and waste at the Louis A. Johnson VA Medical Center in Clarksburg, WV. We concluded that each of the eight projects identified in the complaint experienced delays and/or some degree of unnecessary cost escalation. We also concluded former VAMC FMS Chief, Associate Director, and Director did not monitor the construction projects adequately to ensure timely project completion and costs were within budget.

For the construction projects reviewed, delays, and unnecessary expenditures were due to a pattern of inadequate planning prior to and during project design. We also identified instances where former VAMC management did not provide adequate oversight, as characterized by contradictory construction specifications, materially understated IGCEs, and not performing required site surveys timely. In addition, three projects experienced delays or re-scoping due to materially inaccurate IGCEs prepared by VAMC staff.

We also found management oversight was inadequate in ensuring unambiguous project specifications, clear communication with contractors, adequate training for staff responsible for preparing IGCEs, and meeting timelines. VAMC managers concurred with our conclusions concerning inadequate preparation of IGCEs and agreed additional training would

improve the reliability of staff-prepared IGCEs. VAMC managers also concurred with the OIG project funding request finding and agreed additional training would improve the reliability of VAMC project funding requests.

A contributing factor leading to inadequate management oversight was a lapse in leadership at the VAMC caused by staff vacancies in management positions. For example, there was approximately a two-year lapse without an FMS Chief from 2012 to early 2014. The FMS Chief is responsible for oversight of construction projects at the VAMC. In general, mismanagement issues alleged in the complaint occurred prior to current VAMC management involvement in these projects.

As a result, the VAMC unnecessarily incurred approximately \$2.8 million for the construction projects identified in this report. As of June 2016, these projects experienced delays ranging from approximately nine months to 45 months, with an average delay of approximately 2½ years. Also, four of the projects experienced a significant reduction in scope.

Recommendations

1. We recommended the Veterans Integrated Service Network 5 Director implement a plan to use or repurpose the heating and air conditioning system identified by this review.
2. We recommended the Veterans Integrated Service Network 5 Director ensure the Louis A. Johnson VA Medical Center staff responsible for Independent Government Cost Estimates receive appropriate training.
3. We recommended the Veterans Integrated Service Network 5 Director implement procedures to ensure the Louis A. Johnson VA Medical Center staff develop reliable Independent Government Cost Estimates for all construction projects.
4. We recommended the Veterans Integrated Service Network 5 Director ensure the Louis A. Johnson VA Medical Center staff responsible for preparing project-funding requests receive appropriate training.
5. We recommended the Veterans Integrated Service Network 5 Director establish controls to ensure needed site surveys are performed timely during project planning for construction projects.

Management Comments and OIG Response

In response to our draft report, the Director of the Louis A. Johnson VAMC concurred with the five recommendations outlined in the report. The Director also provided an acceptable action plan for each recommendation in the report and provided technical comments.

The Director disagreed with the description of why the contractor with the lowest bid did not accept the Contracting Officer's offer to construct the parking garage. The Director provided alternate language that appears to find fault with the VISN for not acting before the offer expired. We do not agree that this was the primary reason for the delay in awarding the contract to construct the parking garage in question. Specifically, the contractor offered to construct the parking garage at an amount substantially higher than the Contracting Officer offer of approximately \$8.7 million. The impasse on the difference between what VA budgeted and the contractor bid prevented the award of a contract, not VISN inaction.

The Director also disagreed with our conclusion that the VAMC did not take timely action to conduct site surveys to determine whether the proposed site was located on historic Native American burial grounds. The Director provided two documents from the West Virginia Division of Culture and History regarding the proposed construction site, dated December 7, 2011 and August 12, 2013. The Director stated these documents demonstrated the VAMC's "timely due diligence" in securing approvals for the project. While we agree the VAMC completed the surveys, the VAMC could have completed the surveys more timely. We maintain the VAMC could have avoided a delay of approximately four years from 2009 to 2013 if the VAMC had completed the surveys more timely.

The Director also took exception to our draft report identifying \$9.3 million as funds that the VAMC could have put to better use, as shown in Appendix C, Potential Monetary Benefits in Accordance With Inspector General Act Amendments. The Director stated the \$9.3 million identified in the draft report was "neither lost nor misspent." Although our draft report did not indicate the funds were lost or misspent, it is apparent the facility took responsible actions by canceling the award in March 2016 and considering alternatives for the remaining \$9.3 million available to address the parking concern. Since management took our suggested action, we have removed the \$9.3 million from our estimate of potential monetary benefits.

Lastly, the Director stated the requirement for the Acute Mental Health Unit to become a "locked" unit did not exist during the design phase of the project, which resulted in a delay beyond the control of the facility. This occurred because the Veterans Health Administration implemented revised patient safety standards after the start of construction. We acknowledge the revised requirement was outside the control of the VAMC. However, our focus was only on delays related to this project within VAMC and Contracting Office control.

Appendix A Background and Types of Construction Projects

Background

Dedicated in December 1950, the Louis A. Johnson VAMC was named after President Truman's Secretary of Defense. The Louis A. Johnson VAMC is located on a 16-acre site adjacent to the Veterans Memorial Park in the city of Clarksburg, WV. The VAMC serves the veterans in north central West Virginia and adjacent counties in Maryland, Ohio, and Pennsylvania.

Types of VAMC Construction Projects

VAMC construction projects are administered based on the funding level of the project. VHA's major construction projects are projects that exceed \$10 million and require congressional approval of individual projects. In addition, the VA Office of Acquisition, Logistics, and Construction manages major projects. The Major Construction Program requested approximately \$1.1 billion for FY 2016. VHA's Minor Construction Program funds enhancements or additions to medical centers with an estimated cost of \$10 million or less. The VAMC Director and FMS Chief are responsible for minor construction project oversight. VA requested approximately \$406 million for minor construction projects in FY 2016. The construction projects that were part of this Hotline allegation were funded at less than \$10 million, which includes minor, NRM, and CSI projects as described below.

- A minor construction project is a stand-alone project on land owned by the Federal Government, which expands the existing facility square footage by more than 1,000 SF, with a total cost of \$10 million or less. This type of project is funded with appropriated dollars through the annual VA Construction Appropriation.
- NRM projects include renovation, repair, maintenance, and modernization of the existing infrastructure within the existing facility square footage, up to 1,000 SF for expansion of existing facility SF or surface parking. The upper limit for these projects is \$10 million. NRM projects are funded through the Medical Facilities Appropriation.
- CSI projects focus on VHA high-profile needs that add at least 1,000 SF in new building construction and have total project costs of less than \$5 million. CSI projects are funded through the Medical Facilities Appropriation.

Appendix B Scope and Methodology

We conducted our review from April 2015 through April 2016. We assessed the merits of the complaint received in March 2015 concerning improper management and oversight of minor, NRM, and CSI construction projects.

In April 2015, we conducted a site visit to the Louis A. Johnson VAMC in Clarksburg, WV. We reviewed applicable regulations, policies, and procedures. We interviewed VAMC management, VAMC staff, and VISN officials. In addition, we analyzed contract documentation for all eight projects identified in the allegation.

Data Reliability

To test the reliability of data, we interviewed responsible officials and staff at the VAMC and VISN to validate source documentation extracted from the Electronic Contract Management System. We also compared documentation extracted from the Electronic Contract Management System to documentation in files maintained by the VAMC. We believe the computer-generated data in the Electronic Contract Management System are sufficiently reliable to support our project objectives, conclusion, and recommendations.

Government Standards

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the audit to obtain sufficient, competent, and relevant evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our review objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Appendix C Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Estimated amount of potential unnecessary costs related to the heating and air conditioning system in storage		\$285,000
2-5	Estimated amount of unnecessary costs for the projects reviewed ⁵		\$2,500,000
	Total		\$2,785,000

⁵ To calculate this amount, we summed questioned costs for five projects discussed in the report - Parking Garage (\$406,000), Red Firm (\$733,000), New Villas (\$1,038,000), Ambulatory Care (\$160,000), and Expanded Acute Mental Health (\$150,000) totaling approximately \$2.5 million.

Appendix D Management Comment

Department of Veterans Affairs Memorandum

Date: June 3, 2016

From: Director, Louis A. Johnson VAMC, Clarksburg, West Virginia (540)

To: Assistant Inspector General for Audits and Evaluations (52)

cc: Network Director, VA Capitol Health Care - VISN 5 (10N5)

Subj: Management Comments — Review of Alleged Mismanagement of Construction Projects at the Louis A. Johnson VAMC, Clarksburg, West Virginia Draft Report Date 2015-00000-XXX

1. The Director of the Louis A. Johnson VAMC, Clarksburg, West Virginia is in receipt of the draft of the above subject report. The purpose of this memo is to provide management comments about that report in accordance with the OIG Office of Audits and Evaluations protocol.

2. The Director of the Louis A. Johnson VAMC, Clarksburg does not agree with four statements in this report.

a) Page 2. Paragraph 2. I disagree with the following statement regarding the Parking Garage Project section on page two of the report: "In December 2014, construction did not begin as planned because the contractor with the low bid would not agree to construct the parking garage at the IGCE-based price of \$9.7 million." This statement is not accurate.

A more accurate description of this evolving process is that *Clarksburg VAMC obtained a low bid. The next step in the construction process, approval from OCAMES, extended beyond the bid expiration date. Therefore, the contractor withdrew.*

b) Page 2. Paragraph 3. I disagree with the statement, "According to VAMC and contracting staff, former VAMC managers knew the construction site was located on historic Native American burial grounds."

This statement is factually inaccurate. I am unable to replicate this information locally.

I am in possession of two documents that demonstrate timely due diligence related to potential cultural artifacts on the proposed construction site. Please find these documents below:

- I. West Virginia Division of Culture and History December 2011 [Enclosure 1]
- II. West Virginia Division of Culture and History August 2013 [Enclosure 2]

I suggest that the OIG either edit the report to accurately reflect the due diligence of Clarksburg VAMC regarding culturally sensitive materials or simply remove the statement in question.

c) Page 13. Appendix C. I disagree with the sum displayed in Appendix C. Potential Monetary Benefits in Accordance with Inspector General Act Amendments. The sum of \$12.1 million is mischaracterized in this report.

I find Appendix C to be inaccurate and misleading. The current leadership held discussions related to the parking garage cancellation prior to the OIG review and recommendations. In the interest of good stewardship of government funds, the project cancellation was accomplished. The \$9.3 million was neither lost nor misspent. Rather the \$9.3 million is preserved and this amount remains available to be spent on Clarksburg VAMC projects inclusive of parking. Therefore, it is misleading to add this amount to the sum in Appendix C. I submit that both the parking garage project and associated funding have been thoroughly discussed in the narrative of the report and should not be included in the Appendix C labeled "Potential Monetary Benefits..." The \$9.3 million remains available and has been neither lost to Clarksburg VAMC nor misspent. Rather, proactive decision-making and good stewardship by the current leadership has preserved this valuable resource. The total amount listed in Appendix C should be accurately displayed as \$2,785,000.

d) Page 8. Section Expanded Acute Mental Health Project. I reviewed this section and find that it makes no mention of one salient causative factor for delay of this project. The draft report does not include mention of a variable not under local control. VHA Handbook 1160.06, Inpatient Mental Health Services was published on September 16, 2013. This publication required the following:

Section 11. Program Elements Part c. Paragraph 2). “Since patients are admitted due to the severity of their symptoms, all mental health units must be secured (i.e., locked)in order to accommodate involuntary patients and patients who are temporarily severely agitated or at risk of harming themselves or others, as well as to provide safety and privacy by controlling access to the unit by others.”

The requirement for the acute mental health project to become a “locked” unit, introduced by this Handbook in September 2013, did not exist during the design phase of the mental health unit project or when the project began. The requirement prompted an additional project to design and construct sally port entrances for control of access to the mental health unit. This additional project added an interval of delay for the opening of the mental health unit as described in the narrative of the OIG report. This mandate resulted in a delay to the opening of the mental health unit that was beyond the control of the facility.

Of note, an open house for the mental health unit was held on Friday, June 03, 2016 and inpatient care is scheduled to be started by June 30, 2016.

3. The Director of the Louis A. Johnson VAMC concurs with the recommendations outlined in this draft. Attached is a detailed outline of the facility’s response and action plan for each recommendation.

(original signed by:)

Glenn R. Snider, Jr., MD, FACP
Medical Center Director

Attachment

For accessibility, the format of the original memo and attachments has been modified to fit in this document.

Enclosure 1

Division of West Virginia Culture and History

The Culture Center

1900 Kanawha Blvd., E.
Charleston, WV 25305-0300
Randall Reid -Smith, Commissioner
Phone 304.558.0220 • www.wvculture.org
Fax 304.558.2779 • TDD 304.558.3562
EEO/AA Employer

December 7, 2011

Mr. Jonathan Lusin
IKM, Inc.
One PPG Place
Pittsburgh, PA 15222

RE: VAMC Clarksburg Parking Garage; Phase 1a Cultural Resource Survey
FR#: 12-128-HS

Dear Mr. Lusin:

We have reviewed the report "*Phase 1A Cultural Resource Survey, Proposed Parking Garage Area of Louis A. Johnson Veterans Affairs Medical Center; One Medical Drive, City of Clarksburg, Harrison County, West Virginia, 26301*," which was submitted for the above referenced project. As required by Section 106 of the National Historic Preservation Act of 1966, as amended, and its implementing regulations, 36 CFR 800: "Protection of Historic Properties," we submit our comments.

According to the submitted document, a parking garage is proposed for construction on a portion of the Louis-A Johnson Veterans Affairs Medical Center property located in Clarksburg, Harrison County.

Archaeological Resources:

As indicated in the document, there are no previously identified archaeological sites located within the area proposed for construction of the parking garage. It is our understanding that the proposed project area encompasses a swale that was backfilled prior to construction of the existing parking lot. Elsewhere, the proposed project area appears to be relatively undisturbed with possibly intact alluvial soils below the parking lot. We concur that the proposed project area has a moderate to high potential for containing prehistoric archaeological resources, including those that are deeply buried, and concur with the recommendation that subsurface investigation be conducted prior to the construction of the parking garage. We are agreeable to either method proposed for conducting the subsurface

investigation and concur that removal of the pavement and fill be monitored by a professional archaeologist. We will provide further comment upon receipt of the resulting Phase I technical report.

Architectural Resources:

The Department of Veteran's Affairs' Louis A. Johnson Medical Center complex previously was surveyed in 2002. At that time, the buildings comprising the Louis A. Johnson Medical Center were considered *not eligible* for inclusion in the National Register of Historic Places. We maintain that opinion. After review of the submitted information, it is our opinion that the proposed project will have no impact to architectural resources eligible for or included in the National Register. No further consultation regarding architectural resources is necessary.

We appreciate the opportunity to be of service. *If you have questions regarding our comments or the Section 106 process, please contact Lora A Lamarre-DeMott, Senior Archaeologist or Shirley Stewart Burns, Structural Historian, at (304) 558-0240.*

Sincerely,

(original signed b:y)

Susan M. Pierce

Deputy State Historic Preservation Officer

SMP/LAL/SSB

For accessibility, the format of the original documents in this appendix has been modified to fit in this document.

Enclosure 2

Division of West Virginia Culture and History

The Culture Center

1900 Kanawha Blvd., E.
Charleston, WV 25305-0300
Randall Reid-Smith, Commissioner
Phone 304.558.0220 • www.wvculture.org
Fax 304.558.2779 • TDD 304.558.3562
EEO/AA Employer

August 12, 2013

Mr. Jonathan Lusin
IKM, Inc.
One PPG Place
Pittsburgh, PA 15222

RE: VAMC Clarksburg Parking Garage; Phase 1B Cultural Resource Survey
FR#: 12-128-HS-1

Dear Mr. Lusin:

We have reviewed the report "*Phase 1B Cultural Resource Survey, Proposed Parking Garage Area of Louis A. Johnson Veterans Affairs Medical Center; One Medical Drive, City of Clarksburg, Harrison County, West Virginia, 26301*," which was submitted for the above referenced project. As required by Section 106 of the National Historic Preservation Act of 1966, as amended, and its implementing regulations, 36 CFR 800: "Protection of Historic Properties," we submit our comments.

According to the submitted document, a parking garage is proposed for construction on a portion of the Louis-A Johnson Veterans Affairs Medical Center property located in Clarksburg, Harrison County.

According to the report, survey of the proposed project area consisted of shovel probe excavation into the natural soils extant below asphalt and fill layers. In addition, two machine test pits were excavated to reach deeper soil deposits. The survey revealed less fill and more natural soils within the project area than did a previous geotechnical investigation. In addition, the possible location of a former swale and stream was identified that had been disturbed by previous construction. No cultural materials were recovered from the natural soils encountered. As a result, we concur that no further cultural resource investigations are necessary. In our opinion, there are no archaeological resources within the proposed project area that are eligible for or listed in the National Register of Historic Places.

Per our digital submission policy (see enclosed) please submit a PDF copy of the report for our records. Please include the above referenced FR# when you submit the PDF copy of the report.

We appreciate the opportunity to be of service. *If you have questions regarding our comments or the Section 106 process, please contact Lora A Lamarre-DeMott, Senior Archaeologist at (304) 558-0240.*

Sincerely,

(original signed by:)
Susan M. Pierce
Deputy State Historic Preservation Officer
SMP/LAL/SSB

Enclosure*

For accessibility, the format of the original documents in this appendix has been modified to fit in this document.

**Note: The enclosure cited in this letter was not included in documents sent to VA OIG.*

**Combined Assessment Program Review of the Louis A. Johnson VA Medical Center,
Clarksburg, West Virginia**

Recommendation 1:	We recommended the Veterans Integrated Service Network 5 Director implements a plan to use or repurpose the heating and air conditioning system identified by this review.
OIG Comment:	Please ensure your response contains documentation to verify the completion of the stated actions below.
VA Response:	The Director of the Clarksburg VAMC concurs with this recommendation. The 540 Chief, Facilities Management will: process a plan to use or repurpose the heating and air conditioning system identified by this review.
Supporting Documentation:	
Status:	We request that this recommendation remain open pending the completion of the use or repurposing of the heating and air conditioning system.
Recommendation 2:	We recommended the Veterans Integrated Service Network 5 Director ensure the VA Medical Center staff responsible for Independent Government Cost Estimates receives appropriate training.
OIG Comment:	Please ensure your response contains documentation to verify the completion of the stated actions below.
VA Response:	The Director of the Clarksburg VAMC concurs with this recommendation. The 540 Chief, Facilities Management will: <ul style="list-style-type: none"> • Designate the positions in need of Independent Government Cost Estimate training. • Determine the methodology to be utilized for this training. • Document the completion of training.
Supporting Documentation:	
Status:	We request that this recommendation remain open pending the completion of the training as outlined above.
Recommendation 3:	We recommended the Veterans Integrated Service Network 5 Director ensure the VA Medical Center develop reliable Independent Government Cost Estimates for all construction projects.
OIG Comment:	Please ensure your response contains documentation to verify the completion of the stated actions below.
VA Response:	The Director of Clarksburg VAMC concurs with this recommendation. The 540 Chief, Facilities Management will ensure that the following actions are completed: <ul style="list-style-type: none"> • Review and/or revise the current 540 workflow associated with developing Independent Government Cost Estimates (IGCE). • Include clearly defined accountability and oversight with the 540 workflow. • Establish a working relationship with a VISN 5 Subject Matter Expert who could provide an inter-rater reliability function as requested
Supporting Documentation:	
Status:	We request that this recommendation remain open pending the completion of the above actions.

Recommendation 4:	We recommended the Veterans Integrated Service Network 5 Director ensure the VA Medical Center staff responsible for preparing project-funding requests receives appropriate training.
OIG Comment:	Please ensure your response contains documentation to verify the completion of the stated actions below
VA Response:	The Director of Clarksburg VAMC concurs with this recommendation. 540 Director will support the Chief, Facilities Management in the following actions: <ul style="list-style-type: none"> • Designate the positions in need of training related to preparing project-funding requests. • Determine the methodology to be utilized for this training. • Document the completion of training.
Supporting Documentation:	
Status:	We request that this recommendation remain open pending the completion of the above actions.
Recommendation 5:	We recommended the Veterans Integrated Service Network 5 Director establish controls to ensure needed site surveys are performed during project planning for construction projects.
OIG Comment:	Please ensure your response contains documentation to verify the completion of the stated actions below.
VA Response:	The Director of Clarksburg VAMC concurs with this recommendation. 540 Director will support the Chief, Facilities Management in the following actions. <ul style="list-style-type: none"> • Review and/or revise the current 540 workflow associated with site surveys. • Include clearly defined accountability and oversight points within the 540 workflow. • Establish a working relationship with a VISN 5 Subject Matter Expert who could provide an inter-rater reliability function and/or second opinion as requested.
Supporting Documentation:	
Status:	We request that this recommendation remain open pending completion of the above actions.

Appendix E **OIG Contact and Staff Acknowledgments**

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Timothy J. Crowe, Director Dennis Capps Charles F. Chiarenza Valerie Kimball Johnny McCray Mark Mullery Brandon Parrinello

Appendix F Report Distribution

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U.S. Senate: Joseph Manchin III

This report is available on our website at www.va.gov/oig.