

Naval Audit Service



Audit Report



American Recovery and Reinvestment Act of 2009 – Marine Corps Air Station, New River, NC

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N2010-0048
13 August 2010

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MEMORANDUM FOR DISTRIBUTION

Subj: **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 –
MARINE CORPS AIR STATION, NEW RIVER, NC (AUDIT REPORT
N2010-0048)**

Ref: (a) NAVAUDSVC memo N009-NIA000-0143.000, dated 23 June 2009
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

Encl: Descriptions of Projects, Results of Audit, and Project Status

1. **Introduction.** This is one of a series of reports on our audit of selected projects of the American Recovery and Reinvestment Act of 2009 (ARRA). This report presents the results of our audit of one ARRA project at Marine Corps Air Station (MCAS) New River, NC to repair heating, ventilation, and air conditioning (HVAC); mechanical and electrical systems; roofs; and windows at five buildings. Project NR10ADMM, while shown in ARRA Department of Defense (DoD) Expenditure Plans as a single project, was awarded as three separate projects at MCAS New River with unique contracts and different contractors, totaling about \$14.6 million. The overall audit effort was announced by reference (a), and we are providing this report in accordance with reference (b). We concluded that the three projects at MCAS New River appeared to have been sufficiently planned, and that the contracts for the projects were properly awarded and written. Therefore, we are making no recommendations.

2. **Reason for Audit.** The audit objective was to verify that funds received by the Department of the Navy (DON) under ARRA were obligated and used in accordance with the Act. This audit was requested by the Office of the DoD Inspector General (DoDIG) to assist in oversight of the implementation of ARRA within DON. Our specific objectives for this phase of the audit were to verify that:

- The selected ARRA projects at MCAS New River were sufficiently planned to ensure the appropriate use of ARRA funds;
- Contracts for the selected ARRA projects:
 - Were properly awarded and funds were distributed in a prompt, fair, and reasonable manner; and

Subj: **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 –
MARINE CORPS AIR STATION, NEW RIVER, NC (AUDIT REPORT
N2010-0048)**

- Included all required Federal Acquisition Regulation (FAR) clauses required by ARRA; and
- Solicitation and contract award information for the selected ARRA projects was reported by DON on the Federal Business Opportunities Website to promote transparency to the public.

3. Communication with Navy Management. We communicated with representatives from the office of the Officer In Charge of Construction Marine Corps Installations East (OICC MCI EAST), located at Marine Corps Base, Camp Lejeune, NC on 19 November 2009 to provide initial results of the audit, and we issued a discussion draft on 2 August 2010 to provide the results of the audit.

4. Background, Scope and Methodology, and Pertinent Guidance.

a. Background.

(1) On 17 February 2009, the President signed ARRA into law, with the express purpose of stimulating the economy. ARRA provided \$280 million to DON for military construction (MILCON) that is available for obligation until 30 September 2013, and provided \$865.9 million for Facilities Sustainment, Restoration, and Modernization (FSRM) projects that is available for obligation until 30 September 2010.

(2) The goal of ARRA is to provide an infusion of money, within specific guidelines, that will result in a jump start to the United States economy. ARRA guidelines include initiating expenditures and activities as quickly as possible in a manner consistent with prudent management. Further, ARRA projects should be fully justified and consistent with ARRA goals and requirements. The President indicated multiple goals for ARRA, including: (1) awarding projects quickly and putting the money into the economy quickly; (2) fostering competition; and (3) creating and retaining jobs. In addition, organizations should use competitive, firm, fixed price contracts to reduce risk to the Government and taxpayers. Beginning in October 2009, contractors who receive ARRA funds are required to submit information quarterly (amount of money expended, percent of project completion, salaries of particular personnel, and the number of jobs created/retained).

b. Scope. We audited the following three projects for repair of HVAC, mechanical, and electrical systems, and roofs and windows (various buildings), totaling about

Subj: **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 –
MARINE CORPS AIR STATION, NEW RIVER, NC (AUDIT REPORT
N2010-0048)**

\$14.6 million¹ and funded from the \$865.9 million in ARRA funding provided to DON for FSRM projects:

- **Project NR1001M/2M** - Interior/Exterior Repairs to Buildings AS4157 and AS4158, about \$4.6 million (FSRM project);
- **Project NR1009M/11M** - Interior/Exterior Repairs to Buildings AS4106 and AS3905, about \$4.3 million (FSRM project); and
- **Project NR1013M** - Repairs to Building AS705 Bachelor Officers' Quarters (BOQ), about \$5.7 million (FSRM project).

Conditions noted in this report existed during the time period of our review from November 2009 until February 2010. We performed on site work at OICC MCI EAST and MCAS New River during November 2009. We reviewed data on the Recovery.gov Web site through 2 August 2010.

c. Methodology.

1. DoDIG identified and provided the sample of projects to be reviewed from the ARRA DoD Expenditure Plans dated 20 March 2009, using predictive analytics.
2. We verified that the selected projects were included on the Federal Business Operations Website and obtained posted information from the Web site.
3. We obtained copies of the latest Military Construction Project Data Forms (DD Forms 1391) or other applicable documentation to determine the justification and scope of the project.
4. We visited MCAS New River, toured the buildings to be repaired, and analyzed documentation to evaluate the need for the projects.
5. We interviewed responsible OICC MCI EAST personnel to verify that documentation was developed in compliance with appropriate guidelines, and we evaluated documentation to verify that projects were properly scoped.
6. We obtained contract solicitation, award, and funding documentation from OICC MCI EAST personnel and reviewed it for compliance with ARRA guidance.
7. We obtained data from the "Recovery.gov" Web site to verify that the recipients of the funds were providing required information.

¹For our audit, DoDIG selected what was shown in the DoD Expenditure Plans, submitted to Congress on 20 March 2009, as one project for MCAS New River estimated to cost \$8.733 million. The initial cost estimates for what were actually three projects were low, and the combined cost of the projects when we audited them was about \$14.6 million.

Subj: **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 –
MARINE CORPS AIR STATION, NEW RIVER, NC (AUDIT REPORT
N2010-0048)**

8. We did not review internal controls because that was not within the limited scope of our objectives.
9. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those 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.
10. We did not identify any Naval Audit Service, DoDIG, or Government Accountability office (GAO) reports issued that related to our specific objectives, although both DoDIG and GAO are currently conducting audits related to AARA.

d. Pertinent Guidance.

1. Office of Management and Budget Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” 3 April 3 2009, outlines necessary enhancements to standard processes for awarding and overseeing funds to meet accelerated timeframes and other unique challenges posed by the Recovery Act’s transparency and accountability framework. Specifically, section 2 provides guidance regarding agency plans and public reporting, section 4 provides guidance regarding budget execution, and section 6 provides guidance regarding contracts.
2. FAR reissue of March 2005 provides guidance regarding competition and acquisition planning, contracting methods and contract types, general contracting requirements, special categories of contracts, contracts management, and contract clauses and forms.
3. Unified Facilities Criteria provides planning, design, construction, sustainment, restoration, and modernization criteria for Military Departments.
4. Naval Facilities Engineering Command (NAVFAC) P-80, “Facility Planning Factor Criteria for Navy and Marine Corps Installations,” Revision January 2005, is internal to the Navy and is published by NAVFAC to provide specific guidance for each facility category code to further assist facilities planners in preparing MILCON project data forms.
5. Chief of Naval Operations (OPNAV) Instruction 11010.20G, “Facilities Project Instruction,” 14 October 2005, provides detailed guidance for the administration of facilities projects at Navy shore installations.

Subj: **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 –
MARINE CORPS AIR STATION, NEW RIVER, NC (AUDIT REPORT
N2010-0048)**

5. Federal Manager's Financial Integrity Act. The Federal Manager's Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. In our professional judgment, we did not find weaknesses systemic enough to be considered for inclusion in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

6. Audit Results and Conclusions. In our judgment, the selected projects were sufficiently planned to ensure the appropriate use of ARRA funds. In addition, the contracts for the selected ARRA projects were properly awarded and funds were distributed in a prompt, fair, and reasonable manner. The enclosure provides a description of each project, the audit results associated with that project, and the status of the projects as of 2 August 2010.

7. Other Information.

a. This report is subject to followup in accordance with reference (b).

b. We appreciate the cooperation, courtesies, and professional assistance extended to our auditors during this audit effort.



RON J. BOOTH
Assistant Auditor General
Installations and Environment Audits

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**Subj: AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 –
MARINE CORPS AIR STATION, NEW RIVER, NC (AUDIT REPORT
N2010-0048)**

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Enclosure:

Descriptions of Projects, Results of Audit, and Project Status

Project NR1001M/2M

Description

Project NR1001M/2M, “Interior/Exterior Repairs to Buildings AS4157 and AS4158,” is located at Marine Corps Air Station (MCAS) New River, NC. The project was a Facilities, Sustainment, Restoration and Modernization (FSRM) project to renovate the interior and exterior of AS4157 and AS4158. The buildings have not received any major renovation since their original construction in 1981.

Audit Results

In our opinion, the project supports a valid need for the United States Marine Corps (USMC). We observed, during the tour of buildings AS4157 and AS4158, that the existing facilities are in inadequate condition. Water marks on the floor throughout the interior of the facility showed evidence of a leaking roof. The light fixtures are old and need to be replaced with energy efficient ones. The toilet partitions, lavatories, and the interior floor tile (asbestos type material) are also old and require replacement. The task order was competitively awarded with a fixed-price small business contract. The project was planned for about \$3.2 million and was awarded for about \$4.6 million on 16 July 2009. The increase in cost does not reflect any increase in scope because, according to Naval Facilities Engineering Command (NAVFAC), the cost estimate for the project was understated.

The contract award and solicitation were properly posted on the Federal Business Opportunities Web site (Fedbizopps.gov), under the “Recovery Act” awards. The contract contained the required Federal Acquisition Regulation (FAR) clauses for American Recovery and Reinvestment Act of 2009 (ARRA) contract actions. The construction manager and the technical engineer are located on site to monitor the contractor’s performance. Contractors are meeting their technical requirements, and status reports on work completion are updated to show the most current information.

Status of the Project

According to the Recovery.gov Web site, as of 30 June 2010 project NR1001M/2M was less than 50 percent completed and the contractor reported that 16.82 jobs had been created.

Project NR1009M/11M

Description

Project NR1009M/11M, "Interior/Exterior Repairs to AS4106 and AS3905," is located at MCAS New River, NC. The project is an FSRM project to renovate the interior and exterior of maintenance hangars AS3905 and AS4106. Hangar AS3905 was constructed in 1991 and Hangar AS4106 was constructed in 1969. Based on our tour of the buildings, existing facilities appear to be inadequate and are adversely affecting the operational readiness of the air wing.

Audit Results

In our opinion the project supports a valid need for USMC. We observed during the tour that repair work has been started on hangars AS3905 and AS4106. The interior and exterior of hangar AS3905 needed painting. Windows were rusted and broken on hangar AS4106 and are scheduled to be replaced by blast resistant tempered glass. The lighting fixtures for both facilities no longer provide adequate illumination and new energy efficient fixtures and lamps should be installed.

Project NR1009M/11M was competitively awarded as a Historically Underutilized Business Zone (HUBZONE) Small Business Task Order. The project was planned for about \$5.1 million and was awarded for about \$4.3 million on 13 July 2009. The decrease in cost does not reflect any decrease in scope.

The contract award and solicitation were properly posted on the Federal Business Opportunities Web site (Fedbizopps.gov). The contract contained the required ARRA clauses. The construction manager and the technical engineer are located on site to monitor the contractor's performance. Contractors are meeting their technical requirements and status reports on work completion are updated to show the most current information.

Status of Project

According to the Recovery.gov Web site, as of 30 June 2010 project NR1009M/11M was more than 50 percent completed and the contractor reported that two jobs had been created.

Project NR1013M

Description

Project NR1013M, “AS705 BOQ,” is located at MCAS New River, NC. The project is an FSRM project to replace the roof; electrical panels; heating, ventilation, and air conditioning; shower enclosures; vanities; doors; windows; flooring; railings; and boiler at the Bachelor Officers’ Quarters (BOQ) Building AS705.

Audit Results

In our opinion the project supports a valid need. The BOQ was built in 1968 and is in poor condition. Based on our tour, the building appeared to be in inadequate condition. The facility needs to be renovated to prevent deterioration and to improve the quality of life for the facility occupants.

The task order was competitively awarded for a fixed-price under a mechanical multiple award construction contract (MACC). The project was planned for about \$6.2 million and was awarded for about \$5.7 million on 30 September 2009. The decrease in cost does not reflect any decrease in scope.

The contract award and solicitation were properly posted on the Federal Business Opportunities Web site (Fedbizopps.gov) under the “Recovery Act” awards. The contract contained the required ARRA clauses. A Quality Assurance Surveillance Plan had not been developed at the time of the site visit because the project was in the design phase.

Status of the Project

According to the Recovery.gov Web site, as of 30 June 2010 project NR1013M was less than 50 percent completed and the contractor reported that 21 jobs had been created.