



# *U.S. Army Audit Agency*

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

**South Carolina National Guard**

# Executive Summary

Audit Report A-2010-0080-ALO  
31 March 2010



## American Recovery and Reinvestment Act of 2009

### South Carolina National Guard

#### 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 audited the Army's implementation of ARRA at the South Carolina National Guard 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 South Carolina National Guard personnel adequately planned, funded, executed, and tracked and reported their ARRA projects.

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

However, delivery orders issued for six of the seven projects didn't contain required award terms. This occurred because South Carolina National Guard used delivery orders for contracts awarded before the Act was effective to execute the projects and didn't add the award terms to the delivery orders. Without the award terms in the delivery orders, the Army, at the South Carolina National Guard, wasn't in full and complete compliance with the Act.

In addition, the South Carolina National Guard double-reported \$836,000 of expenditures due to communication errors. The Guard also didn't follow OMB guidance when it calculated 44.5 full-time equivalent positions the ARRA projects created or saved. The South Carolina National Guard wasn't aware of the OMB methodology and used its own formula to compute full-time equivalent positions. As a result, the Army's actions, at South Carolina National Guard, to stimulate the economy may not have been fully and completely transparent to the public.

#### Recommendations

We recommended the Comptroller and Director of Administration and Management, National Guard Bureau:

- Identify contracts and delivery orders for ARRA projects at the South Carolina National Guard that don't contain all the award terms the cooperative agreement requires and add any required terms that are missing.
- Correct the duplicate expenditure data in the Federal Reporting Web site.
- Obtain labor hours from the contractor, follow OMB guidance to calculate full-time equivalent positions that ARRA projects created or saved, and correct the number of positions in the Federal Reporting Web site.

The Comptroller and Director of Administration and Management, National Guard Bureau agreed with the recommendations. The comments represent the official Army position for the audit report.



DEPARTMENT OF THE ARMY  
U.S. ARMY AUDIT AGENCY  
OFFICE OF THE DEPUTY AUDITOR GENERAL  
ACQUISITION AND LOGISTICS AUDITS  
3101 PARK CENTER DRIVE  
ALEXANDRIA, VA 22302-1596

31 March 2010

Comptroller and Director of Administration and Management, National Guard Bureau

This is the report on our audit of American Recovery and Reinvestment Act of 2009 projects at the South Carolina National Guard. 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 three recommendations addressed to you.

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:

A handwritten signature in black ink that reads "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 the South Carolina National Guard 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 South Carolina National Guard 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 to ensure the 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.

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.

The ARRA of 2009 requires ARRA fund recipients to report quarterly on the use of funds. Federal agencies and fund recipients use the Federal Reporting Web site – the central governmentwide data collection system for the ARRA – to fulfill their reporting obligations. At the end of each calendar quarter, information from the Federal Reporting Web site is published to the Recovery Web site. While the Federal Reporting Web site supports Recovery Act reporting, the Recovery Web site serves as the public portal for key information relating to ARRA, data regarding ARRA spending, and links to other government Web sites that include ARRA information.

The National Guard Bureau (NGB) and the State of South Carolina entered into a special military cooperative agreement covering the projects ARRA funded in July 2009. Article VIII of the agreement includes award terms required to implement various sections of the Act. The South Carolina National Guard received about \$5.3 million for 23 Army National Guard projects – all the projects were to sustain, restore, or modernize facilities. For our review, the Office of the Inspector General, DOD selected seven of these projects and an Air National Guard project<sup>1</sup>. They were:

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<sup>1</sup> U.S. Air Force Audit Agency completed a review of the Vehicle Maintenance Complex at McEntire Joint Air National Guard Base in Audit Report: F2009-0071-FDM000, 17 September 2009. The report concluded that South Carolina properly solicited and awarded the ARRA contract. However, South Carolina didn't include all required clauses in the contract, report contract information, establish a plan to validate contractors completed reporting requirements, or perform and maintain records of contractor verifications. South Carolina implemented corrective actions during the audit. Because of Air Force Audit Agency's review and the South Carolina National Guard's subsequent actions, we excluded the project from our audit.

South Carolina National Guard Projects Selected for Review		
Project Location	Project Title	Cost Estimate
Darlington	Armory Repairs	\$80,000
Moncks Corner	Armory Repairs	171,000
Mullins	Armory Repairs	201,000
Orangeburg	Armory Repairs	710,000
Seneca	Roof Replacement	25,000
Varnville	Armory Repairs	945,000
Walterboro	Armory Repairs	438,000
Subtotal – For Current Review		\$2,570,000
McEntire Joint Air National Guard Base	Add/Alter Vehicle Maintenance Complex	\$1,400,000
Total		\$3,970,000

Annex B shows pictures of six of the existing facilities in our review that South Carolina will restore and modernize.

## OTHER MATTERS

A U.S. Property and Fiscal Officer (USPFO) is a Federal position and is the primary focal point for Federal funds and property allotted to States. A USPFO works with the State Adjutant General (selected according to the constitution of the State) to support the priorities and programs of the State and units of the Army and Air National Guard. A USPFO is statutorily accountable for all Federal funds and property at the State level, including funds provided to the State through cooperative agreements, to ensure that Federal funds are obligated and expended in conformance with applicable statutes and regulations. This responsibility applies to funding, execution, and tracking and reporting of ARRA projects in accordance with the Act. In this report, we collectively refer to South Carolina's Property and Fiscal Officer and Adjutant General and their offices as the South Carolina National Guard.

The Comptroller and Director of Administration and Management directs execution of the National Guard Bureau's ARRA program to ensure full transparency and accountability.

# 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 seven projects we reviewed at the South Carolina National Guard – in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance. Overall, the Army properly planned, funded, executed, and tracked and reported the seven projects we reviewed as the Act and related guidance stipulated. As a result, there was reasonable assurance that the Army, at the South Carolina National Guard, expended public funds responsibly and in a transparent manner to further job creation and economic recovery.

However, delivery orders issued for six of the seven projects didn't contain required award terms. This occurred because the Army used delivery orders on contracts that existed before the Act was effective to execute the ARRA projects and didn't add the award terms to the delivery orders. Without the award terms in the delivery orders, the Army, at the South Carolina National Guard, wasn't in full and complete compliance with the Act.

In addition, the South Carolina National Guard double-reported \$836,000 of expenditures due to communication errors. The Guard also didn't follow OMB guidance when it calculated 44.5 full-time equivalent positions the ARRA projects created or saved. The Guard wasn't aware of the OMB methodology and used its own formula to compute full-time equivalent positions. As a result, the Army's actions, at South Carolina National Guard, to stimulate the economy may not have been fully and completely transparent to the public.

Our detailed discussion of these conditions follows. Our recommendations to correct them begin on page 12.

## 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 the South Carolina National Guard, properly planned its ARRA projects by:

- Identifying projects, based on NGB guidance to improve energy efficiency, that were eligible for ARRA funding.
- Using historical information, such as past energy consumption and installation status reports, and input from project managers to develop projects' scope and cost.
- Preparing NGB Form 420-R (Operations and Maintenance National Guard Project Request) to record proposed projects and enter them in the NGB project tracking system.
- Working with NGB to select projects for ARRA funding. The projects we reviewed matched those that NGB approved and that were in the DOD Expenditure Plan for ARRA.
- Determining the best execution strategy for projects – a Federal or a State contracting process – based on a special cooperative agreement between the NGB and the State to complete each project.
- Incorporating ARRA project execution in personnel's current roles and responsibilities.
- Establishing key controls to plan, fund, execute, and track and report ARRA projects.

Although backup documentation to support cost estimates on the NGB Form 420-R wasn't available, we reviewed the process for developing the cost estimates and determined the costs were reasonable and the process was sound (we discuss the process in more detail in the Project Execution section). As a result, there was reasonable assurance that the Army, at the South Carolina National Guard, 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 the South Carolina National Guard, properly funded the seven ARRA projects we reviewed. The NGB distributed funds for the ARRA projects, consistent with original estimates and with the appropriate ARRA funding designation.

NGB issued about \$2.6 million to the South Carolina National Guard, under Treasury Account Symbol 2066 (ARRA Operations and Maintenance National Guard), for the seven projects we reviewed. The South Carolina National Guard, in turn, transferred the spending authority for the \$2.6 million to the State through funding allowance targets for each project. At the time of our review, the State hadn't spent all the funds for each of the seven projects. State personnel said that after they complete each project, they will use any remaining funds on other ARRA projects in the State. This is acceptable according to DOD guidance. As a result, there is reasonable assurance that the Army, at the South Carolina National Guard, properly funded the seven ARRA projects we reviewed and used the public funds responsibly and in a transparent manner to further job creation and economic recovery.

## **Project Execution**

Overall, the Army, at the South Carolina National Guard, properly executed the seven ARRA projects we reviewed, except it didn't include the award terms in delivery orders for six of the projects as required in Article VIII of the cooperative agreement between NGB and the State of South Carolina for projects ARRA funded. Project execution was proper because:

- The South Carolina National Guard justified project requirements on NGB Forms 420-R and completed the mandatory National Environmental Policy Act reviews. Although backup documentation to support cost estimates on the forms wasn't available, we reviewed the process for developing the cost estimates and determined the costs were reasonable and the process was sound because:

- Contractors used the State-allowed “RS Means” software to develop the cost estimates for each delivery order.
- South Carolina project managers reviewed the cost estimates for validity; completed requisitions identifying the contractor, scope of work, and costs; and forwarded the requisitions to the South Carolina National Guard’s contracting officer for approval.
- The South Carolina National Guard followed proper contract solicitation, evaluation, and award procedures according to ARRA guidance. The South Carolina National Guard:
  - Solicited the indefinite-delivery contracts through the South Carolina business opportunities Web site.
  - Solicited and evaluated the existing indefinite-delivery contracts through a State-established process that provided for full and open competition for a contract length of 2 years, with a maximum delivery order of \$150,000 and maximum award of \$750,000 for each contractor.
  - Awarded delivery orders on existing State indefinite-delivery contracts for services. Also awarded new Federal contracts, through the General Service Administration’s E-buy system, for material. These transactions occurred between April and September 2009 and were underway at the time of our audit.
- The South Carolina National Guard didn’t develop a quality assurance surveillance plan specifically for ARRA projects. Rather, the State followed normal procedures for overseeing contracts by assigning project managers to each project to monitor the progress, accept the work, and approve invoices before payment.
- South Carolina National Guard Federal personnel prepared transparent contract documentation that was clear, unambiguous, and included the required ARRA identifiers. These contracts were for roofing material and the solicitation documentation contained descriptions of needed material that were clear and unambiguous. In addition, the documentation identified the roofing material as ARRA. Furthermore, South Carolina National Guard Federal personnel posted the award notifications for the roofing material on the Federal Business Opportunities Web site and identified the funding for the materiel as ARRA in the first word of the title.

However, South Carolina National Guard State personnel didn’t prepare transparent contract documentation. These contracts were for repairs and replacement of facility infrastructure support, such as climate control units and plumbing. The special military

cooperative agreement between NGB and the State didn't include language articulating all the ARRA contract requirements, to include transparent contract documentation. Because the NGB developed the cooperative agreement for all State National Guard projects receiving ARRA funding, the issue was elevated to Headquarters, National Guard Bureau; U.S. Army Audit Agency; Office of the Inspector General, DOD; and OMB. These organizations will discuss the missing contract requirements and how it affects State-awarded contracts for all ARRA projects that NGB funded. Therefore, we didn't make a recommendation related to this problem in this report.

In addition, the South Carolina National Guard didn't include award terms (except terms for drug-free workplace and debarment and suspension that were included in the original contracts) in the delivery orders for six of the seven projects as Article VIII of the cooperative agreement between NGB and the State required. At the time of our review, the South Carolina National Guard hadn't issued a delivery order for the seventh project. The exclusion of the award terms occurred because the existing contracts were initially solicited, evaluated, and awarded before the Act was effective. Contracting personnel didn't add the required award terms when they issued the delivery orders to fulfill the ARRA projects. The missing terms mean the Army, at the South Carolina National Guard, wasn't in full and complete compliance with the Act. The missing terms covered these areas:

- Section 803 – Nondiscrimination.
- Section 806 – Environmental Protection.
- Section 809 – Required Use of American Iron, Steel, and Manufactured Goods.
- Section 813 – Contract Work Hours and Safety Standards.
- Section 815 – Wage Rate Requirements.
- Section 816 – Reporting and Registration Requirement.
- Section 817 – Whistleblower Protection.

With the exception of the missing terms in the delivery orders and the transparency issue, there is reasonable assurance that the Army, at the South Carolina National Guard, properly executed the seven ARRA projects we reviewed. Therefore, it used public funds responsibly and in a transparent manner to further job creation and economic recovery. However, the NGB should identify contracts and delivery orders for ARRA projects at the South Carolina National Guard that don't contain all the award terms the cooperative agreement requires and add any required terms that are missing.

Recommendation 1 addresses the action needed to have the contracts and delivery orders contain the required award terms.

## **Installation Tracking and Reporting**

Overall, the Army, at the South Carolina National Guard, properly tracked and reported the seven ARRA projects we reviewed, except it double-reported \$836,000 of expenditures and didn't follow OMB guidance when calculating the number of full-time equivalent positions the projects created or saved.

Tracking and reporting was proper because the South Carolina National Guard:

- Established a process to track and report on ARRA projects.
- Designated a person responsible to track and report ARRA projects.
- Entered required information to the Federal Reporting Web site, such as award date, project status, and total dollar value of projects.

### **Reporting Expenditure Information**

The South Carolina National Guard double-reported information on \$836,000 of expenditures in the Federal Reporting Web site. This occurred because of a miscommunication between the contracting officer and the tracking and reporting designee.

The South Carolina National Guard established a process to have the designee report expenditures to the Federal Reporting Web site for all ARRA projects. However, the contracting officer required the contractor (for two Federal contracts for material) to report the expenditures on the Federal Reporting Web site. As a result, the contractor and the designee both reported expenditures of \$836,000, causing the expenditure amount on the Web site to be overstated. As a result, the information on Federal contract expenditures for ARRA projects the South Carolina National Guard executed wasn't fully or completely transparent to the public.

The NGB should correct the duplicate expenditure data in the Federal Reporting Web site.

Recommendation 2 addresses the action needed to correct the duplicate reporting.

## Reporting Full-Time Equivalent Positions Created or Saved

The South Carolina National Guard didn't follow OMB guidance when it reported the full-time equivalent positions the seven projects created or saved. This occurred because the South Carolina National Guard wasn't aware of the OMB methodology and used its own formula to calculate full-time equivalent positions.

OMB guidance required reporting activities to determine full-time equivalent positions using the cumulative labor hours contractors expended for the ARRA projects. However, South Carolina National Guard personnel weren't aware of this requirement. Instead, they developed their own methodology, which was to divide total funds expended for the ARRA projects by the number of months of ARRA funding and then divide this amount by \$15,000 (personnel estimated this represented the monthly cost of one full-time equivalent position). This methodology resulted in 44.5 full-time equivalent positions that South Carolina National Guard personnel reported on the Federal Reporting Web site.

Information to correctly calculate full-time equivalent positions the projects created or saved wasn't available at the time of our audit because contractors weren't required to report to the South Carolina National Guard the number of labor hours expended on ARRA projects. While we couldn't determine whether the 44.5 reported positions was correct, it was apparent that the number of positions wasn't calculated according to OMB guidance. As a result, the information on the number of positions the South Carolina National Guard projects created or saved may not be fully and completely transparent to the public.

The NGB should:

- Obtain labor hours the contractor expended on its ARRA projects.
- Follow OMB guidance to calculate the full-time equivalent positions represented by the contractor's labor hours.
- Correct, if necessary, the amount of full-time equivalent positions reported in the Federal Reporting Web site.

Recommendation 3 addresses the actions needed to determine and report full-time equivalent positions.

## **RECOMMENDATIONS AND COMMENTS**

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

### **For the Comptroller and Director of Administration and Management National Guard Bureau**

#### **Recommendation 1**

Identify contracts and delivery orders for ARRA projects at the South Carolina National Guard that don't contain all the award terms the cooperative agreement requires and add any required terms that are missing.

#### **Recommendation 2**

Correct the duplicate expenditure data in the Federal Reporting Web site.

#### **Recommendation 3**

Obtain labor hours the contractor expended on its ARRA projects; follow OMB guidance to calculate the full-time equivalent positions represented by the contractor's labor hours; and correct, if necessary, the amount of full-time equivalent positions reported in the Federal Reporting Web site.

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

The Comptroller and Director of Administration and Management, National Guard Bureau agreed with the recommendations. The USPFO added the proper award terms to all current contracts and open purchase orders and will add the terms to all future contracts and awards. In addition:

- It will remove duplicate expenditure data from the Federal Reporting Web site before the close of the next reporting cycle on 10 April 2010 and implement procedures to ensure that this type error doesn't occur in the future.
- It obtained the labor hours from the contractors and properly reported full-time equivalent positions based on the OMB guidance for the first quarter FY 10. It will

attempt to obtain past labor hour data to properly report full-time equivalent data for the period reported incorrectly.

## 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-0163.002.

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, Federal Reporting, and South Carolina Business Opportunities Web sites, as well as the Standard Financial and Federal Procurement Data systems. We obtained additional supporting documentation to validate this information from contracts, purchase and task orders, contractor-developed cost estimates, Federal reporting templates that South Carolina National Guard personnel completed and NGB Forms 420-R. We also visited six of seven project sites to verify the work performed on these projects.

The audit covered transactions representing operations current at the time of the audit. The South Carolina National Guard received about \$5.3 million for 23 projects. For our review, the Office of the Inspector General, DOD used a predictive analytics sampling method to select eight projects at the South Carolina National Guard based on the parameters set in the model. We excluded one project from our review because the U.S. Air Force Audit Agency had previously audited it.

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 the South Carolina National Guard, planned, funded, executed, and tracked and reported ARRA projects. This included:

- Visiting the South Carolina National Guard, including the U.S. Property and Fiscal Office and six of the seven sites for the projects.
- Identifying and interviewing key personnel at the South Carolina National Guard 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 from the South Carolina National Guard to determine if the Army approved the ARRA projects.
- Reviewing requirements documentation (Forms 420-R) to determine if the Army properly developed the scope, cost estimates, and justifications for the projects.
- Obtaining ARRA funding documents to determine if the Army properly funded the ARRA projects.
- Analyzing project execution documents for contracts and task orders and the Federal Business Opportunities and South Carolina Business Opportunities Web sites to determine if the Army properly executed the ARRA projects.
- Identifying prior audit findings on contracts at the South Carolina National Guard to determine the level of risk associated with contractors' project execution.
- Reviewing South Carolina National Guard reports and the Federal Reporting Web site to determine if the Army complied with ARRA tracking and reporting requirements.

## RESPONSIBILITIES

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The National Guard Bureau is a joint activity under DOD and administers the National Guard of the United States – Army and Air National Guard – through policy, training requirements, and funding. The Comptroller and Director of Administration and Management, National Guard Bureau provides strategic-level advice and counsel to the Chief, National Guard Bureau, the Directors of Army and Air Guard, and the National Guard Bureau Joint Staff on financial, organizational, and administrative management matters. The Comptroller and Director of Administration and Management directs execution of the National Guard Bureau's ARRA program to ensure full transparency and accountability.

The mission of the South Carolina National Guard is to provide combat-ready units to the U.S. Army and U.S. Air Force; provide planning, coordination and military capabilities in response to State emergencies; and to add value to the State and the Nation with community-based organizations, Soldiers, and Airmen. The South Carolina National Guard was responsible for determining requirements for projects potentially eligible for ARRA funding and executing approved projects through Federal contracts and a cooperative agreement between the National Guard Bureau and the State of South Carolina.

## ACKNOWLEDGMENTS

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These personnel contributed to the report: Lawrence Wickens (Audit Manager); Dari York (Auditor-in-Charge); Vincent Watson, Chantale Williams, and Angie Parkerson (Auditors); and Harvey Reinkemeyer (Editor).

## DISTRIBUTION

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We are sending copies of this report to:

Assistant Secretary of the Army (Financial Management and Comptroller)  
Assistant Chief of Staff for Installation Management  
U.S. Property and Fiscal Officer, South Carolina National Guard

We will also make copies available to others on request.

## B – PROJECTS



Darlington—Instantaneous Water Heaters



Mullins—New Lighting in Drill Hall



Varnville—Replace Climate Control



Moncks Corner—New Boiler for Drill Hall



Orangeburg—Latrine Renovation



Walterboro—New Lighting

## C – ABBREVIATIONS USED IN THIS REPORT

ARRA	American Recovery and Reinvestment Act of 2009
NGB	National Guard Bureau
OMB	Office of Management and Budget
USPFO	U.S. Property and Fiscal Officer

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

REPLY TO  
ATTENTION OFNATIONAL GUARD BUREAU  
1411 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 2202-3231

NGB-ZC-IR

23 March 2010

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

SUBJECT: USAAA Draft Report on the Audit of American Recovery and Reinvestment Act (ARRA) of 2009, South Carolina Army National Guard (A-2010-ALO-0163.002)

1. Reference. USAAA draft report, subject as above.
2. I have reviewed subject report and the South Carolina Army National Guard (SC ARNG) command response addresses three recommendations (enclosure).
3. The National Guard Bureau (NGB) concurs with the SC ARNG command response. The South Carolina U.S. Property and Fiscal Officer (USPFO) will take the following courses of action to implement the recommendations: **(1)** identify contracts and delivery orders for ARRA projects at the South Carolina National Guard that don't contain all the award terms the cooperative agreement requires and add any required terms that are mission, **(2)** ensure the proper award terms are on all future contracts and awards, however South Carolina National Guard is not able to amend a contract after it has been approved and executed without consent of the contractor, and **(3)** correct the duplicate expenditure data in the Federal Reporting website.
4. The point of contact for this action is Mr. Derrick Miller, Chief, NGB Internal Review, at 703-607-0755, or [derrick.e.miller@us.army.mil](mailto:derrick.e.miller@us.army.mil).

1 Encls

A handwritten signature in black ink, appearing to read "Louis A. Cabrera".

LOUIS A. CABRERA  
Comptroller and Director of Administration  
and Management  
National Guard Bureau

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Enclosure 1

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**Project: A-2010-ALO-0163.002**

**Title: American Recovery and Reinvestment Act of 2009: The South Carolina Army National Guard**

**Observation:**

Overall, the South Carolina Army National Guard properly executed the seven ARRA projects reviewed, except it did not include the award terms in deliver orders for six of the projects as required in Article VIII of the cooperative agreement between NGB and the State of South Carolina for projects ARRA funded. At the time of our review, the South Carolina National Guard had not issued a delivery order for the seventh project. The exclusion of the award terms occurred because the existing contracts were initially solicited, evaluated, and awarded before the Act was effective. On issuing the delivery orders to fulfill the ARRA projects, contracting personnel didn't add the required award terms.

**Command Comments:**

We concur with the observation noted above.

**Recommendation 1:**

Direct the South Carolina National Guard to identify contracts and delivery orders for ARRA projects at the South Carolina National Guard that don't contain all the award terms the cooperative agreement requires and add any required terms that are missing.

**Command Comments:**

We can not concur fully with this recommendation because we are unable to amend a contract after it has been approved and executed without the consent of the contractor. However, we have added the proper award terms to all current contracts and open purchase orders and we will ensure the proper award terms are on all future contracts and awards.

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## Enclosure 1

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**Observation:**

The South Carolina Army National Guard double reported information on \$836,000 of expenditures in the Federal Reporting website. This occurred because of a miscommunication between the contracting officer and the tracking and reporting designee.

**Command Comments:**

We concur with the observation noted above.

**Recommendation 2:**

Direct the South Carolina National Guard to correct the duplicate expenditure data in the Federal Reporting website.

**Command Comments:**

We concur with this recommendation. We will ensure that the duplicate expenditure data is removed on the Federal Reporting website prior to the close of the next reporting cycle on 10 April 2010. We will also ensure procedures are in place to ensure that this type error does not occur in the future.

**Observation:**

The South Carolina National Guard did not follow OMB guidance when it reported the full-time equivalent positions the seven projects created or saved. This occurred because the South Carolina National Guard was unaware of the OMB methodology and used its own formula to calculate full-time equivalent positions.

**Command Comments:**

We concur with the observation noted above.

**Recommendations 3:**

Direct the South Carolina National Guard to:

- Obtain labor hours the contractor expended on its ARRA projects
- Follow OMB guidance to calculate the full-time equivalent positions represented by the contractor's labor hours

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### Enclosure 1

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- Correct, if necessary, the amount of full-time equivalent positions reported in the Federal Reporting Website.

**Command Comments:**

We concur with this recommendation. We obtained the labor hours from the contractors and properly reported full-time equivalent positions based on the OMB guidance for the first quarter of FY 10 (1 Oct -31 Dec 09) . We will continue to have our project managers obtain labor data from the contractors for all current and future work. Furthermore, if feasible we will attempt to obtain past labor hour data from our contractors so we can properly report FTE for the period that was reported incorrectly.

### **Our Mission**

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