



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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FEB 08 2013

MEMORANDUM FOR DISTRIBUTION

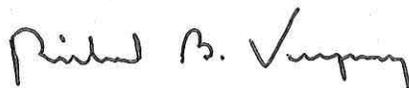
SUBJECT: Lessons Learned From DoD's Implementation and Administration of the
American Recovery and Reinvestment Act
(Project No. D2012-D000FE-0145.000)

We are providing the enclosed document for your information and use. Written comments are not required.

We performed our review as part of the Federal Government-wide effort to identify lessons learned from implementing the Recovery Act. The Recovery Accountability and Transparency Board requested the review. The Department of Interior Office of Inspector General (DoI OIG) led this Government-wide effort. We used the DoI OIG's review guide and questionnaire to collect and analyze data from DoD Components. The questionnaire included structured and detailed questions on (1) pre-award and award processes associated with Recovery Act funds; (2) outreach, education, and technical assistance provided to Recovery Act recipients; (3) performance measures; and (4) monitoring and oversight. We sent the questionnaire to the officials at the office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD; the Departments of the Army, Navy, and Air Force; U.S. Army Corps of Engineers; and TRICARE Management Activity. We requested one consolidated response from each Component.

Officials from DoD Components stated that the mechanisms they used were effective when communicating with the potential recipients and monitoring Recovery Act requirements applicable to their programs. Additionally, DoD officials indicated that they implemented policies or provided weekly reports to address the increased transparency and accountability requirements. Also, DoD officials indicated they used the Federal Acquisition Regulation and Office of Management and Budget guidance to minimize waste, fraud, and mismanagement of Recovery Act funds. However, DoD officials stated they faced obstacles when implementing Recovery Act programs. Further, DoD officials stated that they did not receive additional resources to relieve increased workload required by the Recovery Act. Thus, they worked overtime or hired contractors to mitigate the effect of Recovery Act projects on their ongoing organizational responsibilities. Please see the attachment for a detailed summary of responses from the DoD Components. We provided a copy of the summary to the DoI OIG for its use when preparing the Government-wide report.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8938 (DSN 664-8938). If you desire, we will provide a formal briefing on the results.



Richard B. Vasquez, CPA
Acting Assistant Inspector General
Financial Management and Reporting

Attachment:
As stated

DISTRIBUTION:

**UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL
OFFICER, DOD
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CHAIR, RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD**

Attachment. DoD Components Summary Responses

AD.A.0 Pre-award/Award Processes Questions – Agency/Department

This set of questions pertains to information from the agency/department's perspective on how they fared in awarding/dispersing Recovery Funds to the public.

AD.A.1	What mechanisms did the agency/department use to communicate instructions to potential recipients/beneficiaries on how to obtain/receive funding? (check all that apply)
X	Email
	Information Hotline
	Town Hall Meetings
	Public Service Announcements
X	Agency/Department Website
	Newspaper, Radio, Television
X	Other <i>Please describe: posted information on FedBizOpps</i>

AD.A.1.a Which of these mechanisms did the agency/department consider to be most effective?

DoD Components considered email and FedBizOpps to be most effective mechanisms.

AD.A.1.b Which of these mechanisms did the agency/department utilize but determined to be ineffective? Why?

None

AD.A.1.c Which mechanisms were not used by the agency/department? Why not?

All of the other methods listed in AD.A.1 were not used, because the methods used were found to be effective and sufficient.

AD.A.2	Were potential recipients required to submit formal applications or plans on how the funds would be used?	Yes	No
		X	

AD.A.2.a	Did the agency/department establish a formal review protocol specifically for the Recovery Act to ensure that plans were feasible before approving awards?	Yes	No
		X	

2.a.i If yes, please explain:

Three of six DoD Components answered “yes,” two of six DoD Components answered “no,” and one of six DoD Components answered “not applicable.” DoD Components who stated “yes” explained that they ensured projects were eligible in accordance with OMB and DoD guidance, and that bids and proposals were evaluated in accordance with FAR.

AD.A.2.b	How did the agency/department ensure recipient eligibility requirements were met?
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DoD Components used FAR to ensure that eligibility requirements were met.

AD.A.2.c	Please describe any new or innovative processes the agency/department implemented to review and approve applications, including any actions taken to streamline and/or expedite the review and approval process?
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DoD Components did not use any new or innovative processes to review and approve applications.

AD.A.3	What mechanisms did the agency/department use to communicate new ARRA policies, procedures, protocol, and plans internally to agency staff? (check all that apply)
X	Email
	Information hotline
	Town hall meetings
	Formal training sessions
X	Posting to Agency/Departmental home page
X	Procedural notices
X	Other <i>Please describe: DoD also used meetings and teleconferences.</i>

AD.A.3.a	Which of these mechanisms did the agency/department consider to be most effective?
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DoD Components considered emails, meetings, teleconferences, and posting to websites to be most effective.

AD.A.3.b	Which of these mechanisms did the agency/department utilize but determined to be ineffective? Why?
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None

AD.A.4	As a result of making ARRA awards expeditiously, what steps, if any, did the agency/department take to mitigate any impacts on ongoing organizational responsibilities?
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DoD Components employees worked overtime or hired contractors to mitigate any impacts on ongoing organizational responsibilities.

AD.A.5	Looking back, is there any aspect of the pre-award/award process that the agency/department would do differently?
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DoD Components would want to get program administration more involved and have more time to improve the contracting process.

AD.A.6	<i>OIG Assessment</i> A formal validation of agency/departmental responses will not be required, however, OIGs, may comment here when the information provided by the agency/department contradicts previous OIG findings related to the agency's/department's pre-award/award processes. In addition to your narrative – please list the report number indicating the findings.
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One DoD Component stated that it posted contracting opportunities for Recovery Act projects on FedBizOpps. However, DoD OIG found that the Component did not post pre-solicitation notices for two task orders on the FedBizOpps. (Report No. D-2011-054, March 23, 2011)

<i>Outreach, Education and Technical Assistance – Agency/Department</i>	
This set of questions pertains to information from the agency/department's perspective on how they engaged recipients of ARRA funds (whether they be individuals, companies, organizations, states, etc...)	

AD.B.1	Please describe any program guidance developed by the agency/department for recipients/beneficiaries. What topics were covered?
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DoD Components used OMB, FAR, and DoD internal guidance. One topic the internal guidance covered was how to provide and report data.

AD.B.1.a How was the program guidance communicated?

DoD Components communicated the guidance with the recipients through either emails, letters, phone calls, or FedBizOpps or a combination of these methods.

AD.B.2	What mechanisms did the agency/department use to conduct outreach with its recipient/beneficiary community to provide information or training on the ARRA program? (Check all that apply)
	Webcasts
	Podcasts
	Live conferences or meetings
	Formalized training sessions
X	Other <i>Please describe: DoD Components used FedBizOpps</i>

AD.B.2.a Approximately how many sessions were held?

Not applicable.

AD.B.2.b When were these sessions held?

Not applicable.

AD.B.2.c Approximately how many recipients were reached?

Not applicable.

AD.B.2.d What topics were covered?

Not applicable.

AD.B.3 What mechanisms did the agency/department establish to provide technical assistance to recipients/beneficiaries as needed?

DoD Components contracting officers communicated with the recipients when assistance was needed or required.

AD.B.4 Looking back, is there any aspect of the agency's/department's outreach, education, and technical assistance that it would do differently?

There is no aspect of the performance measure process that DoD Components would do differently.

AD.B. 5	<i>OIG Assessment</i> A formal validation of agency/departmental responses will not be required, however, OIGs, may comment here when the information provided by the agency/department contradicts previous OIG findings related to the agency's/department's outreach, education, and technical assistance efforts. In addition to your narrative – please list the report number indicating the findings.
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DoD OIG does not have any comments.

Performance Measures – Agency/Department	
This set of questions pertains to information from the agency/department's perspective on how they measured success of their implementation.	

AD.C.1	Did agency/departmental Recovery Act Plans include specific performance measures for the primary goals of the Recovery Act:		
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AD.C.1.a	To preserve and create jobs and promote economic recovery.	Yes	No*	Not Applicable
		X		

***If no, please explain why not?**

Three of six DoD Components answered “yes,” and three of six DoD Components answered “no.” DoD Components explained that the reason for stating “no” was that the performance measures that DoD Components created reflected the outputs expected by functional category and were included in the Agency Plans.

AD.C.1.b	To assist those most impacted by the recession.	Yes	No*	Not Applicable
		X		

***If no, please explain why not?**

Two of six DoD Components answered “yes,” one of six DoD Components answered “no,” and three of six DoD Components answered “not applicable.” DoD Components explained that the reason for stating “no” was the statutory constraint on purposes of Recovery Act construction funding and the need to spend facility funds at military installations that had projects ready to go relatively quickly.

AD.C.1.c	To provide investments needed to increase economic efficiency by spurring technological advances in science and health.	Yes	No*	Not Applicable
		X		

***If no, please explain why not?**

Two of six DoD Components answered “Yes,” two of six DoD Components answered “no,” and two of six DoD Components answered “not applicable.” DoD Components explained that the reason for stating “no” was that the funding appropriated in the Recovery Act for DoD was targeted to build, renovate, or sustain facilities and language specified the amount available for each specified purpose, such as barracks, hospitals, or Child Development Centers.

AD.C.1.d	To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.	Yes	No*	Not Applicable
		X		

***If no, please explain why not?**

Three of six DoD Components answered “yes,” and three of six DoD Components answered “not applicable.”

AD.C.1.e	To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.	Yes	No*	Not Applicable
			X	

***If no, please explain why not?**

One of six DoD Components answered “no,” and five of six DoD Components answered “not applicable.” The DoD Component explained that the reason for stating “no” was that Federal statute required matching funds from a State, and sometimes States withdrew their projects because they could not meet this matching requirement.

AD.C.2	Did agency/departmental plans include performance measures addressing the goals of transparency and accountability?	Yes	No
		X	

If no, please explain why not?

Four of six DoD Components answered “yes,” and two of six DoD Components answered “no.” DoD Components explained that the reason for stating “no” was that OMB already

established the transparency guidelines and DoD complied with the requirements of the Recovery Act and OMB guidance.

AD.C.3	Did agency/departmental plans include performance measures addressing specific programmatic goals to be reached with the use of Recovery Act funds?	Yes	No
		X	

If no, please explain why not?

All six DoD Components answered “yes.”

AD.C.3.a	Were these programmatic performance measures outcome or output measures?
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DoD Components used both output (i.e., percentage of family housing brought up to standard) and outcome (i.e., construction complete) measures.

AD.C.4	If performance measures were not included in Recovery Act Plans or they were not related to Recovery Act goals, how did the agency/department determine the effectiveness of Recovery Act expenditures?
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Not applicable.

AD.C.5	Looking back, is there any aspect of the performance measure process that the agency/department would do differently?
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There is no aspect of the performance measure process that DoD Components would do differently.

AD.C.6	<p><i>OIG Assessment</i></p> <p>A formal validation of agency/departmental responses will not be required, however, OIGs, may comment here when the information provided by the agency/department contradicts previous OIG findings related to the agency’s/department’s performance measures for the Recovery Act. In addition to your narrative – please list the report number indicating the findings.</p>
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DoD OIG does not have any comments.

Monitoring & Oversight – Agency/Department

This set of questions pertains to information from the agency/department's perspective on how they monitored/oversaw Recovery Act requirements applicable to their programs.

AD.D.1 Please describe any new and/or innovative oversight mechanisms established by the agency/department to monitor Recovery funds (e.g., risk assessments to identify recipients of greatest risk, review of reports, reviews of single audits, on-site monitoring and reviews, new terms and conditions, etc.)?

DoD Components had an existing Internal Control Program and contracting practices to monitor Recovery Act funds. Further, DoD Components adopted an accounting process to capture and monitor the financial status of all Recovery Act projects daily and weekly, and DoD Components conducted quarterly risk assessments.

AD.D.1.a How did the mechanisms used for monitoring Recovery funds differ from normal operating procedures?

DoD Components incorporated a recipient reporting process into the Risk Assessment Questionnaires. Further, DoD Components manually consolidated and prepared spreadsheets for additional transparency requirements. Lastly, DoD Components concluded that additional oversight required substantially more manpower, and project reporting requirements demanded a higher level of detail and scrutiny.

AD.D.1.b What added benefit was obtained over existing mechanisms?

DoD Components obtained minimum benefit as the Recovery Act reporting requirements did not facilitate the award or management of the projects. Also DoD Components determined that the frequency of reporting significantly increased from normal processes.

AD.D.1.c Do you plan to continue with the new mechanisms after the Recovery Act expires?

DoD Components did not plan to continue with the new mechanisms after the Recovery Act expired.

AD.D.1.d If existing mechanisms were used to monitor Recovery funds, were they effective?

DoD Components found the existing mechanisms used to monitor Recovery funds were effective.

AD.D.2 Please describe any challenges to effective monitoring and oversight by the agency/department.

DoD Components encountered program, contracting, and financial management challenges where DoD Components lacked appropriate IT tools, had problems with recipient reporting requirements, and needed to adjust accounting policies and procedures to track projects at a very detailed level.

AD.D.2.a How did the agency/department address these challenges?

DoD Components deferred/reprioritized workload, worked overtime, or hired contractors to address these challenges.

AD.D.2.b What could be done to avoid such challenges in the future?

DoD Components suggested that additional personnel and updated financial and acquisition IT systems would help to avoid such challenges in the future.

AD.D.3 Please describe if the need to provide oversight for Recovery Act Programs had any negative consequences for agency/department oversight of existing programs?

DoD Components had numerous negative consequences, such as management's attention was redirected from the base workload and a significant amount of time spent on the additional workload constrained the workforce.

AD.D.3.a If so, what actions, if any, were taken to mitigate such negative consequences?

DoD Components developed processes and procedures, reprioritized normal workload, worked overtime, or hired contractors to mitigate these negative consequences.

AD.D.3.b What could be done to avoid such consequences in the future?

DoD Components suggested that additional manpower and funding, as well as upgrading systems would help to avoid such consequences in the future.

AD.D.4 What actions did the agency/department take to address the increased transparency and accountability requirements of the Act?

DoD Components implemented and updated internal policies and the Recovery Act project database, as well as provided weekly financial reports to address the increased transparency and accountability requirements of the Recovery Act.

AD.D.5 What actions did the agency/department take to address recipient reporting requirements and to ensure the accuracy of reported data?

DoD Components issued internal guidance to contracting officers, developed a Recipient Report Data Validation Tool, and instructed contracting officers to review and verify the accuracy of reported data.

AD.D.5.a How successful were these actions in facilitating recipient reporting and data accuracy?

DoD Components considered the actions taken were successful in facilitating recipient reporting and data accuracy.

AD.D.6 What actions did the agency/department take to address jobs reporting requirements and to ensure the accuracy of reported jobs data?

DoD Components issued internal memorandum, instructed contracting officers to review the reported data, and developed the Recipient Report Data Validation Tool to address project reporting requirements and to ensure the accuracy of reported jobs data.

AD.D.6.a How successful were these action in facilitating jobs reporting and data accuracy?

DoD Components considered the actions taken were successful in facilitating recipient reporting and data accuracy.

AD.D.7 What actions did the agency/department take to minimize waste, fraud and mismanagement of Recovery Act funds?

DoD Components used various guidance (OMB, FAR, Air Force procedures, Cooperative Agreement procedures, Engineer Circular, and Fragmentary Orders) to minimize waste, fraud, and mismanagement of Recovery Act funds.

AD.D.7.a What actions were taken to increase fraud awareness with the recipient community?

DoD Components used FAR, existing internal controls, and standard procedures to increase fraud awareness with the recipient community.

AD.D.7.b Which, if any, of the fraud prevention and detection efforts will be continued post- Recovery Act?

DoD Components will continue using actions mentioned in the previous questions post-Recovery Act.

AD.D.8	Please describe any special procedures the agency/department applied to follow-up and address non-compliance or other issues associated with Recovery Act implementation.
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DoD Components routinely communicated with the recipients to address noncompliance or other issues associated with Recovery Act implementation.

AD.D.9	Please describe what actions were taken by the agency/department regarding non-compliance by recipients with Recovery Act program requirements.
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DoD Components followed FAR, canceled projects, and contacted recipients regarding their noncompliance with the Recovery Act program requirements.

AD.D.9.a	How many recipients were terminated from Recovery Act programs and/or suspended/debarred from future federal awards?
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DoD Components terminated 54 contracts and debarred two contractors.

AD.D.9.b	If minimal or no action was taken for program violations what were the reasons?
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Not applicable.

AD.D.10	What feedback does the agency/department have regarding how their OIG conducted oversight of Recovery Act funds?
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DoD Components stated that DoD OIG helped them refine and improve their processes, accountability, and transparency.

AD.D.10.a	Which particular practices or examples of OIG oversight did the agency/department find most useful?
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DoD Components stated that DoD OIG was helpful by providing draft reports and ensuring compliance in high-risk areas.

AD.D.10.b	Which practices did the agency/department consider to be the least helpful to them in their execution of Recovery Act programs and projects?
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All practices were helpful except for the length of time it took DoD OIG to audit and issue a report on a process.

AD.D.10.c **Has the interaction strengthened Agency/Department – OIG relationships? Please explain.**

There was no change in the strong relationship between DoD Components and DoD OIG.

AD.D.10.d **Has the interaction weakened Agency/Department – OIG relationships in any way? Please explain.**

There was no change in the relationship between DoD Components and DoD OIG.

AD.D.11 **What feedback do agencies/departments have regarding how the Recovery Act Transparency Board (RATB) conducted oversight of Recovery Act funds?**

RATB reviewed DoD Recovery Act activities and provided 177 findings or observations. However, RATB did not verify whether a project was complete before issuing an observation.

AD.D.11.a **Which particular practices or examples of RATB oversight did the agencies/departments find most useful?**

DoD Components scrutinized projects further because of the RATB's questions.

AD.D.11.b **Which practices did agencies/departments consider to be the least helpful to them in their execution of Recovery Act programs and projects?**

DoD Components stated that the least helpful practices were (1) the initial pressure to expedite awards was counterproductive, (2) the demand for execution reporting was excessive, (3) reporting requirements added workload but not additional resources, and (4) addressing RATB referrals was very time-consuming because of the number of referrals received.

AD.D.12 **What feedback do agencies/departments have regarding any other issues concerning the Recovery Act that are not covered in this questionnaire (e.g. interactions with the Office of Management and Budget, accelerated milestones, transfer of funds between agencies, etc...)?**

DoD Components stated that the Recovery Act appropriation language was too restrictive and would like to have more flexibility to obligate funds. DoD Components were not able to transfer residual balances among appropriations because DoD Components lacked transfer authority. Further, there was a disconnect between directing organizations to implement Recovery Act programs on an expedited basis and awarding contracts on technical merit, and then expect them to ensure a level of programmatic, fiscal, and contracting oversight even higher than that to which normal funding is subjected.

AD.D. [13](#)

OIG Assessment

A formal validation of agency/departmental responses will not be required, however, OIGs, may comment here when the information provided by the agency/department contradicts previous OIG findings related to the agency's/department's monitoring and oversight of the Recovery Act. In addition to your narrative – please list the report number indicating the findings.

- 1) One DoD Component stated in the questionnaire that it published and updated an operations order and distributed it throughout the organization to inform the command of Recovery Act requirements for execution, reporting, and public transparency. However, DoD OIG found that the Component did not consistently/properly report projects on its Headquarter's website, did not report all required information on FedBizOpps, and did not ensure that Arkansas State Highway and Transportation Department personnel followed reporting requirements for the cooperative agreement funded by Recovery Act. (Report No. D-2010-RAM-022, September 30, 2010; and Report No. D-2010-RAM-023, September 30, 2012).
- 2) One DoD Component stated in the questionnaire that as its Recipient Report Data Validation Model matured and the contracting offices and recipients became accustomed to the recipient reporting process, these actions became more successful in facilitating accuracy. However, DoD OIG found that the Component controls did not ensure that HQ personnel performed adequate data quality reviews that accurately identified all significant errors and material omissions in recipient-reported data. (Report No. D-2011-055, March 25, 2011).
- 3) One DoD Component stated in the questionnaire that its contracting officers were required to send noncompliant recipients a letter notifying them of their failure to submit the required ARRA Recipient Report. However, DoD OIG found that the Component personnel did not take action to reduce noncompliance among recipients in subsequent reporting periods. (Report No. D-2011-055, March 25, 2011).
- 4) One DoD Component stated in the questionnaire that its contracting officers reviewed reported data to ensure compliance. However, DoD OIG found that the Component contracting personnel did not review and verify the accuracy of contractor quarterly reports, and were not prepared to validate jobs created/retained. (Report No. F2011-0003-FD1000, December 2, 2010; and Report No. F2010-0007-FD1000, February 24, 2010).
- 5) One DoD Component stated in the questionnaire that the reporting database was reviewed at the end of the reporting cycle to validate the accuracy of the data reported. However, DoD OIG found that the Component officials did not ensure that the contractors accurately reported the number of jobs funded for the project because they considered the contractor-reported data valid. (Report No. DODIG -2012-095, June 5, 2012).