

# Inspector General

United States  
Department of Defense



American Recovery and Reinvestment Act—  
Improper Planning of the Administrative Buildings  
Project at Camp Lejeune, North Carolina

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## Acronyms and Abbreviations

HQMC	Headquarters, U.S. Marine Corps
MCO	Marine Corps Order
NAVFAC	Naval Facilities Engineering Command
NEPA	National Environmental Policy Act
OMB	Office of Management and Budget
PWD	Public Works Division
QMD	Quantitative Methods Division
REIR	Request for Environmental Impact Review
SABRS	Standard Accounting, Budgeting, and Reporting System



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

SEP 30 2011

MEMORANDUM FOR NAVAL INSPECTOR GENERAL  
MARINE CORPS INSPECTOR GENERAL  
COMMANDING OFFICER, NAVAL FACILITIES  
ENGINEERING COMMAND  
COMMANDING OFFICER, MARINE CORPS BASE  
CAMP LEJEUNE

SUBJECT: American Recovery and Reinvestment Act—Improper Planning of the  
Administrative Buildings Project at Camp Lejeune, North Carolina  
(Report No. D-2011-119)

We are providing this report for review and comment. Camp Lejeune officials did not properly plan the project. Camp Lejeune Public Works Division officials prepared project documentation without sufficient justification. Specifically, Public Works Division officials did not properly complete DD Form 1391s, "Military Construction Project Data;" did not retain documents to support \$20.5 million in repairs; did not develop complete and reliable economic analyses; and did not prepare required documents to support the project's exclusion from environmental requirements. Additionally, Headquarters, U.S. Marine Corps officials did not revalidate the project. Although Headquarters, U.S. Marine Corps officials distributed funds, Naval Facilities Engineering Command Mid-Atlantic contracting officials over-obligated the Administrative Buildings Project by \$37,015, which resulted in a potential Antideficiency Act violation. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We received comments from the Assistant Secretary of the Navy (Financial Management and Comptroller), on behalf of the Deputy Commandant, Installations and Logistics; Deputy Commandant, Programs and Resources; and the Commanding Officer, Marine Corp Base Camp Lejeune. The Assistant Secretary of the Navy comments to Recommendations A.1.a, A.1.b were partially responsive. Her comments to Recommendation A.2, B.1.a, B.1.b, and B.2 were responsive but she did not provide a completion date for the planned actions for Recommendation B.1.a. We request the Assistant Secretary of the Navy provide additional comments on Recommendations A.1.a, A.1.b, and an estimated completion date for the planned actions for Recommendation B.1.a by October 31, 2011.

If possible, please send a .pdf file containing your comments to [audros@dodig.mil](mailto:audros@dodig.mil). Copies of the management comments must contain the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8866 (DSN 312-664-8866).

A handwritten signature in blue ink, reading "Alice F. Carey".

Alice F. Carey  
Assistant Inspector General  
Readiness, Operations, and Support

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# Results in Brief: American Recovery and Reinvestment Act—Improper Planning of the Administrative Buildings Project at Camp Lejeune, North Carolina

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## What We Did

Our objective was to determine whether DoD ensured the appropriate use of Recovery Act funds by adequately planning, funding, initially executing, and tracking and reporting the Administrative Buildings Project, valued at \$21.7 million.

## What We Found

Camp Lejeune officials did not properly plan the project. Camp Lejeune Public Works Division officials prepared project documentation without sufficient justification. Specifically, Public Works Division officials did not:

- properly complete DD Form 1391s, “Military Construction Project Data;”
- retain documents to support \$20.5 million in repairs;
- develop complete and reliable economic analyses; and
- prepare required documents to support the project’s exclusion from environmental requirements.

Additionally, Headquarters, U.S. Marine Corps officials did not revalidate the project. As a result, DoD lacked reasonable assurance that Recovery Act funds were appropriately used.

Although HQMC officials distributed funds, Naval Facilities Engineering Command (NAVFAC) Mid-Atlantic contracting officials over-obligated the Administrative Buildings Project by \$37,015, which resulted in a potential Antideficiency Act violation. However, NAVFAC Mid-Atlantic contracting officials initially executed and tracked and reported the Administrative Buildings Project.

## What We Recommend

We recommend the Commanding Officer, Marine Corps Base Camp Lejeune, require Public Works Division officials to track and assess the completion of DD Form 1391s, economic analyses, and National Environmental Policy Act reviews in accordance with Marine Corps Order P11000.5G, “Real Property Facilities Manual, Volume IV, Facilities Project Manual,” September 30, 2004. We recommend the Deputy Commandant, Installations and Logistics, assess Camp Lejeune’s projects that were validated before the issuance of Marine Corps Order P11000.5G, but that have not yet been funded to determine whether it is necessary to revalidate those projects. Additionally, we recommend the Deputy Commandant, Programs and Resources, conduct a preliminary review of the potential Antideficiency Act violation for the project.

## Management Comments and Our Response

The Assistant Secretary of the Navy (Financial Management and Comptroller) responded on behalf of the Commanding Officer, Marine Corps Base Camp Lejeune, the Deputy Commandant, Programs and Resources, and the Deputy Commandant, Installations and Logistics, to a draft of this report issued on August 17, 2011. The Assistant Secretary’s comments to Recommendations A.2, B.1.a, B.1.b, and B.2 were responsive but did not provide a completion date for the planned actions for Recommendation B.1.a. The Assistant Secretary’s comments to Recommendations A.1.a and A.1.b were partially responsive. We request the Navy provide additional comments on Recommendations A.1.a and A.1.b, and provide a completion date for the planned actions for Recommendation B.1.a by October 31, 2011. Please see the recommendations table on page ii.

## Recommendations Table

<b>Management</b>	<b>Recommendations Requiring Comment</b>	<b>No Additional Comments Required</b>
Deputy Commandant, Installations and Logistics		A.2
Deputy Commandant, Programs and Resources	B.1.a	B.1.b
Commanding Officer, Marine Corps Base Camp Lejeune	A.1.a, A.1.b	B.2

**Please provide comments by October 31, 2011.**

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# Introduction

## Objective

Our objective was to evaluate DoD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009" (Recovery Act), February 17, 2009, by determining whether DoD Components met the requirements in the Act, Office of Management and Budget (OMB) Memorandum M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," April 3, 2009, and subsequent related guidance. Specifically, we determined whether DoD ensured the appropriate use of Recovery Act funds by adequately planning, funding, initially executing, and tracking and reporting Project LE02ADMM, "Repair HVAC/Mechanical/Electrical/Roofs and Windows Various Admin Facs" (Administrative Buildings Project), valued at \$21.7 million. See Appendix A for a discussion of our scope and methodology.

## Recovery Act Background

In passing the Recovery Act, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments to increase economic efficiency by spurring technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public of how, when, and where tax dollars were being spent. Criteria for planning and implementing the Recovery Act are listed in Appendix B.

On April 3, 2009, OMB issued Memorandum M-09-15 to provide Government-wide guidance and requirements for the implementation of the Recovery Act. The guidance and requirements are intended to meet accountability goals: (1) funds are awarded and distributed in a prompt, fair, and reasonable manner; (2) the recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner; (3) funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated; (4) projects funded under the Recovery Act avoid unnecessary delays and cost overruns; and (5) program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

## **DoD Recovery Act Program**

DoD received approximately \$7.16 billion<sup>1</sup> in Recovery Act funds to use for projects that support the Act's purposes. In March 2009, DoD released expenditure plans for the Recovery Act, which list DoD projects that will receive Recovery Act funds. The Department of the Navy received approximately \$1.2 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test, and Evaluation. Of the approximately \$1.2 billion appropriated, Headquarters, U.S. Marine Corps (HQMC) officials allocated approximately \$21.7 million (Operations and Maintenance) to support the Administrative Buildings Project.

According to an HQMC official, in FY 2009 they selected six Camp Lejeune projects<sup>2</sup> for Recovery Act funding. The official stated that these projects, planned by officials from the Camp Lejeune Public Works Division (PWD) and validated by HQMC in FY 2000, were unfunded. The official further stated that when Recovery Act funds became available, HQMC officials combined them into the Administrative Buildings Project because they were similar and the combination facilitated administration.

## **Review of Internal Controls**

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," (the Instruction), July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses related to the project's planning and funding. Specifically, PWD officials did not complete DD Form 1391s, "Military Construction Project Data" (DD Form 1391), did not have documentation supporting about \$20.5 million in repairs, did not develop complete and reliable economic analyses, and did not prepare documentation to support environmental reviews. Also, Headquarters, HQMC officials did not revalidate the project. We also identified that NAVFAC Mid-Atlantic officials over-obligated funding for the project. Additionally, neither NAVFAC Mid-Atlantic nor Camp Lejeune officials recorded contract modifications timely into the Standard Accounting, Budgeting, and Reporting System (SABRS), and these lapses caused a potential violation of the Antideficiency Act under section 1517(a), title 31, United States Code (31 U.S.C. § 1517[a] [1982]). We will provide a copy of the report to Senior Navy, HQMC, and Camp Lejeune officials responsible for internal controls.

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<sup>1</sup>DoD originally received \$7.42 billion; however, Public Law 111-226, Title III, "Rescissions," rescinded \$260.5 million on August 10, 2010. The \$7.16 billion does not include \$4.6 billion for U.S. Army Corps of Engineers civil works projects.

<sup>2</sup>Six repair projects were for buildings 118, 205, 213, 312, 313, and 417.

# **Finding A. Camp Lejeune Public Works Division Officials Did Not Properly Plan the Administrative Buildings Project**

Camp Lejeune PWD officials prepared project documentation without sufficient justification. Specifically, PWD officials did not:

- properly complete DD Form 1391s;
- retain documents to support \$20.5 million in repairs;
- develop complete and reliable economic analyses; and
- prepare required documents to support the project’s exclusion from environmental requirements.

Additionally, HQMC officials did not revalidate the project requirements even though it was planned and unfunded for 9 years. As a result, DoD lacked reasonable assurance that Recovery Act funds were appropriately used.

Although HQMC officials distributed funds, Naval Facilities Engineering Command (NAVFAC) Mid-Atlantic contracting officials over-obligated the Administrative Buildings project (see Finding B). However, NAVFAC Mid-Atlantic contracting officials initially executed and tracked and reported the Administrative Buildings Project.

## **Planning Documentation Did Not Justify the Administrative Buildings Project**

### ***Marine Corps Guidance Requires Project Documentation***

Marine Corps Order (MCO) P11000.5G, “Real Property Facilities Manual, Volume IV, Facilities Projects Manual,” September 30, 2004, states that project documentation is a critical first step in addressing all factors related to the facility requirement. The MCO implements “Repair of Facilities,” section 2811, title 10, United States Code (10 U.S.C. § 2811 [2004]). According to the MCO, project documentation for all projects that cost more than \$2 million should include an approved DD Form 1391, an economic analysis, and a review required by the National Environmental Policy Act of 1969 (NEPA), section 4332, title 42, United States Code.<sup>3</sup> The DD Form 1391 must contain a project justification with an adequate description of the requirement. Additionally, supporting documentation (such as studies and photographs) should fully explain the scope, complexity, and urgency of a project. MCO P11000.5G also states that installation commanders must ensure that all project documents are complete, current, and accurate.

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<sup>3</sup>NEPA reviews must comply with MCO P5090.2A, “Environmental Compliance and Protection Manual,” January 22, 2008.

Additionally, installations must retain all project documents for at least 3 years after the last contract action.

### ***DD Form 1391s Did Not Adequately Describe the Requirement***

PWD officials did not properly complete DD Form 1391s to support major interior and exterior repairs for each building. In early FY 2000, PWD officials prepared DD Form 1391s for the Administrative Buildings Project. In FY 2008, PWD officials revised those forms, but their revisions were not adequate. Specifically, although PWD officials described the proposed construction in detail, they did not address replacing the heating, ventilation, and air conditioning system (valued at \$4.9 million). Also, the revised DD Form 1391s did not clearly describe the need for repairs because PWD officials did not identify specific deficiencies with the buildings. In addition, Camp Lejeune officials did not sign the DD Form 1391s as required by MCO P11000.5G.<sup>4</sup> Because Camp Lejeune officials did not sufficiently complete or sign the DD Form 1391s, PWD officials could not substantiate that repairs were necessary or that responsible officials reviewed the project documents for completeness and accuracy.

### ***Supporting Documents for Most Repairs Were Missing***

Although PWD officials properly supported about \$1.2 million in repairs for the Administrative Buildings Project, they did not have documentation to support the remaining \$20.5 million in repairs. MCO P11000.5G states that repairs are usually identified during inspections required by MCO P11000.7C, “Real Property Facilities Manual, Volume III, Facilities Maintenance Management,” February 18, 1994. MCO P11000.7C requires that inspection forms detect each deficiency in a building and requires the most recent inspection forms be retained in building’s records.

According to PWD officials, they physically inspected each building, identified deficiencies, and recorded the results on inspection forms. PWD officials recorded the buildings’ overall conditions in the internet Navy Facilities Assets Data Store, a Web-based database. PWD officials stated that they then discarded the inspection forms. According to the database, the overall condition for five of the six buildings was “substandard,” and one building was “inadequate.”<sup>5</sup> However, PWD officials could not identify specific deficiencies to substantiate those conditions because they discarded the inspection forms. In addition, PWD officials did not have evidence that they conducted the building inspections, as required by MCO P11000.7C.

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<sup>4</sup>MCO P11000.5G states that a DD Form 1391 should be signed and dated by the commanding officer, staff civil engineer, or the public works officer as the responsible official.

<sup>5</sup>According to a Camp Lejeune Facilities Evaluation Worksheet, facilities (buildings) are rated as adequate, substandard, inadequate, or not needed. “Substandard” means a building has significant problems that degrade its functionality or the estimated costs to make the building “adequate” exceed 25 percent of the building’s replacement cost. “Inadequate” means the building has major problems that impair or prevents its functionality or that the estimated costs to make the building “adequate” exceed 75 percent of the building’s replacement cost.

NAVFAC Mid-Atlantic contracting officials provided inspection reports for hazardous materials that architectural and engineering firms prepared in FY 2005, FY 2007, and FY 2009. Those reports indicated that there was asbestos and lead paint in the buildings. Based on those reports, the removal of asbestos and lead paint was necessary, although the estimated cost for the removal was about \$1.2 million of the Administrative Buildings Project's total cost. PWD officials could not substantiate that the remaining \$20.5 million in repairs were necessary.

### ***Economic Analyses Were Unreliable***

PWD officials did not develop complete and reliable economic analyses for the Administrative Buildings Project. MCO P11000.5G requires that economic analyses comply with NAVFAC Publication-442, "Economic Analysis Handbook," (the Handbook), October 1993. The Handbook states that an economic analysis is a systematic approach to identify, analyze, and compare costs and benefits of alternative courses of action to achieve a given set of objectives. A six-step approach is used consisting of defining the objective, generating alternatives, formulating assumptions, determining costs and benefits, comparing costs and benefits and ranking alternatives, and performing sensitivity analysis.

Although PWD officials developed an economic analysis for each building, they did not properly complete any of the six steps outlined in the Handbook. For example, PWD

*PWD officials wrote objectives that favored repairs, did not fully identify the cost and benefits, and did not perform sensitivity analyses.*

officials wrote objectives that favored repairs, did not fully identify the costs and benefits, and did not perform sensitivity analyses. PWD officials used inappropriate methodologies and data sources that made their economic analyses unreliable. For example, officials relied on guidance from the U.S. Air Force, used a discount

rate from a previous year, and used incorrect replacement values for new construction costs. PWD officials stated that their economic analyses could have been better prepared, but their emphasis was on repairing the buildings as opposed to new construction. Because PWD officials did not complete their economic analyses in accordance with the Handbook, their economic analyses were unreliable. As a result, PWD officials could not substantiate that repairs for the Administrative Buildings Project were cost effective.

### ***Environmental Exclusions Were Not Properly Supported***

PWD officials did not prepare documentation to support environmental reviews of the Administrative Buildings Project. MCO P5090.2A states installations must complete a Request for Environmental Impact Review (REIR) for all projects that have the potential to impact the human environment. The REIR should contain enough information to enable environmental planning staff to determine whether the use of a categorical exclusion is appropriate.<sup>6</sup> Environmental planning staff reviews REIRs to determine

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<sup>6</sup>A categorical exclusion exempts a project from further NEPA reviews, including Environmental Assessments and Environmental Impact Statements.

whether the proposed action is exempt from requirements listed in the NEPA. If approved for exclusion, the environmental planning staff annotates the categorical exclusion on the REIR, signs it, and returns the REIR to PWD for processing. Additionally, PWD officials must complete REIRs on the form required by an installation's commanding officer. Camp Lejeune Base Order 11000.1D, "Environmental Impact Review Procedures," April 4, 2000, requires the use of the REIR.

PWD officials did not prepare REIRs for buildings 118, 205, 213, and 417.<sup>7</sup> Instead, PWD officials sent an e-mail to Camp Lejeune's Environmental Management Division and requested a categorical exclusion for the repairs. Environmental Management Division officials approved categorical exclusions for the four buildings because they concluded that the project was for "routine maintenance and repair and improvements to non-historic buildings and structures in the Camp Lejeune Complex." Environmental Management Division officials provided PWD officials with a decision memorandum for the four buildings. After obtaining categorical exclusions, PWD officials placed an incomplete REIR in the administrative record for the buildings. The decision memorandum and the REIR did not include any information on the four buildings.

According to Environmental Management Division officials, "these projects are so routine and minor, with such limited potential for environmental impact, that they do not warrant individual documentation on a project by project basis." The officials further explained that preparing REIRs and decision memoranda for individual projects would be "administratively overwhelming." As a result, PWD officials were not able to substantiate that they either complied with NEPA or have not adversely affected the environment.

### ***Project Validation Did Not Comply With Guidance***

HQMC officials did not revalidate the Administrative Buildings Project before submitting it as a Recovery Act project. MCO P11000.5G states that HQMC officials must validate projects with a total funded cost greater than \$300,000 to determine whether projects are reasonable to fund. It also states "projects validated will normally be planned for execution 2 years from the year of validation." HQMC officials validated the Administrative Buildings Project in FY 2000 (November 1999), but they did not fund the project until FY 2009 (more than 9 years later). During the more than 9-year lapse, changes occurred that should have prompted HQMC officials to revalidate the project. Specifically, the following changes occurred:

- Marine Corps standards for validating projects were updated;
- an extended time lapse between project validation and project execution; and
- the project's estimated cost increased by 255 percent.

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<sup>7</sup>PWD officials prepared REIRs for buildings 312 and 313 because these buildings were eligible for listing in the National Register of Historic Places.

In FY 2004, the Commandant of the Marine Corps issued MCO P11000.5G, which required HQMC officials to validate projects using new standards. According to HQMC officials, the new standards applied to the Administrative Buildings Project; however, they did not revalidate the project using these standards. The time lapse between the project's validation and execution conflicted with guidance in MCO P11000.5F and MCO P11000.5G. The 2-year period for the project ended in November 2001; yet, the project was not executed until Recovery Act funds were received in FY 2009. Lastly, in FY 2008, PWD officials revised the project's DD Form 1391s increasing the overall project cost by \$15.6 million (255 percent). For example, the November 1999 DD Form 1391, shows an estimated repair cost for building 205 of \$1.1 million. But in June 2008, PWD officials estimated the repair cost at \$3.6 million, an increase of about \$2.5 million (227 percent). The project should have been revalidated due to the new standards, the prolonged time lapse, and the project cost increase of \$15.6 million.

Without complete files, including DD Form 1391s, economic analyses, and environmental policy act reviews, decisions to fund projects using Recovery Act funds are premature and unsupported. Additionally, the Commanding Officer, Marine Corps Base Camp Lejeune should require unfunded projects previously submitted by PWD to be revalidated to determine if they are eligible for funding under MCO P11000.5G.

## **Recovery Act Funds Were Distributed, but the Administrative Buildings Project Was Over-Obligated**

Although Recovery Act funds for the Administrative Buildings Project were distributed promptly, the project was over-obligated.<sup>8</sup> According to funding documents, HQMC officials allocated \$21.322 million in Recovery Act funds to Camp Lejeune for the Administrative Buildings Project in March 2009. From March 2009 through September 2010, HQMC officials allocated an additional \$386,631 of Recovery Act funds from other Recovery Act-funded projects to offset cost variations in the Administrative Buildings Project. This increased the total allocation for the Administrative Buildings Project to approximately \$21.709 million. HQMC officials made these realignments in accordance with Under Secretary of Defense (Comptroller)/Chief Financial Officer memoranda, "Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," May 7, 2009, and "Revision to Policy Regarding Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," January 11, 2010. Of the approximately \$21.709 million received from HQMC, through Camp Lejeune, NAVFAC Mid-Atlantic contracting officials obligated approximately \$21.746 million for the Administrative Buildings Project based on Camp Lejeune officials' certifications of available funds, resulting in \$37,015 of over-obligations.

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<sup>8</sup>Over-obligated means orders placed, contracts awarded, services received, or similar transactions during an accounting period that will require payment during the same or future period in excess of total available funds.

The \$37,015 in excess obligations constitute a potential Antideficiency Act violation of 31 U.S.C. § 1517(a) (1982) (See Finding B).

## **Initial Execution of the Administrative Buildings Project Was Performed**

NAVFAC Mid-Atlantic contracting officials performed initial execution of the project. In our evaluation of the initial execution, we determined whether the contract was competitively solicited and awarded with full transparency, and whether it contained the FAR clauses required by implementation guidance for the Recovery Act.

NAVFAC Mid-Atlantic contracting officials competitively awarded 4 firm-fixed price contracts for repair of 6 administrative buildings at approximately \$20.7 million.<sup>9</sup> The contracts were awarded as small-business set-asides, and the awards were based on price and past performance. At the time of our review, all 4 contractors were registered in the Central Contractor Registration and the Online Representations and Certifications Application, which both cited the contractors as small businesses. In addition, the Excluded Parties List System did not show any of the 4 contractors as debarred.

NAVFAC Mid-Atlantic contracting officials properly recorded contract actions to facilitate full transparency. OMB Memorandum M-09-15 describes requirements for reporting Recovery Act-funded actions in the Federal Procurement Data System and publicizing actions on the Federal Business Opportunities web site. Contracting officials properly announced the solicitations and contract awards on the Federal Business Opportunities web site and reported the contract award in the Federal Procurement Data System.

The contracts originally omitted 4 FAR clauses; however, NAVFAC Mid-Atlantic contracting officials subsequently modified the contracts to include these clauses in the Administrative Buildings Project. NAVFAC Mid-Atlantic contracting officials incorporated most of the FAR clauses required by the Recovery Act. We identified 4 missing contract clauses required by FAR Part 23, “Environment, Energy and Water Efficiency, Renewable Energy Technologies, Occupational Safety, and Drug-Free Workplace.” According to OMB Memorandum M-09-15, agencies must comply with the requirements for FAR Part 23, when using Recovery Act funds to acquire supplies and services. The contracts omitted the following clauses required by FAR Part 23:

- FAR 52.223-11, “Ozone-Depleting Substances,”
- FAR 52.223-12, “Refrigeration Equipment and Air Conditioner,”
- FAR 52.223-15, “Energy Efficiency in Energy-Consuming Products,” and
- FAR 52.223-17, “Affirmative Procurement of EPA-designated Items in Service and Construction Contracts.”

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<sup>9</sup>Approximately \$936,235 in contract modifications and support costs increased the project cost to \$21.7 million.

Without these clauses, NAVFAC Mid-Atlantic officials could not hold contractors accountable for all Recovery Act requirements or ensure the protection or improvement of the environment. However, during our review, contracting officials modified 4 contracts to include the missing FAR clauses.

## **Processes Were in Place to Track and Report the Administrative Buildings Project**

NAVFAC Mid-Atlantic contracting officials had processes in place to track and report the Administrative Buildings Project. The Administrative Buildings Project’s task orders contained Federal Acquisition Regulation clause 52.204-11, “American Recovery and Reinvestment Act–Reporting Requirements,” March 2009, which requires the contractors to report project information to [www.FederalReporting.gov](http://www.FederalReporting.gov). All four contractors submitted quarterly reports, including the number of jobs created and retained.

## **Recommendations, Management Comments, and Our Response**

### **A.1. We recommend the Commanding Officer, Marine Corps Base Camp Lejeune:**

**a. Require Marine Corps Base Camp Lejeune Public Works officials to track and assess the completion of DD Form 1391s, economic analyses, and National Environmental Policy Act reviews in accordance with Marine Corps Order P11000.5G, “Real Property Facilities Manual, Volume IV, Facilities Project Manual,” September 30, 2004.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) responding on behalf of the Commanding Officer, Marine Corps Base Camp Lejeune, agreed and stated that Camp Lejeune Public Works Department officials have historically complied with the intent of this recommendation and have complied for the most recent validation review of projects submitted to Headquarters, U.S. Marines Corps in January 2011. The Assistant Secretary also stated that due to an accelerated process to support the Recovery Act some efforts were streamlined but still met the intent of the Marine Corps Order.

### ***Our Response***

The Assistant Secretary’s comments were partially responsive. Though the Assistant Secretary stated that Camp Lejeune Public Works Department officials has complied with Marine Corps Order P11000.5G, she did not address Public Works Department officials efforts to track and assess the completion of DD Forms 1391s, economic analyses, and the National Environmental Policy Act. We request the Assistant Secretary address Public Works Department official’s efforts and provide comments on the final report.

**b. Review unfunded projects prepared and submitted by Public Works officials for compliance with Marine Corps Order P11000.5G, “Real Property Facilities Manual, Volume IV, Facilities Project Manual,” September 30, 2004. At a minimum, the review should identify areas that need improvement, ensure planning documents are properly prepared and report the complete results to the Deputy Commandant, Installations and Logistics.**

### ***Department of the Navy Comments***

The Assistant Secretary agreed and stated Camp Lejeune Public Works Department officials have historically complied and will continue to comply with this recommendation as part of the normal facilities projects execution process. She further stated that Recovery Act projects were on an accelerated time table. However, the project corrected deficiencies while complying with Recovery Act objectives. Additionally, the Assistant Secretary stated, in general, project documentation is reviewed prior to project execution in accordance with Marine Corps procedures. Headquarters, U.S. Marine Corps conducts a Special Projects Education Workshop semi-annually to reinforce the requirement for complete and accurate documentation of Facilities, Sustainment, Restoration, and Modernization projects.

### ***Our Response***

The Assistant Secretary’s comments were partially responsive. Although the Administrative Buildings Project may have been on an accelerated time table, Camp Lejeune Public Works Department officials should have complied with Marine Corps Order P11000.5G. The Commanding Officer, Marine Corps Base Camp Lejeune, should ensure Camp Lejeune Public Works officials consistently comply with Marine Corps Order P11000.5G at all times. We request the Assistant Secretary address any corrective actions planned to address the deficiencies and provide comments on the final report.

**A.2 We recommend the Deputy Commandant, Installations and Logistics assess Marine Corps Base Camp Lejeune’s projects that were validated before the issuance of Marine Corps Order P11000.5G, “Real Property Facilities Manual, Volume IV, Facilities Projects Manual,” September 30, 2004, but that have not yet been funded to determine whether it is necessary to revalidate those projects.**

### ***Department of the Navy Comments***

The Assistant Secretary agreed and stated the U.S. Marine Corps will implement a plan to review projects validated with a planned execution prior FY 2004 to ensure compliance with Marine Corps Order P11000.5G. The review will be completed by June 30, 2012.

### ***Our Response***

The Assistant Secretary’s comments were responsive, and no further comments are required.

## Finding B. Untimely Recording of Contract Modifications Caused Over-Obligation of the Administrative Buildings Project

NAVFAC Mid-Atlantic contracting officials over-obligated the Administrative Buildings Project by \$37,015. The over-obligation occurred because neither NAVFAC Mid-Atlantic nor Camp Lejeune officials recorded contract modifications in the SABRS in a timely manner, causing the SABRS to overstate the balance of available funds and Camp Lejeune PWD officials to improperly certify the availability of funds for the project. As a result, a potential Antideficiency Act violation under 31 U.S.C. § 1517(a) (1982) may have occurred.

### Antideficiency Act Prohibits Over-Obligation

According to 31 U.S.C. § 1517(a) (1982), officers and employees of the U.S. Government may not obligate more funds than authorized by agency regulations. According to DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 14 (2010), Government officers and employees may not obligate funds in excess of allocations. According to the regulation, fund managers must ensure that officials record all transactions in the accounting records in a timely manner. The guidance also requires the initiation of a preliminary review in the event of a potential Antideficiency Act violation. Lastly, the regulation states that when a draft report<sup>10</sup> alleges a potential violation and the DoD Component agrees with that determination, the DoD Component must report on the potential violation within 2 weeks and complete a preliminary review within 14 weeks of the issuance of the final report, using the procedures in DoD Regulation 7000.14-R, volume 14, chapter 3, sections 0301 and 0302.

### Delays in Recording Obligations Led to Improper Certification of Funds and Over-Obligation

NAVFAC Mid-Atlantic and Camp Lejeune officials did not record contract modifications for the Administrative Buildings Project in SABRS in a timely manner. MCO 7300.21A,

*Three contract modifications, valued at over \$62,142, were recorded as obligations in SABRS more than 60 days after the contracts were awarded.*

“Marine Corps Financial Management Standard Operating Procedure Manual,” October 2, 2008, states that fund managers must record obligations in SABRS within 10 days from the date the obligation incurred. Three contract modifications, valued at \$62,142, were recorded as obligations in SABRS more than 60 days

after the contracts were awarded. The following table provides a summary of the three contract modifications.

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<sup>10</sup> According to Volume 14, chapter 3 page 3-7 of the DoD Financial Management Regulation the GAO, DoD IG, military department audit agency or other organizations external to a DoD Component may advise in a report that a potential violation may have occurred.

**Summary of Contract Modifications That Were Not Timely Recorded in SABRS**

<b>Contract / Order</b>	<b>Amount</b>	<b>Date of Award</b>	<b>Date Recorded</b>	<b>Number of Days to Record Award</b>
N40085-09-D-5322 / 0008 (Amendment 04) <sup>11</sup>	\$22,753	Sept. 28, 2010	Nov. 29, 2010	62
N40085-09-D-5341 / 0008 (Amendment 05)	\$23,682	Sept. 07, 2010	Nov. 15, 2010	69
N40085-09-D-5353 / 0004 (Amendment 05)	\$15,707	Sept. 24, 2010	Nov. 29, 2010	66
<b>Total</b>	<b>\$62,142</b>			

The delay in recording the \$62,142 in SABRS allowed PWD officials to believe that additional funds were available in September 2010 for the Administrative Buildings Project. Thus, PWD officials improperly certified to NAVFAC Mid-Atlantic contracting officials that additional funds were available for contract modifications to the project. Based on the improper certifications, NAVFAC Mid-Atlantic contracting officials awarded additional contract modifications, increasing the total obligations to \$21.746 million. By awarding these modifications, NAVFAC Mid-Atlantic contracting officials over-obligated the Administrative Buildings Project by \$37,015 because HQMC had only allocated \$21.709 million for the repairs.

HQMC officials stated that they believed the over-obligation of Recovery Act funds for the project was unintentional and internal control problems adversely impacted the completeness of the obligation balances for the Administrative Buildings Project in SABRS. HQMC officials further stated they believe a DoD-wide contracting system, Procurement Desktop Defense, was not sufficiently interfacing with SABRS. As a result, not all contract modifications were recorded timely. In addition, HQMC officials stated that they have efforts underway to assess and resolve this issue.

***Potential Antideficiency Act Violation Should Be Reviewed***

HQMC officials took corrective action by realigning \$37,015 in bid savings from other Recovery Act-funded projects to correct the over-obligation and directed Camp Lejeune

*HQMC officials took corrective action by realigning \$37,015 in bid savings from other Recovery Act-funded projects...*

officials to assess and correct the controls that caused the obligation. Although HQMC officials realigned funds to correct the over-obligation, an Antideficiency Act violation under 31 U.S.C. § 1517(a) (1982) may have occurred. HQMC and Camp Lejeune officials

can avoid an Antideficiency Act violation by demonstrating that at least \$21.746 million was available to the Administrative Buildings Project at the time of the initial

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<sup>11</sup>This task order modification included funds split between two Sub-Contract Line Item Numbers; however, SABRS did not reflect the obligations under Sub-Contract Line Item Number 00202.

over-obligation. If that documentation is not available, HQMC and the Assistant Secretary of the Navy (Financial Management and Comptroller) should conduct a preliminary review of the potential violation in accordance with DoD Regulation 7000.14-R, volume 14.

## **Recommendations, Management Comments, and Our Response**

### **B.1. We recommend the Deputy Commandant, Programs and Resources:**

**a. Coordinate with the Assistant Secretary of the Navy (Financial Management and Comptroller) to initiate a preliminary review. If necessary, conduct an investigation in to whether an Antideficiency Act violation under section 1517(a), title 31, United States Code occurred if \$21.746 million was not available to Project LE02ADMM, “Repair HVAC/Mechanical/Electrical/Roofs and Windows Various Admin Facs,” on the date of the over-obligation. Additionally, comply with the reporting requirements in DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 14 (2010).**

#### ***Department of the Navy Comments***

The Assistant Secretary agreed and stated that action has been initiated to gather facts and germane information in order to factually establish whether a potential reportable violation of the Anti-Deficiency Act has occurred and a preliminary investigation is warranted.

#### ***Our Response***

The Assistant Secretary’s comments were responsive. However, the Assistant Secretary did not provide estimated dates of completion for these actions. Therefore, we request the Navy to provide comments on the final report that include a completion date for the planned actions.

**b. Closely monitor ongoing assessments to resolve the interfacing issues between Procurement Desktop Defense and the Standard Accounting, Budgeting, and Reporting System.**

#### ***Department of the Navy Comments***

The Assistant Secretary agreed and stated the Marine Corps will conduct a cradle to grave assessment of the transactions in questions. The target date for completion of this assessment is December 31, 2011.

#### ***Our Response***

The Assistant Secretary’s comments were responsive, and no further comments are required.

**B.2. We recommend the Commander, Marine Corps Base Camp Lejeune conduct refresher training on the requirements of MCO 7300.21A, “Marine Corps Financial Management Standard Operating Procedure Manual,” October 2, 2008, for the recording of obligations in the Standard Accounting, Budgeting, and Reporting System.**

***Department of the Navy Comments***

The Assistant Secretary agreed and stated the Commander, Marine Corps Base Camp Lejeune will conduct refresher training on properly recording obligations. The target date for completing the training is December 31, 2011.

***Our Response***

The Assistant Secretary’s comments were responsive, and no further comments are required.

## Appendix A. Scope and Methodology

We conducted this performance audit from October 2009 through August 2011 in accordance with generally accepted government auditing standards. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To review DoD's implementation of plans for the Recovery Act, we audited the planning, funding, initial project execution, and tracking and reporting of Administrative Building Project to ensure personnel at Camp Lejeune complied with Recovery Act and subsequent related guidance. Specifically, we determined whether:

- the selected project was adequately planned to ensure the appropriate use of Recovery Act funds (Planning);
- funds were distributed in a prompt, fair, and reasonable manner (Funding);
- the contract awarded was transparent, competed, and contained required Recovery Act Federal Acquisition Regulation clauses (Initial Execution); and
- recipients' use of funds was transparent to the public; and the benefits of the funds were clearly, accurately, and timely reported (Tracking and Reporting).

The Administrative Buildings Project, valued at \$21.7 million, is a Recovery Act project that consisted of major interior and exterior repairs to various administrative facilities at Camp Lejeune. PWD officials scheduled six administrative buildings (118, 205, 213, 312, 313, and 417) for renovations as part of this Recovery Act project.

We obtained and examined Government solicitations and contracts, contract specifications, funding documents, economic analyses, DD Form 1391s, cost estimates, and environmental planning documents related to six buildings. We compared the PWD's documents and information to relevant criteria to determine whether they were properly prepared, met Marine Corps' project planning requirements, and were properly and promptly funded. We collected financial information from SABRS and the Program Budget Information System and compared that data to funding documents, commitment documents, contracts, contract modifications, and other data to determine whether the total obligations for the Administrative Buildings Project exceeded the total funds allocated. We examined data from the Recovery Act reporting Web sites to determine whether the initial tracking, reporting, and transparency requirements of the Recovery Act were met. Additionally, we interviewed appropriate Government personnel from HQMC to obtain an understanding of how projects were selected for Recovery Act funding, and we interviewed PWD officials about the project's planning.

## **Use of Computer-Processed Data**

During our audit, we obtained and used computer-processed data from the internet Navy Facilities Assets Data Store, <http://www.recovery.gov>, SABRS, the Program Budget Information System, and other systems. We compared the DD Form 1391s, Economic Analyses, and NEPA data to relevant criteria to determine whether they were properly prepared. We concluded that the DD Form 1391s, Economic Analyses, and NEPA data were not sufficiently prepared. We also determined that document conclusions were not adequately supported and were unreliable. In the case of SABRS and the Program Budget Information System, we relied on computer-processed data, and the accuracy of the computer data was important to our audit results. We verified the accuracy of the computer-processed data from SABRS and the Program Budget Information System by comparing the financial data to source documents.

## **Use of Technical Assistance**

Before selecting DoD Recovery Act projects for audit, personnel in the Quantitative Methods Division (QMD) of the DoD Office of Inspector General analyzed all DoD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. QMD personnel selected most audit projects and locations using a modified Delphi technique, which allowed them to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. QMD personnel selected 83 projects with the highest risk rankings.

QMD personnel did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act funds being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, National Guard units, and public works projects managed by the U.S. Army Corps of Engineers.

## **Prior Audit Coverage**

The Government Accountability Office, the Department of Defense Office of the Inspector General, and the Military Departments have issued reports and memoranda discussing DoD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.

## Appendix B. Recovery Act Criteria and Guidance

The following list includes the primary Recovery Act criteria and guidance (notes appear at the end of the list):

- U.S. House of Representatives Conference Committee Report 111-16, “Making Supplemental Appropriations for Job Preservation and Creation, Infrastructure Investment, Energy Efficiency and Science, Assistance to the Unemployed, and State and Local Fiscal Stabilization, for the Fiscal Year Ending September 30, 2009, and for Other Purposes,” February 12, 2009
- Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009
- OMB Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009<sup>12</sup>
- OMB Bulletin No. 09-02, “Budget Execution of the American Recovery and Reinvestment Act of 2009 Appropriations,” February 25, 2009
- White House Memorandum, “Government Contracting,” March 4, 2009
- White House Memorandum, “Ensuring Responsible Spending of Recovery Act Funds,” March 20, 2009
- OMB Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009<sup>12</sup>
- OMB Memorandum M-09-16, “Interim Guidance Regarding Communications With Registered Lobbyists About Recovery Act Funds,” April 7, 2009
- OMB Memorandum M-09-19, “Guidance on Data Submission under the Federal Funding Accountability and Transparency Act (FFATA),” June 1, 2009
- OMB Memorandum M-09-21, “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009,” June 22, 2009<sup>13</sup>
- OMB Memorandum M-09-24, “Updated Guidance Regarding Communications with Registered Lobbyists About Recovery Act Funds,” July 24, 2009
- OMB Memorandum M-09-30, “Improving Recovery Act Recipient Reporting,” September 11, 2009<sup>13</sup>

- OMB Office of Federal Procurement Policy, “Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204-11,” September 30, 2009<sup>13</sup>
- OMB Memorandum M-10-08, “Updated Guidance on the American Recovery and Reinvestment Act–Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates,” December 18, 2009<sup>13</sup>
- OMB Memorandum M-10-14, “Updated Guidance on the American Recovery and Reinvestment Act,” March 22, 2010<sup>13</sup>
- White House Memorandum, “Combating Noncompliance With Recovery Act Reporting Requirements,” April 6, 2010<sup>13</sup>
- OMB Memorandum M-10-17, “Holding Recipients Accountable for Reporting Compliance under the American Recovery and Reinvestment Act,” May 4, 2010<sup>13</sup>

## Notes

<sup>12</sup> Document provides Government-wide guidance for carrying out programs and activities enacted in American Recovery and Reinvestment Act of 2009. The guidance states that the President’s commitment is to ensure that public funds are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Recovery Act.

<sup>13</sup> Document provides Government-wide guidance for carrying out the reporting requirements included in section 1512 of the Recovery Act. The reports will be submitted by recipients beginning in October 2009 and will contain detailed information on the projects and activities funded by the Recovery Act.

# Department of the Navy Comments



THE ASSISTANT SECRETARY OF THE NAVY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

September 16, 2011

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Improper Planning of the Administrative Buildings  
Project at Camp Lejeune, North Carolina (Project No.  
D2010-D000LH-0050.000)

The Department of the Navy (DON) appreciates the efforts of the Department of Defense Inspector General (DoDIG) to help improve the management and oversight of American Recovery and Reinvestment Act (ARRA) related construction projects at Camp Lejeune, North Carolina. I have reviewed the DoDIG's recommendations and have the following comments:

1. Recommendation A.1.a: We recommend the Commanding Officer, Marine Corps Base Camp Lejeune: Require Marine Corps Base Camp Lejeune Public Works officials to track and assess the completion of DD Form 1391s, economic analyses, and National Environmental Policy Act reviews in accordance with MCO P11000.5G, "Real Property Facilities Manual, Volume IV, Facilities Project Manual," September 30, 2004.

DON Response: Concur. Camp Lejeune Public Works Department (PWD) officials have historically complied with the intent of this recommendation and have complied for the most recent validation review of Facilities Sustainment, Restoration and Modernization (FSRM) projects submitted to HQMC in January 2011. Due to the fast track efforts to create an economic stimulus, this ARRA project was awarded within 120 days of approval. As a result of the accelerated process some efforts were streamlined but still met the intent of the MCO.

2. Recommendation A.1.b: We recommend the Commanding Officer, Marine Corps Base Camp Lejeune: Review unfunded projects prepared and submitted by Public Works officials for compliance with MCO P11000.5G, "Real Property Facilities Manual, Volume IV, Facilities Project Manual," September 30, 2004. At a minimum, the review should identify areas that need improvement, ensure planning documents are properly prepared and report the complete results to the Deputy Commandant, Installations and Logistics.

SUBJECT: Improper Planning of the Administrative Buildings  
Project at Camp Lejeune, North Carolina (Project No.  
D2010-D000LH-0050.000)

DON Response: Concur. Camp Lejeune PWD officials have historically complied and will continue to comply with this recommendation as part of the normal facilities projects execution process. ARRA projects, however, were on an accelerated time table. Additionally, the project corrected deficiencies while complying with recovery act objectives.

In general, project documentation is reviewed prior to project execution in accordance with Marine Corps procedures. Normally a Contract Advertisement Forecast (CAF) is submitted to HQMC in September and March of each year for approval of projects to be executed during the fiscal year. Projects within funding range will be reviewed prior to submission on this CAF to ensure compliance with MCO P1100.5G. HQMC conducts a Special Projects Education Workshop semi-annually to reinforce the requirement for complete and accurate documentation of FSRM projects.

3. Recommendation A.2: We recommend the Deputy Commandant, Installations and Logistics assess Marine Corps Base Camp Lejeune's projects that were validated before the issuance of MCO P11000.5G, "Real Property Facilities Manual, Volume IV, Facilities Projects Manual," September 30, 2004, but that have not yet been funded to determine whether it is necessary to revalidate those projects.

DON Response: Concur. Marine Corps will implement a plan to review projects validated with a planned execution prior to FY 2004 to ensure compliance with MCO P11000.5G. This review will be completed by 30 June 2012.

4. Recommendation B.1.a: We recommend the Deputy Commandant, Programs and Resources: Coordinate with the Assistant Secretary of the Navy (Financial Management and Comptroller) to initiate a preliminary review. If necessary, conduct an investigation in to whether an Antideficiency Act violation under section 1517(a), title 31, United States Code occurred if \$21.746 million was not available to Project LEO2ADMM, "Repair HVAC/Mechanical/ Electrical/Roofs and Windows Various Admin Facs," on the date of the over-obligation. Additionally, comply with the reporting requirements in DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 14 (2010).

SUBJECT: Improper Planning of the Administrative Buildings  
Project at Camp Lejeune, North Carolina (Project No.  
D2010-D000LH-0050.000)

DON Response: Concur. Action has been initiated to gather facts and germane information in order to factually establish whether a potential reportable violation of the ADA has occurred and a preliminary ADA investigation is warranted.

5. Recommendation E.1.b: We recommend the Deputy Commandant, Programs and Resources: Closely monitor ongoing assessments to resolve the interfacing issues between Procurement Desktop Defense and the Standard Accounting, Budgeting, and Reporting System (SABRS).

DON Response: Concur. The Marine Corps will conduct a cradle to grave assessment of the transactions in question in order to validate and confirm the accuracy of the interface. The target date for completion of this review is 31 December 2011.

6. Recommendation E.2: We recommend the Commander, Marine Corps Base Camp Lejeune conduct refresher training on the requirements of MCO 7300.2 IA, "Marine Corps Financial Management Standard Operating Procedure Manual," October 2, 2008, for the recording of obligations in the SABRS.

DON Response: Concur. Commander, Marine Corps Base Camp Lejeune concurs refresher training is beneficial and will conduct refresher training on properly recording obligations in the SABRS. The training will be conducted by 31 December 2011.

The DON and Marine Corps look forward to working with the DoDIG to continue improving our processes. My point of contact for this matter [REDACTED]

  
for Gladys J. Commons

cc:  
DCMC (P&R)  
DASN (Budget)





# Inspector General Department of Defense

