



---

---

# **INSTALLATION REPORT OF AUDIT**

**F2010-0009-FBN000**

**American Recovery and Reinvestment  
Act of 2009 Program Execution  
9th Reconnaissance Wing  
Beale AFB CA**



**Northwest Area Audit Office**

**26 October 2009**

### INTRODUCTION

The American Recovery and Reinvestment Act of 2009 (Recovery Act), signed February 2009 by President Obama, was intended to place money into the economy quickly. Goals of the Recovery Act include; preserving and creating jobs, and investing in transportation, environmental protection, and other infrastructure that would provide long-term economic benefits. For the Department of Defense, the Recovery Act afforded approximately \$7.4 billion in defense-related appropriations and will require expenditures to be spent with unprecedented full transparency and accountability. As of August 2009, Beale Air Force Base had 10 Recovery Act funded projects (eight Army Corp of Engineers-managed and two installation-managed) with estimated costs totaling \$20.4 million.

### OBJECTIVES

At the request of the Department of Defense Inspector General, we accomplished this centrally directed audit to determine whether 9th Reconnaissance Wing officials properly managed Recovery Act Facilities Sustainment, Restoration, and Modernization requirements. Specifically, as it pertained to the Recovery Act, we evaluated whether officials:

- Properly justified projects.
- Met goals by fostering competition, expeditiously awarding contracts, and creating or retaining jobs.
- Complied with new Federal Acquisition Regulation requirements to include transparent public reporting and contract clauses.

### CONCLUSIONS

Overall, opportunities existed to improve the 9th Reconnaissance Wing's management of Recovery Act Facilities Sustainment, Restoration, and Modernization requirements. While wing-level involvement was limited in the selection process, the 10 Recovery Act funded projects for Beale Air Force Base were generally justified in terms of priority, quick execution, and emphasis on infrastructure or energy savings. Also as one of the identified goals, officials expeditiously awarded the two installation-managed projects under an existing contract. However, wing personnel did not comply with all new Federal Acquisition Regulation requirements nor establish a process to help meet Recovery Act goals. Specifically:

- Contracting personnel did not fully meet Recovery Act public reporting requirements, obtain contractor

verification reports, or appropriately incorporate Federal Acquisition Regulation clauses. Complying with acquisition criteria helps maintain required public transparency, prevent potential contract award to unauthorized contractors, and keep contractors fully aware and accountable of Recovery Act stipulations. (Tab A, page 1)

- Neither contacting nor civil engineer personnel established a process to ensure contractors met Recovery Act reporting requirements. Reporting helps ensure the intent and goals of the Recovery Act are achieved. (Tab B, page 3)

### **MANAGEMENT CORRECTIVE ACTIONS**

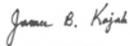
During the audit, management took corrective actions by performing and filing contractor verification reports and initiating modification actions to appropriately add missing Federal Acquisition Regulation clauses. Also, officials contacted the contractor and highlighted the Recovery Act clause quarterly reporting requirements. (Reference Tabs A and B for specific management corrective actions)

### **RECOMMENDATIONS**

We made two recommendations to improve future Recovery Act compliance. (Reference Tab A for the specific recommendations)

### **MANAGEMENT'S RESPONSE**

Management officials agreed with the audit results and recommendations, and the corrective actions taken are responsive to the issues and recommendations included in this report.



**JAMES B. KOJAK**  
Team Chief, Travis Air Force Base



**TERRI L. DILLY**  
Chief, Northwest Area Audit Office

	<u>Page</u>
<b>EXECUTIVE SUMMARY</b>	<b>i</b>
<b>TAB</b>	
<b>A    Acquisition Requirements</b>	<b>1</b>
<b>B    Reporting Process</b>	<b>3</b>
<b>APPENDIX</b>	
<b>I    Audit Scope and Prior Audit Coverage</b>	<b>4</b>
<b>II   Points of Contact and Final Report Distribution</b>	<b>6</b>

## **BACKGROUND**

Organizations post information on the Federal Business Opportunities (FBO) website to meet transparency requirements for Recovery Act contract actions. The Federal Acquisition Regulation (FAR) requires all contract actions over \$25,000 be posted, along with information specific to Recovery Act projects. In particular, FAR subpart 5.7, *Publicizing Requirements Under the American Recovery and Reinvestment Act of 2009*, stipulates notices of proposed contract actions (pre-award) are required for orders of \$25,000 or more, funded in whole or in part by the Recovery Act, which are issued under task or delivery order contracts.

Any organization wishing to do business with the Federal government under a FAR-based contract must register in the Central Contractor Registration (CCR) before being awarded a contract. In addition, any contractor required to register in CCR must also register in Online Representation and Certifications Application (ORCA), a complementary system to CCR. Further, the Excluded Parties List System (EPLS) documents information on parties (contractors) excluded from receiving Federal contracts and certain subcontracts. Because of the nature of the Recovery Act and its transparency requirements, it is essential to ensure contractors receiving Recovery Act funds do not appear on this list. Contracting personnel need to include these contractor certifications and representations in the contract files.

To implement controls over Recovery Act funding, the Government established FAR clauses specifically related to Recovery Act contract actions. Contracting officials incorporate appropriate clauses in all contracts and applicable delivery orders funded by the Recovery Act. Two of the primary clauses include; FAR 52.203-15, *Whistleblower Protection Under the American Recovery and Reinvestment Act of 2009* and FAR 52.204-11, *Recovery Act Reporting Requirements*. In particular to the *Recovery Act Reporting Requirements* clause, the contracting officer must indicate that the contract is being made under the Recovery Act and indicate which products or services are funded under the Recovery Act.

## **AUDIT RESULTS 1 – ACQUISITION REQUIREMENTS**

**Condition.** Contracting personnel did not fully meet Recovery Act posting requirements, obtain contractor verification reports, or appropriately incorporate FAR clauses. Specifically, review of posting records and contract files for the two installation-managed projects<sup>1</sup> disclosed contracting personnel did not:

- Post Pre-award notices to the FBO website as required.

---

<sup>1</sup> Installation personnel managed two Recovery Act funded projects. These two projects involved delivery orders under the same indefinite delivery/indefinite quantity contract for pavement repair. The Army Corp of Engineers managed the remaining eight Recovery Act funded projects. Due to the unavailability of contract files and records we could not fully assess these projects.

- Maintain in contract files, copies of CCR, ORCA, and EPLS verifications showing the contractor's authorization to conduct business with the government.
- Include FAR clauses 52.203-15 (*Whistleblower Protection Under Recovery Act*) and 52.204-11 (*Recovery Act*) in the delivery orders award documents.

**Cause.** This condition occurred because Recovery Act guidance, per management, had been untimely received for pre-award posting and provided in piecemeal rather than all inclusive fashion. Consequently, contracting personnel's opportunity to become familiar with and apply all the new Recovery Act requirements was limited.

**Impact.** Complying with acquisition criteria helps maintain required public transparency, prevent potential contract award to unauthorized contractors, and keep contractors fully aware and accountable of Recovery Act stipulations.

**Management Corrective Actions.** During the audit, contracting personnel performed CCR, ORCA, and EPLS searches and placed printouts in the main contract file. Also, management initiated actions to process modifications and add FAR clauses 52.203-15 and 52.204-11 to the applicable Recovery Act funded delivery orders.

**Recommendations.** The 9th Contracting Squadron Commander should direct the contracting construction flight chief to ensure:

- Recommendation A.1. All Recovery Act related guidance is gathered, maintained, and readily available for future reference.
- Recommendation A.2. Contracting officers and administrators are familiar with Recovery Act requirements.

**Management Comments.** The 9th Reconnaissance Wing Vice Commander concurred with the audit results and recommendations, and stated:

- Recommendation A.1. "Concur with the audit results and recommendation. Procedures have been put into place and guidance has been gathered and made readily available for future reference on 5 October 2009. CLOSED
- Recommendation A.2. "Concur with the audit results and recommendation. The 9th Contracting Squadron Commander has directed the Construction Contracting Officers and administrators to adhere to the Recovery Act requirements. Director has verified that corrective actions were taken and 9th Contracting Squadron is compliant. CLOSED"

**Evaluation of Management Comments.** Management comments addressed the issues presented in the audit results, and actions taken should correct the problems.

## **BACKGROUND**

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. To help capture goal related data, the FAR 52.204-11 requires contractors receiving Recovery Act funds to quarterly report certain information regarding the amount of money expended, percent of project completion, salaries of particular personnel, and the number of jobs created/retained. Contractors must post their report to [www.federalreporting.gov](http://www.federalreporting.gov) by 10 October 2009 and then the Department of Defense has 20 days to review the reports for obvious errors/omissions. Although little guidance currently exists on the specific steps, FAR subpart 4.15 requires that contracting officers shall ensure contractors comply with these reporting requirements.

## **AUDIT RESULTS 2 – REPORTING PROCESS**

**Condition.** Neither contracting nor civil engineer personnel established a process to ensure contractors met Recovery Act reporting requirements. As of audit, procedures did not exist to validate contractors would actually report required Recovery Act information to the [www.federalreporting.gov](http://www.federalreporting.gov) website by 10 October 2009.

**Cause.** This condition existed because squadron personnel had not received guidance regarding the specific steps to make certain contractors track the necessary information and post quarterly reports.

**Impact.** Contractor quarterly reporting is necessary to help ensure the intent and goals of the Recovery Act are achieved.

**Management Corrective Actions.** During the audit, contracting personnel contacted the contractor, highlighted the Recovery Act clause quarterly reporting requirements, and offered any assistance that may be needed.

**Audit Comment.** The lack of Air Force guidance addressing management actions to ensure contractors track the necessary information and post quarterly reports is not locally correctible. Therefore, we will elevate this issue to the audit control point for possible inclusion in an Air Force summary report of audit.

**Management Comments.** The 9th Reconnaissance Wing Vice Commander concurred with the audit results.

**Evaluation of Management Comments.** Actions taken should correct the problems presented in the audit results.

## AUDIT SCOPE

**Audit Coverage.** To accomplish the audit objectives, we reviewed documents (project data forms, work requests, and contract award records) dated between 22 February 2002 and 24 August 2009. We conducted this audit from 27 July to 27 August 2009 and issued management a draft report on 29 September 2009. Specifically:

- **Justification.** To determine if officials properly justified projects for the Recovery Act, we obtained the installation's Recovery Act project listing. We then compared this listing to a Department of Defense listing and identified any differences for Beale AFB. In addition, we obtained the justification for the projects on DD Forms 1391, *Military Construction Project Data*, or AF IMT 332, *Base Civil Engineer Work Request*. We reviewed the justification to determine the projects and interviewed civil engineer personnel to determine how the projects were selected to receive Recovery Act funds.
- **Goals.** To ascertain whether officials met the goals of the Recovery Act by fostering competition, expeditiously awarding contracts, and creating or retaining jobs, we obtained a Commander's Resource Integration System (CRIS) report and a listing of the Recovery Act Emergency Special Program Codes. We reviewed the projects in CRIS to determine if all Recovery Act projects were listed. Also, we compared original project estimates with contract award amounts and noted any scope differences. Further, we interviewed contracting and civil engineer personnel to confirm how they intended to ensure contractors tracked and quarterly reported Recovery Act data.
- **Federal Acquisition Regulation Requirements.** To assess whether officials reported contract information transparent to the public, we obtained the current status of the projects and evaluated the postings made to the Federal Business Opportunities web site. Also for the installation-managed projects, we reviewed the contract files for evidence of the Central Contractor Registration, Online Representation and Certifications Application, and Excluded Parties List System contractor verifications. In addition, we reviewed the contract files to determine the rationale for contract award method. Lastly, to evaluate whether officials included all new FAR clauses in Recovery Act contracts, we examined contract award records, task/delivery orders, and modifications.

**Sampling Methodology.** We used the following sampling techniques and computer-assisted auditing tools and techniques (CAATTs) to accomplish our audit objectives.

- **Sampling.** The Department of Defense Inspector General judgmentally selected Beale AFB based on a predictive analysis for several risk factors. We reviewed all Recovery Act funded projects under this location for justification and assessed the installation-managed projects for FAR requirements and Recovery Act goals.
- **CAATTs.** We made use of various Microsoft Excel commands such as the COUNTIF function to summarize project data.

**Data Reliability.** During this audit, we relied on information from the CRIS. We did not evaluate the system's general and application controls. However, we established data reliability by comparing CRIS reports with available manual records. These tests revealed that the data were sufficiently reliable to support our audit conclusions.

**Auditing Standards.** We accomplished audit work in accordance with generally accepted Government auditing standards, and accordingly, included such tests of internal controls as considered necessary under the circumstances. Specifically, we evaluated controls such as oversight of project status and contract solicitation, award, and performance.

**Discussion with Responsible Officials.** We discussed/coordinated this report with the 9th Reconnaissance Wing Vice Commander, Mission Support Group Commander, and other interested officials. Management was advised this audit was part of an Air Force-wide audit on American Recovery and Reinvestment Act of 2009 Program Execution (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 23 October 2009 and are included in this report.

### **PRIOR AUDIT COVERAGE**

We did not identify any Air Force Audit Agency, Department of Defense Inspector General, Government Accountability Office, or public accountant reports issued to the 9th Reconnaissance Wing within the last 5 years that related to our specific objectives.

**POINTS OF CONTACT**

AFAA Northwest Area Audit Office  
100 Col Joe Jackson Blvd, Suite 1080  
McChord AFB WA 98438

Terri L. Dilly, Office Chief  
DSN 382-5849  
Commercial (253) 982-5849

James B. Kojak, Team Chief

James T. Foster, Auditor-in-Charge

**FINAL REPORT DISTRIBUTION**

HQ ACC/CC/FMFPM/IG  
9 RW/CC/FM  
8 AF/FM  
AFOSI, Detachment 218  
AFAA Rep/ACC

**PROJECT NUMBER**

We accomplished this audit under project number F2009-FD1000-0516.023.

**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.