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# **INSTALLATION REPORT OF AUDIT**

**F2010-0006-FBS000**

**American Recovery and Reinvestment  
Act of 2009  
7th Bomb Wing  
Dyess AFB TX**

**Southwest Area Audit Office**

**29 October 2009**

### **INTRODUCTION**

On 17 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009, with the express purpose of stimulating the economy. The Recovery Act provided the Department of Defense with \$3.4 billion for facilities sustainment, restoration, and modernization projects. As of June 2009, the 7th Bomb Wing awarded 21 Recovery Act projects totaling \$12.7 million.

### **OBJECTIVES**

The overall objective of this centrally directed audit was to determine whether 7th Bomb Wing personnel effectively managed Recovery Act facilities, sustainment, restoration, and modernization requirements. Specifically, we determined whether wing personnel:

- Properly justified Recovery Act projects.
- Met Recovery Act goals by fostering competition, expeditiously awarding contracts, and creating or retaining jobs.
- Reported information so it was transparent to the public.
- Included all new Federal Acquisition Regulation clauses in Recovery Act contracts.

### **CONCLUSIONS**

Overall, 7th Bomb Wing personnel can more effectively manage Recovery Act requirements for the seven projects reviewed. Specifically, civil engineer personnel properly justified projects, and contracting officials met Recovery Act goals by fostering competition and expeditiously awarding contracts (Tab A, page 1). However, contracting officials did not:

- Report contract information so it was transparent to the public. As a result, the wing did not achieve visibility for one contract action valued at \$246,100. (Tab B, page 2)
- Include all applicable Federal Acquisition Regulation clauses in two Recovery Act contracts. As a result, the Air Force cannot hold contractors fully accountable for abiding by Recovery Act requirements. (Tab C, page 4)

### **MANAGEMENT CORRECTIVE ACTION**

During audit, contracting officials took corrective steps to properly report contract actions for transparency and include missing clauses in the contracts. (Reference Tabs B and C for specific corrective actions.)

**RECOMMENDATIONS** This report contains no recommendations to improve management of Recovery Act requirements.

**MANAGEMENT'S RESPONSE** Management officials agreed with the audit results and corrective actions in Tabs A, B, and C. Accordingly, no issues required elevation for resolution.



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## BACKGROUND

The goal of the American Recovery and Reinvestment Act of 2009 is to provide an infusion of money, within specific guidelines, that will result in a jump start to the United States economy. Recovery Act guidelines include initiating expenditures and activities as quickly as possible in a manner consistent with prudent management. Further, Recovery Act projects should be fully justified and consistent with Recovery Act goals and requirements.

- Project Justification. Organizations submit Department of Defense Form 1391, *Military Construction Project Data*, to the base civil engineer to request facility sustainment, restoration, and modernization projects. The Form 1391 describes the requested work and details the justification for the project. The civil engineer uses information on these forms as the basis for evaluating requirements and selecting projects for Recovery Act funding.
- Recovery Act Goals. The President indicated multiple goals for the Recovery Act, including: (1) awarding projects quickly and putting the money into the economy quickly; (2) fostering competition; and (3) creating and retaining jobs. In addition, organizations should use competitive, firm, fixed-price contracts to reduce risk to the government and taxpayers. Beginning in October 2009, contractors who receive Recovery Act funds will be required to submit information quarterly (amount of money expended, percent of project completion, salaries of particular personnel, and the number of jobs created/retained).

## AUDIT RESULTS 1 – JUSTIFICATION AND GOALS

**Condition.** Civil engineer personnel properly justified the seven projects reviewed.<sup>1</sup> Further, contracting officials met Recovery Act goals by fostering competition and awarding contracts expeditiously. In particular:

- Seven (100 percent) of seven projects reviewed represented valid needs.
- As of June 2009, all Recovery Act projects were awarded to contractors.

**Cause.** This condition occurred because wing personnel followed established guidelines for selecting and awarding Recovery Act projects.

**Impact.** As a result, the wing timely infused \$494,000 in Recovery Act funds into the economy.

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<sup>1</sup> Recovery Act projects reviewed included FA4661-09-C-0010, Landscape Hunters Mesa Common Areas; FA4661-09-C-0011, Construct Rubberized Surface Playground Area A-E (5 projects); and FA4661-06-D-0006, Hangar Doors, Building 5112.

## **BACKGROUND**

Organizations meet transparency requirements for Recovery Act contract actions by posting information on the Federal Business Opportunities website. The Federal Business Opportunities is the single government point-of-entry for Federal government procurement opportunities over \$25,000. This website contains all Federal government solicitations and contract awards. Further, Federal Acquisition Regulations (FAR) require all contract actions over \$25,000 be posted on the Federal Business Opportunity website, along with information specific to Recovery Act projects.

## **AUDIT RESULTS 2 – TRANSPARENCY**

**Condition.** Contracting personnel did not properly report contract information for one of seven Recovery Act projects reviewed so it was transparent to the public.<sup>2</sup> Specifically, personnel did not:

- Post the contractor’s address award for the Hangar Doors, Building 5112, to the Federal Business Opportunity website.
- Post a pre-solicitation for the Hangar Doors, Building 5112, to the Federal Business Opportunity website.

**Cause.** This condition occurred due to human error and the lack of guidance regarding when to post pre-solicitations.

**Impact.** As a result, one project valued at \$246,100 was not properly disclosed for transparency to the public.

**Corrective Action.** During the audit, contracting officials posted the contractor’s address in the Federal Business Opportunities website.

**Audit Note.** While the pre-solicitation was not posted, the project was awarded as a modification to an indefinite delivery, indefinite quantity contract that was originally competed and all applicable information was posted to the Federal Business Opportunities website; therefore, a recommendation addressing this issue is unnecessary.

**Management Comments.** Management agreed with the audit result and took corrective action during the audit.

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<sup>2</sup> Contract FA4661-06-D-0006, Hangar Doors, Building 5112, was added to the audit sample due to a Recovery Act Transparency Board review prior to audit start and was not a part of the original sample.

**Evaluation of Management Comments.** Management actions addressed the issues raised in this tab and should resolve the discrepancy identified.

## **BACKGROUND**

To implement controls over Recovery Act funding and reinforce the goals of the act, the Government established FAR clauses specifically related to Recovery Act contract actions. Contracting officials are required to insert applicable clauses in all contracts funded by the Recovery Act. These clauses include:

- FAR 52.203-15, Whistleblower Protection Under the American Recovery and Reinvestment Act of 2009.
- FAR 52.204-11, Recovery Act Reporting Requirements.
- FAR 52.225-21, Required Use of American Iron, Steel, and manufactured Goods – Buy American Act – Construction Materials.
- FAR 52.225-22, Notice of Required Use of American Iron, Steel, and Other Manufactured Goods – Buy American Act – Construction Material.
- FAR 52.244-6, Subcontracts for Commercial Items and Commercial Components.
- FAR 52.215-2, Audit and Records – Negotiation.
- FAR 52.222-6, Davis-Bacon Act.
- FAR 52.212-4, Contract Terms and Conditions – Commercial Items.
- FAR 52.212-5, Contract Terms and Conditions Required to Implement Statutes or Executive Orders – Commercial Items.

## **AUDIT RESULTS 3 – FEDERAL ACQUISITION REGULATIONS**

**Condition.** Contracting personnel did not include all applicable FAR clauses in Recovery Act contracts reviewed. Specifically, the landscaping and playground contracts were missing FAR clause 52.244-6.

**Cause.** The contracting officer indicated that this FAR clause was not included because the contracts did not require the use of subcontractors for commercial items and components.

**Impact.** As a result, the wing cannot hold contractors fully accountable for complying with Recovery Act FAR requirements.

**Corrective Action.** During the audit, contracting officials modified the landscaping and playground contracts to include FAR clause 52.244-6.

**Management Comments.** Management agreed with the audit result and took corrective action during the audit.

**Evaluation of Management Comments.** Management actions addressed the issues raised in this tab and should resolve the discrepancy identified.

### AUDIT SCOPE

**Audit Coverage.** To determine whether wing personnel effectively managed Recovery Act requirements, we reviewed documentation dated from October 1992 to July 2009. We obtained an understanding of the management control structure by identifying regulatory criteria and discussing Recovery Act project requirements with contracting and civil engineering personnel. We conducted fieldwork from July to August 2009 and issued management a draft report on 24 September 2009.

- To determine whether personnel properly justified Recovery Act projects, we reviewed contract justifications included in Department of Defense Forms 1391, *Military Construction Project Data*, and Air Force Information Management Tool 332, *Base Civil Engineer Work Request*. In addition, we discussed the validity, justification, selection process for projects with civil engineer personnel.
- To determine if personnel met Recovery Act goals by fostering competition, awarding contracts expeditiously, and creating or retaining jobs, we reviewed Commander's Resource Information System (CRIS) reports and contract files for competition and award documentation. We also discussed validation of the contractors' quarterly reporting requirements with contract inspectors and the contracting officer. In addition, we discussed economic benefits and the Recovery Act project backlog with civil engineer personnel.
- To determine whether personnel reported information so it was transparent to the public, we reviewed the Federal Business Opportunities website (FBO.gov) to determine if all required information (contractor's name, award amount, and contract number, and related data) was posted for the seven selected projects. Next, we reviewed the contract files to determine if required documentation was maintained (award method rationale and small business coordination).
- To determine whether personnel included all new FAR clauses in Recovery Act contracts, we reviewed contract files and documentation support. We discussed any discrepancies found with contracting personnel.

**Criteria.** Additional criteria reviewed included Public Law 111-5, *The American Recovery and Reinvestment Act of 2009*, 19 February 2009 and Office of Management and Budget Memo M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, 3 April 2009. In addition, we reviewed Air Force Instruction 32-1032, *Planning and Programming Appropriated Funded Maintenance, Repair, and Construction Projects*, 15 October 2003, and the FAR, Parts 6, 15, 16, and 19.

### Sampling Methodology.

- Sampling. The Department of Defense Inspector General selected 7 (33 percent) of 21 Recovery Act projects at Dyess Air Force Base for this review. We did not project any results.
- Computer-Assisted Auditing Tools and Techniques. We imported the installation's civil engineer and the Department of Defense Recovery Act project listings, provided by the audit focal point, into Access tables. Next, we used a matching query in Access to determine if civil engineering personnel documented all Recovery Act projects awarded. In addition, we used Excel<sup>®</sup> functions such as IF and COUNTIF to analyze contract and Federal Business Opportunities data.

**Data Reliability.** We relied on information from CRIS for our audit conclusions. However, we did not evaluate the system's general and application controls. Instead, we established the data's reliability by comparing projects and award amounts listed in CRIS to contract files. Our tests disclosed the data were sufficiently reliable to support the audit conclusions.

**Auditing Standards.** We conducted the audit in accordance with generally accepted government auditing standards and accordingly, included such tests of internal controls as considered necessary. Specifically, we reviewed controls regarding oversight of contractor performance, contract awards, and contract solicitations.

**Discussion with Responsible Officials.** We discussed/coordinated this report with the 7th Bomb Wing Commander, 7th Mission Support Group Commander, 7th Contracting Squadron Commander, 7th Civil Engineer Squadron Commander, and other interested officials. Management was advised this audit was part of an Air Force-wide evaluation of American Recovery and Reinvestment Act of 2009 Requirements (Project F2009-FD1000-0516.000). Therefore, selected data not contained in this report, as well as data contained herein, may be included in a related Air Force report of audit. Management's formal comments were received on 26 October 2009 and are included in this report.

### PRIOR AUDIT COVERAGE

Our review of audit files and contact with base officials disclosed no other audit report issued to the 7th Bomb Wing by any audit agency within the last 5 years that related to our audit objectives.

**POINTS OF CONTACT**

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**PROJECT NUMBER**

We accomplished this audit under project number F2009-FD1000-0516.029.

**FREEDOM OF INFORMATION ACT**

The disclosure/denial authority prescribed in AFPD 65-3 will make all decisions relative to the release of this report to the public.