



# *U.S. Army Audit Agency*

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## **American Recovery and Reinvestment Act of 2009**

**Fort Bragg, North Carolina**

# Executive Summary

Audit Report A-2010-0073-ALO

5 April 2010



## American Recovery and Reinvestment Act of 2009

Fort Bragg, North Carolina



### Results

On 17 February 2009 the President signed into law the American Recovery and Reinvestment Act (ARRA) of 2009 with the expressed purpose of stimulating economic growth. ARRA requires unprecedented levels of transparency, oversight, and accountability. The Office of the Inspector General, DOD coordinated a joint oversight approach with the Service audit agencies to ensure maximum and efficient coverage of ARRA plans and implementation.

We reviewed the Army's implementation of ARRA at Fort Bragg, North Carolina, to ensure it was in accordance with the requirements of the Act, Office of Management and Budget guidance, and subsequent related guidance. Specifically, we assessed whether Fort Bragg personnel adequately planned, funded, executed, and tracked and reported their ARRA projects.

The Army implemented the ARRA of 2009 for the two projects we reviewed at Fort Bragg. It properly planned, funded, executed, and tracked and reported the two projects as stipulated in the Act and related guidance. As a result, there was reasonable assurance that the Army, at Fort Bragg, expended public funds responsibly and in a transparent manner to further job creation and economic recovery.

However, the contracts for the two projects didn't contain the applicable Federal Acquisition Regulation (FAR) clauses the Act required. This was because the Army used task orders on contracts that existed before the Act was effective to execute the ARRA projects and didn't add the FAR clauses to the task orders. Without the clauses in the task orders, the Army, at Fort Bragg, wasn't in full and complete compliance with the Act.

### Recommendation

We recommended the Commanding General, U.S. Army Corps of Engineers review all contracts and task orders for ARRA projects at Fort Bragg to determine if each contains the applicable FAR clauses required in the Act and add the clauses to any contracts and task orders that don't have them.

The Corps agreed with the recommendation. Its comments represent the official Army position for the audit report.



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U.S. ARMY AUDIT AGENCY  
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5 April 2010

Commanding General, U.S. Army Corps of Engineers

This is the report on our audit of American Recovery and Reinvestment Act of 2009 projects at Fort Bragg, North Carolina. This audit was a joint oversight approach executed with Office of the Inspector General, DOD and other Service audit agencies. The audit focused on the Army's implementation of the American Recovery and Reinvestment Act of 2009 in accordance with the requirements of the Act, Office of Management and Budget guidance, and subsequent related guidance.

We conducted this audit in accordance with generally accepted government auditing standards.

This report has one recommendation addressed to your office.

For additional information about this report, contact the Installation Operations Audits Division at 703-681-9855. I appreciate the courtesies and cooperation extended to us during the audit.

FOR THE AUDITOR GENERAL:

*Alice S. Arielly*

ALICE S. ARIELLY  
Program Director  
Installation Operations Audits

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# INTRODUCTION

## WHAT WE AUDITED

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On 17 February 2009 the President signed into law the American Recovery and Reinvestment Act (ARRA) of 2009 with the expressed purpose of stimulating economic growth. The Office of the Inspector General, DOD coordinated a joint oversight approach with the Service audit agencies to ensure maximum and efficient coverage of ARRA plans and implementation.

We audited the Army's implementation of ARRA at Fort Bragg, North Carolina to ensure it was in accordance with the requirements of the Act, Office of Management and Budget (OMB) guidance, and subsequent related guidance. Specifically, we assessed whether Fort Bragg personnel:

- Adequately planned the projects to ensure the appropriate use of ARRA funds.
- Awarded and distributed funds in a prompt, fair, and reasonable manner.
- Performed contract administration and project execution duties in a manner to ensure use of ARRA funds was for authorized purposes and instances of fraud, waste, error, and abuse were mitigated; program goals were achieved; and funded projects avoided unnecessary delays and cost overruns.
- Ensured that recipients and uses of funds were transparent to the public and the benefits of the funds were clearly, accurately, and timely reported.

## BACKGROUND

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The ARRA of 2009 was established to stimulate economic growth by creating jobs through investments in infrastructure improvements and expanding energy research. ARRA requires unprecedented levels of transparency, oversight, and accountability. DOD received about \$12 billion as part of ARRA – and distributed about \$7.7 billion to the Army. The Office of the Inspector General, DOD executed a joint oversight approach with U.S. Army Audit Agency and other Service audit agencies to ensure maximum and efficient coverage of ARRA plans and implementation.

On 3 April 2009 OMB issued memorandum M-09-15 (Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009) that provides an updated set

of governmentwide requirements and guidelines that Federal agencies must implement or prepare for to effectively manage activities under ARRA. The guidance establishes and clarifies the required steps Federal agencies must take to meet these crucial accountability objectives:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner.
- 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.
- Funds are used for authorized purposes and potential for fraud, waste, error, and abuse are mitigated.
- Projects funded under this Act avoid unnecessary delays and cost overruns and program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Additionally, the guidance requires agencies to compile weekly reports that include financial and activity details to ensure the agencies are meeting the transparency and accountability objectives and mitigate potential for fraud, waste, and abuse.

Fort Bragg received about \$111.3 million for 65 projects according to the DOD Expenditure Plan—2 projects were for Military Construction (MILCON) and 63 were for Facilities Sustainment, Restoration, and Modernization (FSRM). For our review, the Office of the Inspector General, DOD selected one MILCON and one FSRM project. Annex B shows pictures of the existing facility the Army will restore and modernize in the FSRM project. Here are descriptions of the two projects:

Project Type	Project Title	Project Description	Cost Estimate (\$000)
MILCON	Child Development Center	Construct a medium-sized Center for children up to 5 years old	\$11,300
FSRM	Old Bowley School Renovation	Renovate complex to provide administrative space	11,000
Total			\$22,300

# A – AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

## OBJECTIVE

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Did the Army implement the American Recovery and Reinvestment Act of 2009 in accordance with the requirements of the Act, Office of Management and Budget guidance, and subsequent related guidance?

## CONCLUSION

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Yes, the Army implemented the ARRA of 2009 – for the two projects we reviewed at Fort Bragg – in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance. The Army properly planned, funded, executed, and tracked and reported the two projects as the Act and related guidance stipulated. As a result, there was reasonable assurance that the Army, at Fort Bragg, expended public funds responsibly and in a transparent manner to further job creation and economic recovery.

However, the contracts for the two projects didn't contain the applicable Federal Acquisition Regulation (FAR) clauses the Act required. This was because the Army used task orders on contracts that existed before the Act was effective to execute the ARRA projects and didn't add the FAR clauses to the task orders. Without the clauses in the task orders, the Army, at Fort Bragg, wasn't in full and complete compliance with the Act.

Our detailed discussion of these conditions follows. Our recommendation to correct them begins on page 9.

## DISCUSSION

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In this section, we discuss these four areas:

- Installation planning.
- Project funding.
- Project execution.
- Installation tracking and reporting.

### **Installation Planning**

The Army, at Fort Bragg, properly planned its ARRA projects by:

- Identifying projects, to include scope and cost, eligible for ARRA funding.
- Entering the projects into U.S. Army Installation Management Command's (IMCOM) central database – the Project Prioritization System.
- Working with IMCOM to select projects for ARRA funding. The projects we reviewed were approved by IMCOM and were in the DOD Expenditure Plan for ARRA.
- Determining the best execution strategy – in-house or contracting – to complete each project and partnering with the Corps of Engineers to administer contracts.
- Incorporating ARRA project execution into garrison personnel's current roles and responsibilities.
- Establishing key controls to plan, fund, execute, and track and report ARRA projects.

As a result, there was reasonable assurance that the Army, at Fort Bragg, properly planned ARRA projects to expend public funds responsibly and in a transparent manner to further job creation and economic recovery.

## **Project Funding**

The Army, at Fort Bragg, properly funded the two ARRA projects we reviewed. The Corps of Engineers distributed funds for the ARRA projects, consistent with original estimates and with the appropriate ARRA funding designation. Headquarters, Corps of Engineers issued about \$10 million for the child development center (CDC) and about \$11 million for renovation and modernization of the Old Bowley School to the Corps' Savannah District. The U.S. Army Engineering and Support Center, Huntsville awarded a contract for the CDC for about \$8.4 million and the Corps' Savannah District awarded a contract for the renovation and modernization of the school for about \$8.9 million.

- About one-third of the difference between funds issued and awarded for the CDC was returned to Headquarters, Corps of Engineers and the remaining portion was added to the project for contingency purposes.
- The difference between funds issued and awarded for the renovation and modernization of the school was planned to be used to fund other ARRA projects at Fort Bragg. This is acceptable according to DOD guidance.

As a result, there is reasonable assurance that the Army, at Fort Bragg, properly funded the two ARRA projects and used public funds responsibly and in a transparent manner to further job creation and economic recovery.

## **Project Execution**

The Army, at Fort Bragg, properly executed the two ARRA projects we reviewed, except it didn't include in contracts the applicable FAR clauses the Act required. Overall, project execution was proper because:

- The garrison performed the necessary economic analysis; justified its requirements on DD Forms 1391 (Military Construction Project Data) in accordance with DOD and Army guidance, to include project scope and cost; and completed the mandatory National Environmental Policy Act reviews. Because of Base Realignment and Closure 2005 decisions to move U.S. Army Forces Command and U.S. Army Reserve Command to the garrison:
  - New construction of the CDC was justified because of the shortage of CDCs on the garrison and the expected significant rise in the population of children up to 5 years old.

- Renovation and modernization of the Old Bowley School was justified because of the shortage of administrative space on the garrison and the expected significant rise in personnel working at the garrison.
- The Corps of Engineers followed proper contract solicitation, evaluation, and award procedures according to FAR and ARRA guidance.
  - The Corps reported for informational purposes the solicitation on the Federal Business Opportunities Web site.
  - The Corps awarded the contract for construction of the CDC as a firm, fixed-price task order on an existing indefinite delivery, indefinite quantity contract to a government-approved and certified 8(a) small business contractor.
  - The Corps awarded the contract for renovation and modernization of the Old Bowley School as a firm, fixed-price task order on an existing indefinite delivery, indefinite quantity contract to a government-approved contractor.
  - The Corps awarded the contracts for construction of the CDC on 21 September 2009 and renovation and modernization of the school on 28 September 2009. At the time of this report, the Corps didn't issue notices to proceed on either project, but when it does, the contractors have 540 calendar days to complete their work.
- The garrison and the Corps planned to follow the same overarching quality assurance surveillance plan used to oversee all contracts on the garrison to oversee contract execution for the two ARRA projects.
- The Corps prepared transparent contract documentation that was clear, unambiguous, and included the required ARRA identifiers:
  - The pre-solicitation documents for the renovation and modernization of the school and the construction of the CDC contained descriptions of needed services that were clear and unambiguous.
  - The pre-solicitation notices for construction of the CDC and renovation and modernization of the school identified the projects as ARRA projects.
  - The Corps posted the pre-solicitation announcements for renovation and modernization of the school and construction of the CDC on the Federal Business Opportunities Web site with ARRA in the first word of the project title. It also posted award announcements for both projects on the Federal Procurement Data System, FederalReporting, and Recovery Web sites and identified the projects as ARRA.

- At the time of our audit, the Corps had only posted the award notice for renovation and modernization of the school on the Federal Business Opportunities Web site. It posted the award notice for construction of the CDC on 1 April 2010.

However, the Corps didn't include the applicable FAR clauses in the task orders as the Act required. This occurred because the existing contracts were initially solicited, evaluated, and awarded before the Act was effective. As a result, the missing clauses mean the Army, at Fort Bragg, wasn't in full and complete compliance with the Act. The missing clauses cover these areas:

- Whistle Blower Protection – FAR clause 52.203-15.
- Recovery Act Reporting Requirements – FAR clause 52.204-11.
- Buy American Act - FAR clauses 52.225-21 through 24.
- Office of the Inspector General and Government Accountability Office Audit Allowances – FAR clause 52.215-2.
- Contract Terms and Conditions Required for Commercial Items – FAR Clause 52.212-5.

Overall, there is reasonable assurance that the Army, at Fort Bragg, properly executed the two ARRA projects. Therefore, it used public funds responsibly and in a transparent manner to further job creation and economic recovery. However, the Corps needs to ensure that all applicable FAR clauses in the Act are in contracts and task orders for ARRA projects to ensure that it is in full and complete compliance with the Act.

We address the actions needed to address this problem in our recommendation.

### **Installation Tracking and Reporting**

The Army, at Fort Bragg, properly tracked and reported its ARRA projects by:

- Establishing a process to track and report on ARRA projects.
- Identifying personnel responsible to track and report ARRA projects.
- Entering required information into the Federal Reporting Web Site, such as real or potential savings, economic benefits derived, and total dollar value of projects.
- Providing the number of CDC slots created by ARRA projects.

As a result, there is reasonable assurance that the Army, at Fort Bragg, properly tracked and reported ARRA projects to ensure it expended public funds responsibly and in a transparent manner to further job creation and economic recovery.

## **RECOMMENDATION AND COMMENTS**

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This section contains a specific recommendation and a summary of command comments for the recommendation. The official Army position and verbatim command comments are in Annex D.

### **For the Commanding General, U.S Army Corps of Engineers**

#### **Recommendation 1**

Review all contracts and task orders for ARRA projects at Fort Bragg to determine if each contains the applicable FAR clauses required in the Act and add the clauses to any contracts and task orders that don't have them.

#### **Command Comments and Official Army Position**

The U.S. Army Corps of Engineers agreed with our recommendation and issued an order on 10 March 2010 to each district/center contracting office to review all ARRA-related contracts for the applicable language. If a contract doesn't contain the required clauses, the district/center contracting office will enter into negotiations with the contractor to modify the contract to add the required clauses.

## A – GENERAL AUDIT INFORMATION

### SCOPE AND METHODOLOGY

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We conducted the audit from October 2009 through January 2010 under project A-2010-ALO-0163.001.

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 finding and conclusion based on our audit objective. We believe the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

We obtained computer-generated data from the Federal Business Opportunities and Federal Reporting Web sites as well as from the Parametric Cost Engineering System. We obtained additional supporting documentation to validate this information from contract synopses and award summaries, the government cost estimate for the CDC, Federal reporting templates Fort Bragg personnel completed, contracts, and DD Forms 1391. We also physically verified information through observation.

The audit covered transactions representing operations current at the time of the audit. Fort Bragg received about \$111.3 million for 65 projects – 2 projects were for MILCON and 63 were for FSRM. For our review, the Office of the Inspector General, DOD used a predictive analytics sampling method to select one MILCON and one FSRM project at Fort Bragg based on the parameters set in the model.

To determine if the Army implemented ARRA in accordance with the Act, OMB guidance, and subsequent related guidance, we focused our audit approach on how the Army, at Fort Bragg, planned, funded, executed, and tracked and reported ARRA projects. This included:

- Visiting the Fort Bragg garrison and physically observing the proposed MILCON site for the CDC and the existing Old Bowley School for the FSRM project.
- Identifying and interviewing key personnel at Fort Bragg to understand all aspects of the process, to include identifying projects for ARRA funding, determining the funding process for ARRA projects, deciding how to execute projects, and tracking and reporting project progress.
- Comparing the DOD ARRA Expenditure Plan to ARRA projects at Fort Bragg to determine if the Army approved the ARRA projects.

- Obtaining ARRA funding documents to determine if the Army properly funded the ARRA projects.
- Reviewing requirements documentation, such as DD Forms 1391, to determine if the Army properly performed the required economic analysis, had adequate justification, and conducted the required environmental review for the ARRA projects.
- Analyzing project execution documents for contracts and task orders and the Federal Business Opportunities Web site to determine if the Army properly executed the ARRA projects.
- Identifying any prior audit findings on contracts at Fort Bragg to determine the level of risk associated with project execution.
- Reviewing garrison and Corps of Engineers' reports and Federal reporting Web sites to determine if the Army complied with ARRA tracking and reporting requirements.

## RESPONSIBILITIES

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The Office of the Assistant Chief of Staff for Installation Management provides policy formulation, strategy development, enterprise integration, program analysis and integration, requirements and resource determination, and best business practices for services, programs, and installation support to Soldiers, Families, and civilians of an expeditionary Army in a time of persistent conflict. The Office was responsible for approving projects eligible for ARRA of 2009 funding and overseeing execution of the projects.

The U.S. Army Corps of Engineers provides vital public engineering services in peace and war to strengthen our Nation's security, energize the economy, and reduce risks from disasters. Headquarters, USACE was responsible for distributing the ARRA of 2009 funding for selected projects and the South Atlantic Division's Savannah District and the Huntsville Engineer Support Center provided technical engineering and design expertise and oversaw project contract administration for the two projects we reviewed.

U.S. Army Installation Management Command provides the Army the installation capabilities and services to support expeditionary operations in a time of persistent conflict, and to provide a quality of life for Soldiers and Families commensurate with their service. The Southeast Region includes U.S. Army Garrison Fort Bragg. The region approved projects from the garrison that were eligible for ARRA of 2009 funding.

U.S. Army Garrison Fort Bragg maintains the XVIII Airborne Corps as a strategic crisis response force. The garrison determined requirements for projects and submitted them to IMCOM's Southeast Region for review and approval as eligible for ARRA of 2009 funding.

## ACKNOWLEDGMENTS

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These personnel contributed to the report: Lawrence Wickens (Audit Manager), Danielle Vozza (Auditor-in-Charge), Alex Holzapfel and Michael Sieve (Auditors), and Harvey Reinkemeyer (Editor).

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Assistant Chief of Staff for Installation Management  
Deputy Commanding General for Operations, U.S. Army Installation Management Command  
Commander, Savannah District, U.S. Army Corps of Engineers  
Commander, U.S. Army Engineering and Support Center - Huntsville, U.S. Army Corps of  
Engineers  
Garrison Commander, Fort Bragg and XVIII Airborne Corps

We will also make copies available to others on request.

## B – OLD BOWLEY SCHOOL COMPLEX



Front of School



Front of School Wing



Rear of School



Rear of School Wing

## C – ABBREVIATIONS USED IN THIS REPORT

ARRA	American Recovery and Reinvestment Act
CDC	Child Development Center
FAR	Federal Acquisition Regulation
FSRM	Facilities Sustainment, Restoration, and Modernization
IMCOM	U.S. Army Installation Management Command
MILCON	Military Construction
OMB	Office of Management and Budget

## D – OFFICIAL ARMY POSITION AND VERBATIM COMMENTS BY COMMAND



DEPARTMENT OF THE ARMY  
U.S. ARMY CORPS OF ENGINEERS  
WASHINGTON, D.C. 20314-1000

CEIR

5 March 2010

MEMORANDUM FOR U.S. Army Audit Agency, Office of the Deputy Auditor General  
Acquisition and Logistics Audits, 3101 Park Center Drive,  
Alexandria, Virginia 22302-1596

SUBJECT: AAA Draft Report American Recovery and Reinvestment Act of 2009, Fort  
Bragg, North Carolina (A-2009-ALO-0163.001)

1. Reference AAA draft report, subject as above.
2. AAA recommended that the Commanding General, U.S. Army Corps of Engineers review all contracts and task orders for ARRA projects at Fort Bragg to determine if each contains the applicable FAR clauses required in the Act and add the clauses to any contracts and task orders that don't have them.
3. USACE concurs with this recommendation. USACE will incorporate a requirement for each District/Center Contracting Office to review 100% of ARRA contracts to determine if required ARRA FAR Clauses were incorporated in the contract. If clauses were not incorporated at the time of award, negotiations to include these required Clauses will be conducted by the Contracting Officer with the contractor and a modification will be issued to include the modifications. This requirement will be included in the next FRAG Order to the field, which is scheduled for release on 10 March 2010. USACE will provide a copy at that time.
4. Please feel free to contact my point of contact, Alicia Matias (202) 761-4573 or via email at [Alicia.S.Matias@usace.army.mil](mailto:Alicia.S.Matias@usace.army.mil) if you further questions regarding this matter.

  
BRENDA L. MAYES  
Deputy Chief  
HQ USACE Internal Review Office

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