



# *U.S. Army Audit Agency*

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

### **Connecticut Army National Guard**

# Executive Summary

Audit Report A-2010-0116-ALR

17 June 2010



## American Recovery and Reinvestment Act of 2009 Connecticut Army National Guard



### Results

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

At the request of the DOD Inspector General, we audited the Army National Guard's implementation of ARRA at the Connecticut Army National Guard (CTARNG) to make sure that it was in accordance with the requirements of the Act, the Office of Management and Budget (OMB) guidance, and subsequent related guidance. We focused on the planning, funding, project execution, tracking, and reporting of CTARNG's ARRA projects.

CTARNG was generally in compliance with the requirements of the Act, OMB guidance, and subsequent related guidance for seven ARRA projects we audited. However, procedures used to plan or contract for projects didn't make sure:

- The optimum mix of projects were selected for available funds.
- Contractors adhered to applicable Federal Acquisition clauses.

These conditions occurred because CTARNG didn't maintain documentation for cost estimates and OMB guidance for executing and reporting ARRA funds wasn't definitive or appropriate. Although CTARNG generally met the intent of the act, the National Guard Bureau had no assurance projects selected were the best project mix for the available funding and CTARNG might have projects with less functionality than originally planned.

### Recommendation

We recommended the Adjutant General, CTARNG establish procedures and maintain documentation on methodologies and calculations used to derive cost estimates and potential monetary benefits when planning for sustainment, restoration, and modernization projects.

The Adjutant General, CTARNG agreed with the report's conclusions and the recommendation. The National Guard Bureau provided the official Army position and agreed with the report's conclusion and the CTARNG's reply. We include the verbatim official Army position and reply in Annex C.



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17 June 2010

The Adjutant General, Connecticut National Guard  
U.S. Property and Fiscal Officer for Connecticut

This is the report on our audit of the American Recovery and Reinvestment Act of 2009 at the Connecticut Army National Guard. The audit was part of a Defense-wide effort executed by the Office of the DOD Inspector General and the Service Audit Agencies. In accordance with requirements of the American Recovery and Reinvestment Act of 2009, we will make the results of this audit available to the public. We focused the audit on determining whether the Connecticut Army National Guard implemented the American Recovery and Reinvestment Act of 2009 project in accordance with the requirements of the Act, the Office of Management and Budget guidance, and subsequent related guidance.

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

This report has one recommendation addressed to the Adjutant General, Connecticut Army National Guard.

The Army's official position on the conclusion, recommendation, and command comments are in Annex C. For additional information about this report, contact the Logistics Systems Audits Division at 703-681-8349.

I appreciate the courtesies and cooperation extended to us during the audit.

FOR THE AUDITOR GENERAL:

A handwritten signature in black ink, appearing to read "Jo L. Spielvogel".

JO L. SPIELVOGEL  
Program Director  
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# INTRODUCTION

## WHAT WE AUDITED

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We audited the Connecticut Army National Guard's (CTARNG's) implementation of the American Recovery and Reinvestment Act (ARRA) of 2009. Specifically, we assessed whether CTARNG:

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

## BACKGROUND

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### ARRA

On 17 February 2009, the President signed ARRA into law with the express purpose of stimulating economic growth. ARRA requires unprecedented levels of transparency, oversight, and accountability. The Office of the DOD Inspector General (DODIG) developed a joint oversight approach to include Military Service internal audit organizations in order to make sure DOD had maximum and efficient audit coverage of ARRA plans and implementation.

Section 1512 of ARRA requires extensive reporting from recipients of Federal funding on a quarterly basis. ARRA defines "recipient" as any entity that receives Recovery Act funds directly from the Federal Government including a State that receives Recovery Act funds.

## Office of Management and Budget Guidance

The Office of Management and Budget (OMB) Memorandum M-09-10 (Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated 18 February 2009) requires agencies to post a summary of any contract or order using ARRA funds in a special section of the Web site [www.Recovery.gov](http://www.Recovery.gov) unless the contract or order is both fixed-price and competitively awarded.

OMB Memorandum M-09-15 (Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated 3 April 2009) provides governmentwide requirements and guidelines for Federal agencies to use when implementing and preparing to implement activities under ARRA. The guidance establishes and clarifies the steps Federal agencies must take to meet the following crucial accountability objectives:

- Award and distribute funds in a prompt, fair, and reasonable manner.
- Make sure the use of funds and recipients are transparent to the public, and clearly, accurately, and promptly report the public benefits of these funds.
- Use funds for authorized purposes, and mitigate potential for fraud, waste, error, and abuse.
- Fund projects under this Act without unnecessary delays or cost overruns; and achieve program goals, including specific program outcomes and improved results on broader economic indicators.

OMB Memorandum M-09-15, Section 5.2 provides actions Federal agencies must take related to solicitation and evaluation of competitive grants awarded under ARRA, which include the requirement for posting funding opportunity announcements to the Web site [www.Grants.gov](http://www.Grants.gov). The memo also provides specific guidance for grants and cooperative agreements in Section 5 and Federal contracts in Section 6. It gives Federal Acquisition Regulation (FAR) clauses and provisions required for solicitations and contracts to execute the ARRA projects. The guidance requires contracting officials to insert applicable clauses in all contracts funded by ARRA.

OMB Memorandum M-09-21 (Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, dated 22 June 2009) provides detailed guidance for carrying out the reporting requirements in Section 1512 of the Act.

OMB, working with the Recovery Accountability and Transparency Board, deployed a nationwide data collection system at the Web site [www.FederalReporting.gov](http://www.FederalReporting.gov). This is a governmentwide data collection system for Federal agencies and recipients of Federal awards under Section 1512 of the Recovery Act. While the Web site [www.FederalReporting.gov](http://www.FederalReporting.gov) serves as the report submission application to support Recovery Act reporting, the Web site [www.Recovery.gov](http://www.Recovery.gov) serves as the public portal for key information relating to the Act.

## **Reporting Guidance**

OMB Memorandum M-09-21 transmitted governmentwide guidance for carrying out the reporting requirements in Section 1512 of ARRA. The goal of the reporting requirements outlined in the memorandum was to provide the public with an unprecedented level of transparency of expenditures and to help drive accountability for the timely, prudent, and effective spending of recovery dollars. To accomplish this, OMB guidance required recipients of Recovery Act funds to report using [www.FederalReporting.gov](http://www.FederalReporting.gov) in the quarter of the contract award. However, this guidance sometimes didn't apply to Federal government contracts.

Federal government contracts were required to comply with reporting by FAR 52.204-11 (American Recovery and Reinvestment Act – Reporting Requirements). The clause required Federal contractors to report on their use of Recovery Act funds. Specifically, contractors were required to report detailed information to the [www.FederalReporting.gov](http://www.FederalReporting.gov) Web site no later than the 10<sup>th</sup> day of each calendar quarter following submission of the first invoice.

OMB guidance and FAR specified important distinctions between the reporting processes for State and Federal contracts. Notably, OMB guidance required recipients of State contracts to report in the calendar quarter of the contract award; whereas, recipients of Federal contracts were required to report in the calendar quarter of the first invoice.

## **Army National Guard Guidance**

Army National Guard Regulation 420-10 (Construction and Facilities Management Office Operations, dated 11 July 2003) sets the responsibilities, organization, functions, and personnel for State Construction and Facilities Management Offices. This regulation also includes policies for planning and executing facilities projects, and requires the Construction and Facilities Management Officer (CFMO) to develop and

manage comprehensive annual and long-range plans covering all real property investment, sustainment, restoration, and modernization initiatives.

The Guard uses National Guard Bureau (NGB) Form 420-R (OMNG [Operations and Maintenance National Guard] Project Request, dated December 2004) to document requirements and justifications for projects between \$100,000 and \$3 million. The CFMO classifies and certifies all sustainment, restoration, and modernization projects on this form and approval authority is the United State Property and Fiscal Officer (USPFO). Personnel must document all projects costing more than \$3 million on DD Form 1391 (Military Construction Project Data, dated July 1999) and submit them to the Assistant Secretary of the Army (Installations and Environment) for approval.

### **Scope and Selection of Projects**

DOD issued its expenditure plans for ARRA as required by the Recovery Act. The first plan issued on 20 March 2009, was for \$2.3 billion of military construction and family housing construction projects and over 3,300 Facilities Sustainment, Restoration, and Modernization (FSRM) projects with an estimated cost of \$3.4 billion funded under the Recovery Act. The second plan issued on 28 April 2009, provided a list of 856 projects associated with \$835 million of FSRM funds provided by the Act. The third plan issued on 14 September 2009, provided project changes such as cancelation, addition from bid savings, and correction of a project title.

The Act, signed by the President on 17 February 2009, provides appropriations to DOD and the Army. DOD received approximately \$12 billion as part of ARRA. The Army received about \$7.7 billion including:

- \$4.6 billion for U.S. Army Corps of Engineers' civil works projects.
- \$2.1 billion for operations and maintenance.
- \$918 million for military construction.
- \$75 million for research, development, test, and evaluation.

These funds are available for obligation until 30 September 2010 for projects that aren't military construction, or until 30 September 2013 for military construction or family housing construction.

In February 2009, NGB selected 10 projects for the State of Connecticut for completion with ARRA funding. In April 2009, NGB and the State of Connecticut entered a special military cooperative agreement to execute nine of those projects. The last modification

to the agreement was in November 2009 and covered about \$2.1 million of ARRA funds for the nine projects. Article five of the agreement established a provision for the Guard to reimburse the State for authorized expenditures. CTARNG granted ARRA funds to the State by obligating the funds to the agreement. They identified an additional \$750,000 for a Federal acquisition contract outside the cooperative agreement for underground utilities, the 10<sup>th</sup> project, for a total in Federal ARRA funds of about \$2.8 million.

For this audit, DODIG used predictive analytical modeling to select seven projects, with estimated costs of about \$2.7 million, from the 10 ARRA projects of the CTARNG.

## **OTHER MATTERS**

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We'll make recommendations to NGB in a separate report to address issues with the cooperative agreement.

# RECOVERY ACT IMPLEMENTATION

## OBJECTIVE

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

## CONCLUSION

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Partially. CTARNG implemented ARRA in accordance with the requirements of the Act, the OMB guidance, and subsequent related guidance for the seven projects within the scope of our audit. CTARNG appropriately identified projects for ARRA funds and at the time of the audit awarded contracts worth about \$2.5 million of the \$2.8 million of ARRA funds received. However, CTARNG didn't maintain documentation to support the cost estimates for ARRA projects, the State of Connecticut didn't include ARRA-related clauses in the contracts it administered, and CTARNG personnel sometimes didn't have plans and procedures in place to comply with special reporting requirements.

We discuss the results in detail for the areas of planning, funding, project execution, and tracking and reporting in sections that follow. We address our recommendation to correct planning issues below.

## **RECOMMENDATION AND COMMENTS**

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This section contains a specific recommendation and a summary of command comments for that recommendation. The official Army position and verbatim command comments will be in Annex C.

### **For the Adjutant General, Connecticut Army National Guard**

#### **Recommendation**

Establish procedures and maintain documentation on methodologies and calculations used to derive cost estimates and potential monetary benefits for sustainment, restoration, and modernization projects.

#### **Command Comments**

The Connecticut Army National Guard concurs with the recommendation. The Construction and Facilities Management Office plans to implement it in three ways.

- The Plans and Programming Branch will analyze, verify, and maintain records of cost estimates effective 1 April 2010.
- The Plans and Programming Branch is drafting a Standard Operating Procedure by 1 June 2010 to establish procedures to obtain, generate, and maintain primary and corroborating documentation on methodologies and calculations used for cost or benefit estimates for all projects.
- The Construction and Facilities Management Office will use the subject audit report as critical justification in a request for additional training for all personnel associated with completing, verifying, and maintaining cost estimates for expenditures. Internal training was scheduled for completion by 1 June 2010 and external training, if approved, will be completed by 30 September 2010.

#### **Agency Evaluation of Command Comments**

We agree with CTARNG's assessment and approach to make sure there is adequate documentation for project cost estimates. CTARNG concurred with the recommendation and set a target date of 30 September 2010 to implement the recommendation completely. These actions will satisfy the intent of the recommendation.

## **Official Army Position**

The National Guard Bureau concurred with the CTARNG command response.

## A – PLANNING

### DISCUSSION

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CTARNG adequately identified and planned its projects for ARRA funds, prepared justification packages to support the projects, and consulted with NGB in the selection of projects to be completed. However, CTARNG didn't document their methodology used for estimating costs for the projects. As a result, NGB had no assurance projects selected were the best project mix for the available funding and the CTARNG might have settled for projects with less functionality than originally planned.

#### Project Selection

CTARNG adequately selected and planned its ARRA projects. The Construction and Facilities Management Office of the CTARNG requested annual input from its directorates and major commands. Submitters requested approval for projects on a Requisition Form PC-1 and included a written justification. Management officials from both Federal and State governments reviewed the Form PC-1 and a Supervisory Facilities Operations Specialist set the priority. The priorities for accomplishment of individual projects are:

1. An Emergency. An emergency project was a solution to a life-threatening situation.
2. Routine. Routine projects were those that weren't life threatening.
3. Hold, indefinite. Hold, indefinite projects were routine projects that lacked funding, specifications, or coordination.

Once approved with the priority, the Form PC-1 along with an initial estimate of the cost qualified for entry into the database used to track projects – the Planning Resource for Infrastructure Development and Evaluation (PRIDE) database. All of the projects we reviewed went through this process.

The Installations Division at NGB reviewed the projects in the database and selected projects for the allocation of funds that fit the intent of ARRA. For CTARNG, NGB prioritized the projects and matched the allocation of funds to the amount of the initial estimates in PRIDE. The priorities were projects that were for either energy or utility reduction or modernization, or reroofing of buildings. NGB selected 10 projects that fit

into one of the categories and notified CTARNG of the selection. All of the projects selected for CTARNG went through the normal project submission process that was independent of ARRA; all 10 of the projects selected by NGB were for purposes outlined by ARRA. We evaluated 7 out of 10 CTARNG projects selected by DODIG because of predictive analytical modeling.

## **Recovery Act Official**

CTARNG didn't formally designate an ARRA official to monitor the implementation of the Act. Instead, the CFMO monitored ARRA projects as part of the normal responsibilities outlined in National Guard Regulation 420-10 (Construction and Facilities Management Office Operations). Tracking the status of each project, to include costs and progress, appeared sufficient and in line with ARRA requirements.

## **Expenditure Plans**

CTARNG didn't have a formal expenditure plan. Responsible personnel developed capital expenditure plans and included the plans with the projects in PRIDE. The DOD Expenditure Plan, as amended 14 September 2009, listed 10 projects for CTARNG and the projects and estimated costs were the same as those in PRIDE.

## **Planning Estimates**

CTARNG didn't maintain documentation to support methodologies or calculations for initial cost estimates when planning for ARRA projects. As a result, NGB decisions on project planning may have been impaired. Projects selected from the PRIDE database for execution were entered onto NGB Form 420-R (project request). NGB Form 420-R served as written project approval of the United States Property and Fiscal Office (USPFO) or Construction and Facilities Management Office for work to commence. The form included the initial planning cost estimate that served as a deciding factor on the approval level required for the project and provided a basis to determine if the project was economically justified. The seven projects we reviewed had an estimated value in the PRIDE database of about \$2.7 million of the \$2.8 million total ARRA funds allocated to CTARNG by NGB. NGB selected all 10 of the projects in February 2009. For our seven sample projects:

- One was an underground utilities project estimated at about \$750,000.
- One was a new roof project estimated at about \$605,000.

- Five were energy management systems projects estimated at about \$1.4 million.

Because documentation wasn't available to support the cost estimates, NGB had no assurance CTARNG allocated resources for the appropriate projects during the planning process. Additionally, CTARNG may have settled for projects with less functionality than originally planned. The roofing and energy management projects illustrate our conclusion.

## **800 Series Metal Roof Project**

CTARNG didn't maintain documentation to support the cost estimate for the 800 Series Metal Roof Project at Camp Rell; and cost increases for this project may have impaired completion of other projects. The original cost estimate recorded in the PRIDE database for the roofing project was \$605,000. The requirement for the roofing project hadn't changed since NGB selected it and the project approached completion during our audit in December 2009; however, the actual cost at the time of the audit was about \$1.5 million—about 140 percent over the estimated amount. We couldn't determine why the cost exceeded the estimate or if CTARNG used reasonable methods to arrive at the estimate because there was no documentation to substantiate the estimate.

In this instance, NGB allocated funds based on an undocumented cost estimate that was substantially low. CTARNG began the roofing project before other projects, which quickly consumed the amount of the estimate and was in need of additional funding for completion. CTARNG took about \$947,000 from other projects not yet awarded to pay for the increased costs on the roofing project, which consumed about \$847,000. In this instance, because funds were available, the situation didn't have an adverse overall effect on completion of the projects in the State of Connecticut.

## **Energy Management Systems Projects**

CTARNG didn't maintain documentation to support the cost estimate for energy management systems projects using ARRA funds. We examined five of seven energy management projects with an original estimate recorded in the PRIDE database of about \$1.4 million. At the time of our visit in December 2009, CTARNG didn't start the energy management projects because they were awaiting matching funds from the State of Connecticut. While the energy projects were awaiting matching funds, CTARNG shifted about \$947,000 from these energy projects to satisfy cost overruns on the 800 Series Metal Roof Project at Camp Rell. Because documentation didn't exist to support the initial cost estimates used to distribute funds, NGB had no assurance that ARRA funds were allocated effectively. In this instance, the estimate was about 131 percent in excess of the total amount required (ARRA and State of Connecticut

funds) for the initial contract award. As with the roofing project, the situation didn't have an adverse effect on completion of the projects for the State of Connecticut.

The State of Connecticut may have settled for less functionality in the energy management systems than they originally planned. In addition, project planning at NGB may have been impaired, and the potential for needed projects to go unfunded existed. We address actions needed to make sure cost estimate documentation is appropriate in the recommendation starting on page 7.

## B – FUNDING

### DISCUSSION

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CTARNG awarded and distributed funds in a prompt, fair, and reasonable manner for the seven projects we audited.

To execute the projects and obligate the funds, CTARNG entered into a cooperative agreement with the State of Connecticut Military Department on 1 April 2009. CTARNG obligated ARRA funds for the projects to the State based on the cooperative agreement. Specifically:

- NGB distributed \$2.8 million to the USPFO with a funding authorization document dated 1 May 2009.
- As of November 2009, CTARNG obligated a total of about \$2.1 million to the State of Connecticut for ARRA projects. The State of Connecticut used the funding and awarded contracts for six of the seven projects we reviewed (Camp Rell roofing project and five energy management system projects).
- CTARNG used \$750,000 for one of the seven projects in our review (Camp Hartell utilities project). The USPFO awarded the contract for the utility project. Since this was a federally administrated contract using Federal funds, the cooperative agreement didn't apply.
- The State of Connecticut and the USPFO awarded contracts for the ARRA FSRM projects worth about \$2.7 million. Additionally, the State of Connecticut contributed about \$169,000 of its own funds for a single contract award for seven energy management projects. About \$152,000 of the State of Connecticut funds applied to the five energy management projects in our sample. At the time of the audit, CTARNG had a surplus of approximately \$296,000 in ARRA funds. Officials from the Construction and Facilities Management Office stated they planned to use the surplus for:
  - An alternate bid on the energy management systems contract.
  - A new ARRA project for roof repairs.

The funds distributed from NGB to CTARNG equaled the estimated costs for the 10 ARRA projects listed on the DOD Expenditure Plan submitted to Congress. In addition, all of the funding documents we reviewed, the cooperative agreement and its

associated obligation modifications, and documentation generated from the State's accounting system indicated that the funds were for ARRA 2009 projects.

As a result, we believe the CTARNG properly funded the seven ARRA projects we reviewed.

## C – PROJECT EXECUTION

### DISCUSSION

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NGB submitted 10 projects worth about \$2.8 million for the DOD FSRM Program Plan for CTARNG. CTARNG executed 10 projects in the plan. DODIG selected 7 of the 10 projects valued at about \$2.7 million for our audit. The seven projects consisted of five energy management system projects, one metal roof repair project, and one underground utility project. The State of Connecticut Department of Public Works administered two contracts that encompassed six of the projects. The USPFO administered the remaining contract for underground utilities. The State of Connecticut contributed 25 percent of the cost for the energy management systems, and none of the cost for the roofs and utilities.

CTARNG entered into a Military Cooperative Agreement with the State of Connecticut on 1 April 2009 (it expires on 30 September 2010). The Agreement allowed the State Military Department – via State Department of Public Works – to administer the contracts. Following guidance, the State Military Department assigned an Agency Accountability Officer responsible for regulatory compliance set forth in the Act. The Cooperative Agreement Section 903 required inclusion of the award terms in Article VIII in all contracts. NGB guidance (NG Regulation 5-1 [National Guard Grants and Cooperative Agreements] Section 3-11) also required the State Military Department to insert the substance of Article VIII of each Master Cooperative Agreement, Military Construction Cooperative Agreements or appendix in all contracts issued under the Cooperative Agreement, unless State/Territory laws or regulations offer more protection.

### Project Justification

CTARNG properly completed and approved the project justification documents (NGB Forms 420-R) that included the economic analysis and National Environmental Policy Act considerations for all seven projects in our review. All of the projects had reasonable justifications, even though there was no documentation to support the original cost estimates. Additionally, all seven projects appeared to meet the intent of the Act by investing in infrastructure that provided economic benefits, improved quality of life, and developed energy independence.

## Estimated Project Costs

CTARNG had procedures in place to determine estimated costs of ARRA projects. Facilities management performed or contracted for detailed cost analyses of the seven ARRA projects we audited. To perform the cost analysis, analysts:

- Prepared a detailed independent government cost estimate based on the project design.
- Developed planning cost estimates from historical costs, consultation with the Department of Public Works, and architectural cost estimates.

CFMO explained the initial planning cost estimates for the DOD FSRM plan submission had no documented basis. Additionally, when the projects got underway, CFMO discovered that the initial cost estimates submitted for each project significantly differed from their actual costs.

## Project Oversight

CFMO project managers maintained adequate oversight of the ARRA projects we reviewed. They used established procedures for management of FSRM projects and ensured the contractor complied with the surveillance plan on file. Specifically, project managers:

- Provided an onsite representative to ensure work and materials complied with the quality assurance plan.
- Performed site visits for physical verification of project progress.
- Documented a daily project management checklist and recorded the data in an automated system.
- Met with CTARNG personnel, the State of Connecticut contracting office, and the contractor, and discussed the project status and other concerns.
- Identified and posted ARRA project signs at each worksite.

For the seven projects in our sample, CTARNG used about \$2.5 million of ARRA funds for authorized purposes such as improving energy efficiency and utility infrastructure without any known abuse or waste.

## **Competition**

The USPFO and the State of Connecticut contracting officers used competitive procedures to solicit and award the seven projects we reviewed. The USPFO used the required language and posted a presolicitation notice and performed full and open competition on the Federal Business Opportunities Web site for the one project they administered. The State of Connecticut achieved the competitive process for the roof project using a Department of Administrative Services-developed contracting portal Web site that was similar to the Federal Web site except it was for State-administered contracts. Additionally, the State Web site's recovery section listed the presolicitation. Conversely, the State awarded five Energy Management System projects on a previously competed requirements contract for energy projects. Solicitation of the contract was done before ARRA was passed; consequently, the advertisement didn't contain the required ARRA language. That contract contained 10 vendors and the State of Connecticut solicited bids from 6 of the 10 that were qualified to perform the work and issued a purchase order to the lowest bidder. The solicitations to the six bidders contained reference to ARRA and contracting requirements of ARRA.

We reviewed the USPFO and State of Connecticut contracting processes and procedures, OMB M-09-15, Sections 1.6 and 3.8, and circumstances surrounding the award of the contracts and the timelines involved. In our opinion, the competitive procedures used were valid, and the State of Connecticut promoted competition to the maximum extent practicable.

## **Small Business Participation**

CTARNG made sure there was maximum participation by small businesses for the seven projects we reviewed. OMB guidance M-09-15, Section 1.6, states that agencies should provide maximum opportunities for small businesses to compete and participate as prime and subcontractors in contracts awarded by agencies, while ensuring that the Government procures services at fair market prices. The USPFO and State of Connecticut contracting officers evaluated all bid proposals to include small businesses for the three contracts. The contracting officers awarded the contracts to the lowest bidder, resulting in one of the three being a small business. The State of Connecticut's merit-based selection criteria for ARRA projects met the intent of ARRA by making sure there was responsible spending of ARRA funds.

## Federal Acquisition Regulations

The cooperative agreement and the supplemental State of Connecticut contracting provisions for ARRA didn't include the required FAR clauses for contracts issued under the agreement. This occurred because the cooperative agreement provided by NGB didn't include requirements needed for compliance with the provisions of ARRA. We compared relevant FAR clauses in the cooperative agreement and found the cooperative agreement and the supplement didn't include clauses 52.214-26 – Audit and Records–Sealed Bids, and 52.215-2 – Audit and Records–Negotiation.

Two other clauses were included in the cooperative agreement to address reporting and registration requirements and whistleblower protection, but they were either incorrect or not equivalent to their counterparts in the FAR. Because the cooperative agreement didn't include language to address the requirements of all ARRA-related FAR clauses and included incorrect or inadequate clauses, CTARNG couldn't hold contractors accountable for complying with ARRA requirements. As a result, contractors working on ARRA projects may not have been fully aware of recordkeeping, reporting, and employee protection provisions and the Army didn't have assurance the contractor was accountable for federal acquisition or ARRA requirements.

In addition, we reviewed the contracts administered by the State of Connecticut and determined some of the award terms were missing from the contracts and it appeared the contracts might not comply with the cooperative agreement. The missing terms were:

- Section 804 - Lobbying.
- Section 806 - Environmental Protection.
- Section 807 - Use of U.S. Flag Carriers.
- Section 808 - Debarment & Suspension.
- Section 811 - Uniform Relocation Assistance & Real Property Acquisition Policies.
- Section 812 - Copeland "Anti-Kickback" Act.
- Section 813 - Contract Work Hours and Safety Standards Act.
- Section 814 - National Historic Preservation.

The State Military Department was responsible for making sure contracts issued under the Cooperative Agreement addressed the award terms in Article VIII. The

Cooperative Agreement Article VIII award terms were necessary to make sure contractors were aware of ARRA requirements.

## D – TRACKING AND REPORTING

### DISCUSSION

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CTARNG generally tracked and reported the required information for its ARRA projects. Specifically, CTARNG:

- Had processes and procedures in place for tracking and reporting ARRA projects.
- Identified appropriate personnel responsible for reporting.
- Completed reporting requirements within established timeframes.
- Included FAR reporting clauses in its federally administered contract.

#### **Posting Requirements**

From our sample of seven projects, only two were recipients of ARRA funds that were required to report using the Federal reporting Web site. One project was a Federal contract awarded in September 2009, and administered by the USPFO. The other was a State of Connecticut contract awarded in September 2009, and administered by the Department of Public Works.

CTARNG complied with ARRA posting requirements. The required posting for the two projects included in our scope were visible to the public on the [www.Recovery.gov](http://www.Recovery.gov) Web site within the established timeframes based on the type of contract. The State of Connecticut awarded the other five projects in our review in February 2010 and the postings weren't due until the second quarter of FY 10, after completion of our fieldwork.

#### **Federal versus State Contracts**

The ARRA reporting requirements differed for Federal and State contracts. FAR clause 52.204-11 outlined the reporting requirements for Federal contracts, while OMB guidance directed reporting requirements for State contracts. Therefore, although contracting offices awarded both contracts in the same month and year, the reporting requirements differed. The recipient of the Federal contract wasn't required to report until the first quarter of FY10 because invoices weren't submitted in the quarter of the

contract award; however, the recipient of the State of Connecticut contract had to report in the last quarter of FY 09.

The USPFO wasn't initially aware of all ARRA reporting requirements. Specifically, responsible personnel hadn't registered on the Federal reporting Web site at the beginning of our review. Consequently, responsible personnel couldn't meet the OMB requirements to review ARRA recipient reports. We made the Adjutant General, CTARNG aware of the oversight and, at his request, met with responsible personnel and explained the reporting and reviewing requirements. As a result, the USPFO took immediate action to register on the Web site and met all reporting timelines.

In addition to the Federal reporting requirements, CTARNG also prepared and submitted weekly update reports to NGB. The reports summarized project status to include estimated cost, environmental assessments, and contract information. Based on our review of the weekly reports, as well as the reports on the Federal reporting Web site, we believe that CTARNG properly tracked and reported their ARRA projects.

## A – GENERAL AUDIT INFORMATION

### SCOPE AND METHODOLOGY

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We conducted the audit from November 2009 through April 2010 under project A-2010-ALR-0235.000.

We performed this audit at CTARNG in accordance with generally accepted government auditing standards for performance audits. 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 that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

We covered issues, items, and transactions representative of operations current at the time of our audit.

We verified the reliability of computer data, as it pertained to our audit. Our audit began with seven projects selected by DODIG from a list of 10 projects selected by NGB that fit the intent of ARRA from the CTARNG PRIDE (Project Management Data Base). The projects selected were for energy, utilities, or roofing. DOD picked our 7 sample projects from the list of 10. During the course of the audit, we verified the projects met the intent of the Recovery Act. We also verified that the projects selected and estimated costs associated with them originated at CTARNG. We didn't assess computer data DODIG used to select our sample or the PRIDE data NGB used to select the CTARNG projects. This data was beyond the scope of our review and not required to accomplish the audit objective. From our assessment, we concluded the projects selected by DODIG were for subject matter covered by ARRA and representative of the data CTARNG entered into PRIDE.

To determine whether CTARNG implemented ARRA projects in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance, we:

- Reviewed ARRA, OMB implementing guidance, FAR clauses, DOD Regulation for Grants and Agreements, and NGB Regulations and guidance applicable to ARRA.
- Conducted interviews with key personnel from CTARNG about processes and procedures used for planning, executing, and reporting ARRA projects.
- Reviewed and analyzed the special military cooperative agreement between NGB and the State of Connecticut.

- Reviewed written project justifications and visited project sites for projects in process.
- Compared the initial cost estimates, independent government cost estimates, and actual project costs.
- Reviewed Funding Authorization Documents for ARRA funds to identify the amount of funding transferred from NGB to CTARNG.
- Interviewed CTARNG personnel to determine that projects and costs selected by DODIG for the audit were representative of data that originated at CTARNG.
- Reviewed the project management files for the selected ARRA projects to determine the adequacy of project management oversight on ARRA projects.
- Compared the cooperative agreement and contract guidelines from the State of Connecticut with FAR clauses to determine State-administered contracts included the required FAR clauses for ARRA projects.
- Conducted interviews with the State of Connecticut contracting officer to identify processes and procedures used to solicit and award contracts for ARRA projects.
- Reviewed State contracting documents such as purchase orders and solicitations to determine how CTARNG awarded contracts for ARRA projects.
- Conducted interviews with key personnel at CTARNG, Connecticut State Military Department, and Connecticut Department of Public Works to determine if the State of Connecticut complied with Section 1512 of the Recovery Act.
- Queried the quarterly report from the Web site [www.FederalReporting.gov](http://www.FederalReporting.gov) to determine if appropriate projects were visible to the public.
- Researched the Federal Business Opportunities and Department of Administrative Services State Contracting Portal Web sites to determine whether CTARNG correctly posted ARRA projects.

## RESPONSIBILITIES

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The American Recovery and Reinvestment Act of 2009 created the Recovery Accountability and Transparency Board with two goals:

- To provide transparency in relation to the use of recovery-related funds.

- To prevent and detect fraud, waste, and mismanagement.

The Board maintained the Recovery.gov Web site to provide transparency of how ARRA funds were distributed and used.

The Assistant Chief of Staff for Installations Management is responsible for policies, plans, programs, and procedures in matters of installation facilities, housing, and environmental functions.

The Chief, National Guard Bureau is responsible to the Secretary of Defense and to Congress for the proper management and use of Federal funds and responsible for formulating, developing, and coordinating policies, programs, and plans affecting Army and Air National Guard personnel. When NGB distributes appropriated Federal funds to the State through cooperative agreements, the Chief, NGB normally assigns this responsibility to the USPFO for the State.

National Guard Bureau Office of Grants and Cooperative Agreements is responsible for conducting policy reviews of cooperative agreements and their appendices; coordinating all aspects of cooperative agreements at the NGB; providing policy management and support to make sure that assistance programs comply with Federal public laws, executive orders, regulations and directives; and appointment of USPFOs as grants officers.

The Adjutant General, Connecticut Army National Guard is responsible for:

- Assurance that the State Military Department complies with the terms, conditions, and standards of the cooperative agreement.
- Supervision and management of activities or projects within the scope of the cooperative agreements.
- Receipt of funds and property, and accounting for expenditures and property acquired through the cooperative agreement.

The United States Property and Fiscal Officer for Connecticut is responsible for receiving and accounting for all funds and property in the possession of CTARNG; making sure that Federal funds are expended on authorized projects or programs set forth in the cooperative agreement or appendices; and making the final decision on matters pertaining to grants and cooperative agreements. USPFO furnishes advice and assistance to units, organizations, and activities within the State to ensure use of Federal funds and property is in conformance with applicable laws and regulations.

The Construction and Facilities Management Officer is the principal advisor to the Adjutant General on the State's real property, facilities engineering, construction, and environmental

management programs. The officer is the only individual within the State who has the authority to classify work, which is the final step before project approval and the commencement of the activities of maintenance, repair, or construction. The officer recommends approval and oversees projects, regardless of funding source or project initiator.

## **ACKNOWLEDGMENTS**

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These personnel contributed to the report: Jay Parmar (Audit Manager); Erwin Marsch (Auditor-in-Charge); Joey Aderholt, Chana Ragan, and Joel Smith (Auditors); and Catherine Raymond (Editor).

## **DISTRIBUTION**

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We are sending copies of this report to:

Assistant Secretary of the Army for Financial Management and Comptroller  
Assistant Chief of Staff for Installations Management  
Chief, National Guard Bureau

**B – ABBREVIATIONS USED IN THIS REPORT**

ARRA	American Recovery and Reinvestment Act
CFMO	Construction and Facilities Management Officer
CTARNG	Connecticut Army National Guard
DODIG	Department of Defense Inspector General
FAR	Federal Acquisition Regulation
FSRM	Facilities Sustainment, Restoration, and Modernization
NGB	National Guard Bureau
OMB	Office of Management and Budget
PRIDE	Planning Resource for Infrastructure Development and Evaluation
USPFO	United States Property and Fiscal Office

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



REPLY TO  
ATTENTION OF

**NATIONAL GUARD BUREAU**  
1411 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 2202-3231

NGB-ZC-IR

01 June 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, Connecticut Army National Guard (A-2010-ALR-0235.000)

1. Reference. USAAA draft report.
2. I have reviewed the subject report. The Connecticut Army National Guard (CT ARNG) command response indicated that the CT ARNG concurred with the report recommendation. The CT ARNG is also in the process of establishing a specific plan to implement the recommendation.
3. The National Guard Bureau (NGB) concurs with the CT ARNG command response. The Connecticut U.S. Property and Fiscal Officer (USPFO) will continue to conform to the requirements in accordance with applicable federal laws and DoD regulations.
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).

Encl

A handwritten signature in black ink that reads "Louis A. Cabrera".

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



DEPARTMENTS OF THE ARMY AND THE AIR FORCE  
 CONNECTICUT NATIONAL GUARD  
 JOINT FORCES HEADQUARTERS  
 360 BROAD STREET  
 HARTFORD, CT 06105-3795

CTNG-TAG

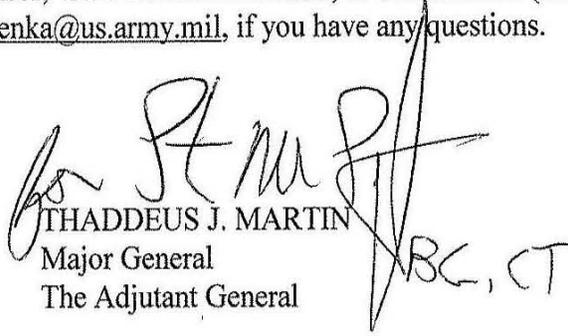
12 May 2010

MEMORANDUM FOR Program Director, Logistics Systems Audits (SAAG-ALR), U.S. Army Audit Agency, Office of the Deputy Auditor General, Acquisition and Logistics Audits, 3101 Park Center Drive, Alexandria, VA 22303-1596

SUBJECT: Command Comments to Draft Report CTARNG (A-2010-0XXX-ALR) on the American Recovery and Reinvestment Act of 2009 (Project A-2010-ALR-0235.000)

1. Enclosed is the command reply to the recommendation in the subject audit.
2. I concur with the report recommendation, and we intend to meet the milestones identified in the command comments. I am certain that by completing our planned actions we will achieve the goals of the recommendation to document the cost estimates of future projects, and provide greater assurance that our project selection makes the best use of available funding. Classification or protective marking of the final report is not required.
3. I want to thank Mr. Erwin Marsch, and the rest of his audit team for their efforts. Their professionalism and expertise insured that the audit was completed efficiently, and will help us better meet the requirements of ARRA projects.
4. Please contact our Internal Review supervisor, LTC David P. Jurenka, at Commercial (860) 524-4867, DSN 636-7867, or email [david.jurenka@us.army.mil](mailto:david.jurenka@us.army.mil), if you have any questions.

Encl

  
 THADDEUS J. MARTIN  
 Major General  
 The Adjutant General

Command Comments to American Recovery and Reinvestment Act of 2009 – Connecticut Army National Guard – Draft Audit Report

**Recommendation 1**

Establish procedures and maintain documentation on methodologies and calculations used to derive cost estimates and potential monetary benefits for sustainment, restoration, and modernization projects.

**Action taken or planned:**

Concur with Recommendation 1. The Connecticut National Guard Construction and Facilities Management Office (CFMO) is in the process of addressing this recommendation in three ways: 1) The Planning and Programming Branch (PPB) is now the designated office to analyze, verify, and maintain records of cost estimates, 2) Will publish a Standard Operating Procedure (SOP) on the estimating process, 3) Conduct formal internal and external training on the SOP.

1) The Planning and Programming Branch (PPB) was designated as the office to validate initial cost estimates on sustainment, restoration and modernization (SRM) project documents, or complete an initial cost estimate (if required), and retain the estimates and all corroborating documents in a project folder. This designation was completed by 01 April 2010.

2) PPB is now in the process of drafting a formal SOP covering the program development of all future SRM projects in the CFMO. The SOP will establish procedures to obtain, generate, and maintain primary and corroborating documentation on methodologies and calculations used for cost and/or benefit estimates for all projects. These documents will reside in a project folder with all other associated project programming documents. Upon completion of a project this folder will be consolidated into the permanent Facility Information Folder. This SOP will be completed by 01 June 2010.

3) Professional training for existing staff in the estimating discipline is an essential element to address the underlying cause of this recommendation. Estimates are almost entirely generated within the CFMO. We will use the audit recommendation as critical justification in a request for training of all employees involved in the estimating process. Employees will receive internal and external training. They will receive internal training on the formal SOP and internal controls established therein. This training will occur as the SOP is developed and when it is published.. Employees in the CFMO come from Federal, State, and Contractor areas and strong justifications are required to obtain training approvals across this spectrum. This recommendation will assist in formulating and gaining approval of an immediate request for external training for all personnel associated with completing, verifying and maintaining cost estimates for expenditures. This action will address internal training by 01 June 2010 and external training, if approved, by 30 September 2010.

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