



U.S. Army Audit Agency

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American Recovery and Reinvestment Act of 2009

**Fort Stewart and Hunter Army Airfield,
Georgia**

Executive Summary

Audit Report A-2010-0120-ALO
23 June 2010



American Recovery and Reinvestment Act of 2009

Fort Stewart and Hunter Army Airfield, Georgia

Results

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

We reviewed the Army's implementation of ARRA at Fort Stewart and Hunter Army Airfield to ensure it met the requirements of the Act, Office of Management and Budget guidance, and subsequent related guidance. Specifically, we assessed whether personnel adequately planned, funded, executed, and tracked and reported ARRA projects.

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

However, the funding for one project reviewed wasn't transparent throughout the process, contracting officers didn't complete all actions in accordance with ARRA requirements, and the contractors reported inaccurate information during two reporting periods in 2009.

In response to our audit work, contracting officers took four corrective actions during the audit. Specifically, they:

- Modified the indefinite delivery, indefinite quantity (IDIQ) base contract and task order for the Facilities Sustainment, Restoration and Modernization (FSRM) project to add a missing Federal Acquisition Regulation (FAR) clause.
- Modified the IDIQ base contract and task order for the military construction project to add the appropriate version of a FAR clause.
- Posted a missing award notice on the Federal Business Opportunities Web site for the military construction project.
- Corrected the signature and effective dates in one contract action report for the FSRM project in the Federal Procurement Data System-Next Generation.

Recommendations

We recommended the Commanding General, U.S. Army Corps of Engineers:

- Include in project files the initial funding authorization document for the child youth services center and the plan for the project's funds retained in the management reserve fund.
- Direct contracting officers to review all ARRA contracts at Fort Stewart and (i) determine if each contains the most applicable FAR clauses, (ii) post pre-solicitation and award notices for all contract actions FAR Subpart 5.7 requires, (iii) retain documentation in contract files verifying contractor eligibility, (iv) review and correct ARRA contract action reports in the Federal Procurement Data System-Next Generation, and (v) work with contractors to correct errors in their recipient reports.

The Corps agreed with the recommendations. Its comments represent the official Army position for the audit report.



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

23 June 2010

Commanding General, U.S. Army Corps of Engineers

This is the report on our audit of the American Recovery and Reinvestment Act of 2009 projects at Fort Stewart and Hunter Army Airfield, Georgia. The audit was a joint oversight approach executed with the Office of the Inspector General, DOD and other Service audit agencies. The audit focused on the Army's implementation of the American Recovery and Reinvestment Act of 2009 in accordance with the requirements of the Act, Office of Management and Budget guidance, and subsequent related guidance.

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

This report has six recommendations addressed to your office.

For additional information about this report, contact the Installation Operations Audits Division at 703-681-9855. I appreciate the courtesies and cooperation extended to us during the audit.

FOR THE AUDITOR GENERAL:

A handwritten signature in cursive script that reads "Alice S. Arielly".

ALICE S. ARIELLY
Program Director
Installation Operations Audits

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INTRODUCTION

WHAT WE AUDITED

On 17 February 2009 the President signed into law the American Recovery and Reinvestment Act (ARRA) of 2009 with the expressed purpose of stimulating economic growth. The Office of the Inspector General, DOD coordinated a joint oversight approach with the Service audit agencies to ensure maximum and efficient coverage of ARRA plans and implementation.

We audited the Army's implementation of ARRA at Fort Stewart and Hunter Army Airfield to ensure it was in accordance with the requirements of the Act, Office of Management and Budget (OMB) guidance, and subsequent related guidance. Specifically, we assessed whether personnel:

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

BACKGROUND

The ARRA of 2009 was established to stimulate economic growth by creating jobs through investments in infrastructure improvements and expanding energy research. ARRA requires unprecedented levels of transparency, oversight, and accountability. DOD received about \$12 billion as part of ARRA and distributed about \$7.7 billion to the Army. The Office of the Inspector General, DOD executed a joint oversight approach with U.S. Army Audit Agency and other Service audit agencies to ensure maximum and efficient coverage of ARRA plans and implementation.

On 3 April 2009 OMB issued memorandum M-09-15 (Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009) that provided an updated set

of government-wide requirements and guidelines that Federal agencies must implement or prepare for to effectively manage activities under ARRA. The guidance establishes and clarifies the required steps Federal agencies must take to meet these crucial accountability objectives:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner.
- Recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Funds are used for authorized purposes and potential for fraud, waste, error, and abuse are mitigated.
- Projects funded under this Act avoid unnecessary delays and cost overruns and program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Additionally, the guidance requires agencies to compile weekly reports, including financial and activity details, to ensure they are meeting the transparency and accountability objectives and mitigate potential for fraud, waste, and abuse.

According to the DOD expenditure plans, Fort Stewart received about \$42.2 million for 10 Facilities Sustainment, Restoration, and Modernization (FSRM) projects and \$8.6 million for 1 military construction (MILCON) project. The Office of the Inspector General, DOD selected one FSRM project and the one MILCON project for us to review:

Project Type	Project Title	Project Description	Cost Estimate (\$000)
FSRM	Repair Chilled Water Distribution System	Install new pipes	\$24,000
MILCON	Child Youth Services Center	Build new center	\$8,600

Annex C shows pictures of the FSRM project.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

OBJECTIVE

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

CONCLUSION

Yes, the Army implemented the ARRA of 2009 – for the FSRM and MILCON projects we reviewed at Fort Stewart and Hunter Army Airfield – in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance. The Army properly planned, funded, executed, and tracked and reported the projects we reviewed as the Act and related guidance stipulated. As a result, there was reasonable assurance that the Army, at Fort Stewart, expended public funds responsibly and in a transparent manner to further job creation and economic recovery.

However, the funding for one project reviewed wasn't transparent throughout the process, contracting officers didn't complete all actions in accordance with ARRA requirements, and contractors reported inaccurate information during two reporting periods in 2009. Specifically:

- The funding wasn't transparent throughout the process for the child youth services center (a MILCON project) because Headquarters, U.S. Army Corps of Engineers (USACE) didn't provide a plan for about \$400,000 it retained or provide documentation showing transparency for all funding actions related to the project.
- Contracting officers and staff didn't complete all actions in accordance with ARRA requirements. Specifically, they didn't:
 - Include one Buy American Act clause that the Federal Acquisition Regulation (FAR) required for the FSRM project.
 - Modify the indefinite delivery, indefinite quantity (IDIQ) base contract for the MILCON project to include the most applicable version of a FAR clause that the ARRA required.

- Post a pre-solicitation and award notice on the Federal Business Opportunities Web site for the MILCON project.
- Retain documentation for both projects showing they checked the Central Contractor Registration (CCR) database and the Excluded Parties List System (EPLS) before awarding task orders for both projects.
- Populate 12 contract action reports correctly in the Federal Procurement Data System-Next Generation (FPDS-NG) system for both projects. For example, the contracting officers and staff incorrectly entered the signature and effective dates.
- The contractors awarded the two projects we reviewed reported inaccurate information for the reporting periods ending 30 September 2009 and 31 December 2009. The contractors incorrectly reported the award date, funding agency, awarding agency, and the amount of award.

We brought these conditions to the attention of command and contracting personnel. In response, the contracting officers took four corrective actions during the audit that partially addressed the conditions identified. Specifically, they:

- Modified the IDIQ base contract and task order for the FSRM project, to include FAR clause 52.225-23 (Required Use of American Iron, Steel, and Other Manufactured Goods-Buy American Act-Construction Materials under Trade Agreements). However, personnel still needed to review the other contracts for ARRA projects at Fort Stewart.
- Modified the IDIQ base contract and task order for the MILCON project to include Alternate-1 of FAR clause 52.215-2 (Audit and Records-Negotiation). However, personnel still needed to review the other contracts for ARRA projects at Fort Stewart.
- Posted the award notice on the Federal Business Opportunities Web site for the MILCON project. However, the pre-solicitation notice was still missing from the Federal Business Opportunities Web site. In addition, personnel still needed to review the other contracts for ARRA projects at Fort Stewart.
- Corrected one contract action report in FPDS-NG for the FSRM project. They corrected the signature date and effective date entries. However, personnel still needed to review the remaining contract action reports for both projects and correct the signature and effective dates that don't follow the guidance.

Our detailed discussion of these conditions follows. Our recommendations to correct them begin on page 17.

DISCUSSION

In this section, we discuss these four areas:

- Installation planning.
- Project funding.
- Project execution.
- Installation tracking and reporting.

Installation Planning

The Army, at Fort Stewart, properly planned the ARRA projects we reviewed.

For installation planning, the Office of the Inspector General, DOD asked us to review the process for all 11 projects identified in the DOD expenditure plans for Fort Stewart.

Our review of the 11 projects showed the Army, at Fort Stewart, properly planned its ARRA projects. The garrison:

- Identified projects, to include scope and cost, eligible for ARRA funding.
- Entered the projects in U.S. Army Installation Management Command's Project Prioritization System.
- Worked with U.S. Army Installation Management Command to select projects for ARRA funding. The two projects we reviewed in detail matched two in the DOD expenditure plans for ARRA.
- Determined the best execution strategy, in-house or contracting, to complete each project.
- Incorporated ARRA project execution into garrison personnel's current roles and responsibilities.

- Established key controls in the process. For example, personnel from the Directorate of Public Works, Directorate of Resource Management, and Mission and Installation Contracting Command-Fort Stewart met weekly to discuss each ARRA project and identify problems in executing the projects.

As a result, there was reasonable assurance that the Army, at Fort Stewart, properly planned ARRA projects to expend public funds responsibly and in a transparent manner to further job creation and economic recovery.

Project Funding

The Army, at Fort Stewart, properly funded the two ARRA projects we reviewed – the chilled water distribution system (an FSRM project) and the child youth services center (a MILCON project). However, the funding wasn't completely transparent throughout the process for the MILCON project because Headquarters, USACE didn't provide a plan for the funds retained as a management reserve or provide documentation showing transparency of all funding actions for the project.

The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) distributed funds for both ARRA projects through funding authorization documents to Headquarters, USACE. These initial distributions for both projects were consistent with the amounts shown in the DOD expenditure plans and included the appropriate ARRA funding designations.

However, USACE distributed the funds differently for the two projects and the funding sometimes wasn't transparent throughout the process. We discuss the funding process for the two projects we reviewed in the next two sections.

FSRM Project

USACE properly funded the FSRM project to repair the chilled water distribution system.

Headquarters, USACE appropriately issued \$24 million to the U.S. Army Engineering and Support Center, Huntsville for the chilled water distribution system at Fort Stewart.

The Support Center:

- Awarded a task order of about \$20.5 million for the project from an existing IDIQ contract on 19 August 2009.

- Reserved about \$1.7 million for project contingencies.
- Returned \$1.8 million to Headquarters, USACE on 15 March 2010 because Fort Stewart's Directorate of Public Works planned to repair one of the boilers that was integral to the FSRM project as a scope increase.

Headquarters, U.S. Army Installation Management Command approved Fort Stewart's plan to award the boiler repair as a scope increase to the FSRM project. Fort Stewart received the \$1.8 million on 29 March 2010 and planned to have the Mission Installation Contracting Command-Fort Stewart award a new contract for the scope increase. The Directorate of Public Works took this approach because the boiler wasn't in the original project design for the FSRM project. Therefore, the directorate chose not to have the project awarded as a modification to the existing task order awarded for the project.

According to OMB guidance, agencies can use ARRA funds in conjunction with other funds (such as Operation and Maintenance, Army) to complete projects. Based on the information provided to us, we identified no legal issues with Fort Stewart's plan to award the scope increase with a new contract.

MILCON Project

USACE properly funded the MILCON project to build a child youth services center. However, the funding wasn't completely transparent throughout the process because Headquarters, USACE didn't provide a plan for the funds retained as a management reserve or provide documentation showing transparency for all funding actions related to the project.

Here is the funding process USACE used, including the distribution levels, for the MILCON project. Each activity in the process retained a portion of the funds, decreasing the amount that was distributed.

Child Youth Services Center Project, Funding Process Details

	Distribution	Funding Retained
ASA (FM&C) distribution to USACE	\$8.6M	-
USACE management reserve (rounded)	N/A	\$400,000
USACE distribution to Savannah District	\$8.2M	N/A
Contingencies	-	\$79,000
Center of Standardization support	-	\$40,000
Design during construction services	-	\$54,000
Utility services	-	\$101,000
Savannah District PR&C to U.S. Army Engineering and Support Center, Huntsville	\$7.9M	-
Savannah District supervision and administration	-	\$427,000
Contract award	\$7.5M	-

PR&C = Purchase request and commitment.

For the child youth services center project, Headquarters, USACE:

- Issued about \$8.2 million of the \$8.6 million to its Savannah District.
- Retained about \$317,000 as a management reserve fund. It also kept an additional \$82,000 when it rounded its current working estimate to develop the programmed amount for the DOD expenditure plans. This brought the total amount USACE retained to about \$400,000.¹ Headquarters, USACE had a standard practice to retain a portion of the funds (in a management reserve) when distributing funds to each of its levels, such as a district or support center, for a construction project. We concluded the management reserve withhold was legitimate because USACE Engineer Regulation 415-1-16 (Fiscal Management) allows it. Although we requested it, Headquarters, USACE didn't provide a plan for the nearly \$400,000 in funds it retained. Not including the plan in the project files affects the transparency of the funds.
- Didn't provide the funding authorization document showing the initial distribution of \$8.6 million from ASA (FM&C) to Headquarters, USACE. Not including the initial funding authorization document in project files affects the transparency of the funds.

¹ We calculated the management reserve amount and rounding amount from the district's current working estimate it prepared for the project.

USACE, Savannah District:

- Issued a PR&C to the Engineering and Support Center, Huntsville for about \$7.9 million that included about \$7.5 million for the contract award and about \$425,000 for the Savannah District’s supervision and administration costs.
- Didn’t include in the PR&C about \$274,000 it received from Headquarters, USACE. The \$274,000 included about:
 - \$79,000 for contingencies. We concluded this was a legitimate withhold because the project may have future modifications requiring additional funds. Personnel would use these funds to issue any future modifications.
 - \$54,000 for the district’s design during construction services. We concluded this was a legitimate withhold because USACE Engineer Regulation 415-1-16 discusses these type of costs. Savannah District personnel said these funds covered the district’s program review authority for anything outside the “5-foot line” of the design. The “5-foot line” is an imaginary line used as the boundary for purposes of responsibility.
 - \$40,000 for support by the Center of Standardization. We concluded this was a legitimate withhold because USACE identified centers of standardization within its organization to serve as technical acquisition resources for the districts. These centers perform actions, such as reviewing drawings, for projects. Savannah District personnel said its Center of Standardization had program review authority for the building and anything inside the “5-foot line” of the design.
 - \$101,000 for utility services. We concluded this was a legitimate withhold because Savannah District personnel said these funds were to connect a power station to a transformer closest to the construction site. This included installing and providing electrical control centers, primary power to the transformer, terminal connections, and exterior lighting (when the parking lot is complete).

The U.S. Army Engineering and Support Center, Huntsville:

- Received the purchase request (about \$7.9 million) from the Savannah District.
- Awarded a task order contract of about \$7.5 million for the project after it received the purchase request. At the time of our review, the Savannah District hadn’t disbursed any of these funds.

There was reasonable assurance that the Army, at Fort Stewart, properly funded the ARRA projects and used public funds responsibly to further job creation and economic

recovery. However, the funding wasn't completely transparent throughout the process for the MILCON project because Headquarters, USACE couldn't provide a plan for the nearly \$400,000 it retained nor provide the initial funding authorization document it received for the project.

We address the action needed to correct the transparency issue in Recommendation 1.

Project Execution

The Army, at Fort Stewart, properly executed the two ARRA projects we reviewed. However, it didn't include one ARRA FAR clause in the FSRM contract and didn't modify a FAR clause to incorporate ARRA requirements or post the pre-solicitation and award notice for the MILCON project. In addition, contracting officers didn't retain documentation in contract files for both projects to show they checked the CCR and EPLS Web sites or enter data correctly in the FPDS-NG system. However, contracting officers initiated four corrective actions during the audit to address some of these issues.

Project execution was proper because:

- Garrison personnel appropriately justified the FSRM and the MILCON projects and documented the environmental considerations. They justified and documented the need for both projects on a DD Form 1391 (FY__ Military Construction Project Data Form) in accordance with DOD and Army guidance and completed the mandatory National Environmental Policy Act requirements by preparing a Record of Environmental Consideration for the projects.
 - The justification for the chilled water distribution system said the system had a level-4 rating in the Installation Status Report² due in part to failures of the main and branch piping that resulted in loss of cooling for extended periods. The leakage rates were increasing due to underground leaks. The completed project would resolve the issues.
 - The justification for the child youth services center said the space in the current building was inadequate to handle the anticipated population increase under the current initiatives – Army Transformation and Grow the Force. The project supported the expected population increase.

² The Installation Status Report displays the condition of Army facilities. A level-1 rating represents that the facility requires little immediate attention, whereas a level-4 rating suggests major deficiencies.

- Overall, personnel from the Engineering and Support Center, Huntsville followed proper contract solicitation, evaluation, and award procedures in accordance with the FAR and ARRA guidance for both projects.
 - For the FSRM project, the contracting officers awarded a firm, fixed price task order on 19 August 2009 from an IDIQ contract. They properly coordinated the project with the U.S. Small Business Administration and concluded this project wasn't suitable for a small business. Therefore, the contracting officers at the Engineering and Support Center, Huntsville competitively awarded the task order to a large business. In addition, the contracting officers entered the contract data in FPDS-NG.
 - For the MILCON project, the contracting officers awarded a firm, fixed price task order on 31 August 2009 from an IDIQ contract. They properly coordinated the IDIQ base contract with the U.S. Small Business Administration and competitively awarded the task order to a small business. In addition, the contracting officers entered the contract data in FPDS-NG.
- Engineering and Support Center, Huntsville personnel generally prepared transparent contract documentation that was clear, unambiguous, and included the ARRA identifiers for both projects as required.
 - The description of needed services in the pre-solicitation notices was clear and unambiguous.
 - The solicitations and awards identified both projects as ARRA projects, to include all products and services related to the projects.
 - Contracting personnel posted the pre-solicitation and award notices for the FSRM project on the Federal Business Opportunities Web site and the notices identified the project as ARRA in the first word of the project title.
- Quality assurance personnel from USACE resident offices at Fort Stewart and Hunter Army Airfield developed quality assurance surveillance plans for both projects. The plans identified work requiring surveillance and ensured they contained checks for non-conformances. In addition, the contract required the contractor to develop a quality control plan for the project and use it to ensure the work the contractor performs meets the contract requirements. These actions should help ensure adequate project execution.

However, contracting officers at the Engineering and Support Center, Huntsville didn't complete all actions in accordance with ARRA requirements. Specifically, they didn't:

- Include one Buy American Act FAR clause for the FSRM project. FAR clause 52.225-23 (Required Use of American Iron, Steel, and Other Manufactured Goods-Buy American Act-Construction Materials under Trade Agreements) was required but wasn't included in the IDIQ base contract when contracting personnel awarded the ARRA project using a task order issued against the contract. The FAR requires the clause for contracts valued at about \$7.4 million or more. The FSRM project was valued at about \$20.5 million. Therefore, the contracting officers needed to modify the IDIQ base contract to include the FAR clause as required.
- Modify the IDIQ base contract for the MILCON project to include the most applicable version of FAR clause 52.215-2 (Audit and Records-Negotiation) that ARRA required when they decided to award ARRA projects using an existing IDIQ contract. Contracting officers properly included the basic version of the clause when they awarded the IDIQ base contract before ARRA implementation. However, ARRA also required Alternate-1 of the clause. Therefore, the contracting officers needed to modify the IDIQ base contract to include Alternate-1 because they awarded an ARRA project by issuing a task order against the existing contract.
- Post a pre-solicitation notice or award notice on the Federal Business Opportunities Web site for the MILCON project.
 - FAR Subpart 5.7 requires contracting officers to post pre-solicitation notices, for informational purposes only, of proposed ARRA-funded contract actions for orders of \$25,000 or more issued under task or delivery order contracts. The task order we reviewed was valued at about \$7.5 million. Although the contracting officer at the Engineering and Support Center, Huntsville posted a special notice that included language expected to be in a pre-solicitation notice, the contracting officer should also have posted a pre-solicitation notice on the Web site before sending out the request for proposal to comply with the FAR. FAR Subpart 5.2 states that contracting officers may post a special notice for procurement matters, such as business fairs, pre-proposal conferences, meetings, and the availability of draft solicitations for review.
 - FAR Subpart 5.7 requires contracting officers to publicize post-award notices for any contract action exceeding \$500,000 – including all modifications and orders under task or delivery order contracts. The delivery order we reviewed for the MILCON project was valued at about \$7.5 million. Therefore, the contracting officers should have, but didn't, post an award notice to the Federal Business Opportunities Web site. This occurred because the administrative contracting officer at USACE's Savannah District was unaware of any unique requirements

for posting award notices for this project. The officer stated the responsibility for this task wasn't included in his appointment letter.

- Retain documentation showing they checked the CCR and EPLS before awarding the IDIQ base contracts or task orders for both projects. Because this was a systemic issue at several audit sites, we will address this issue and the actions needed to correct it in our summary report.
 - FAR Subpart 4.11 requires the contracting officer to verify the prospective contractor is registered in the CCR database before awarding a contract. The contracting officers couldn't provide documentation of their CCR checks before they awarded the task orders for both projects. Although the contracting officers said they checked the database, they should have retained documentation in the contract files showing they checked the CCR database before awarding the task orders.
 - FAR Subpart 9.4 requires the contracting officer to review the EPLS after opening bids or receiving proposals and immediately before award of a contract. The contracting officers didn't provide documentation that they checked the EPLS before awarding the task order for the MILCON project. Although the contracting officers said they checked the Web site, they should have also retained documentation in the contract files showing they checked the EPLS before awarding the task order for the project.
- Populate 12 contract action reports correctly in the FPDS-NG for both projects. FAR Subpart 4.6 requires contracting officers to enter contract data in FPDS-NG. For both projects we reviewed, the officers prepared the required contract action reports for the IDIQ base contracts, all task order contracts issued off the IDIQ base contract, and all modifications to the contracts. However, for both projects we identified the contracting officers entered incorrect:
 - Signature dates for six contract actions in the FPDS-NG because they didn't use the later signature dates for the contracting officer and the contractor as the FPDS-NG glossary instructions prescribed.
 - Effective dates for 12 contract actions in the FPDS-NG because they didn't enter the same dates they entered for the signature dates. The FPDS-NG glossary instructions say generally to use the signature date for the effective date.

During the audit, the contracting officers at the Engineering and Support Center, Huntsville took corrective action on four issues that we addressed in this section for the projects we reviewed. Specifically, personnel:

- Modified the IDIQ base contract and task order for the FSRM project to include FAR clause 52.225-23 (Required Use of American Iron, Steel, and Other Manufactured Goods-Buy American Act-Construction Materials under Trade Agreements).
- Modified the IDIQ base contract and task order for the MILCON project to include Alternate-1 of FAR clause 52.215-2 (Audit and Records-Negotiation).
- Posted the award notice on the Federal Business Opportunities Web site for the MILCON project.
- Corrected one contract action report in FPDS-NG for the FSRM project. They changed the signature and effective dates to 9 November 2009, which was the later of the signature dates on the contract, in the contract action report for modification one to the task order.

Overall, there was reasonable assurance that the Army, at Fort Stewart, properly executed the ARRA projects we reviewed. Therefore, it used public funds responsibly and in a transparent manner to further job creation and economic recovery. However, USACE needs to ensure that contracting officers at the Engineering and Support Center, Huntsville complete all contract actions in accordance with ARRA requirements. Recommendations 2 to 5 address the actions needed to ensure all ARRA contracts at Fort Stewart meet ARRA requirements.

Installation Tracking and Reporting

The Army, at Fort Stewart, properly tracked and reported the ARRA projects we reviewed. However, the contractors reported inaccurate information during two reporting periods in 2009 for the award date, funding agency, awarding agency, and amount of award.

The Office of the Inspector General, DOD asked us to review the tracking and reporting process for all 11 projects identified in the DOD expenditure plans for Fort Stewart.

Our review of the 11 projects showed the Army, at Fort Stewart, properly tracked and reported its ARRA projects. The garrison:

- Established a process to track and report the 11 ARRA projects.
- Identified personnel responsible to track and report the 11 ARRA projects.

- Verified the economic benefits (such as jobs created, description of jobs created, and amount of award) the contractors reported using the on-line reporting tool for the two projects we reviewed in detail. At the time of our review, the contractor for the:
 - FSRM project reported creating 12.96 jobs and the project was less than 50 percent completed. We believe this was correct because the contractor was performing renovation work at the time of our review.
 - MILCON project reported creating 1 job and the project was less than 50 percent completed. We believe this was correct because the contractor was still designing the project at the time of our review.

However, the contractors for the contracts we reviewed reported inaccurate information in the Federal Reporting Web sites during the 31 December 2009 reporting period for the award date, funding agency, awarding agency, and amount of award. During the previous reporting period (30 September 2009), the contractors also incorrectly reported the award date, funding agency, and awarding agency.

- For the FSRM project, the contractor incorrectly reported the:
 - Award date as 17 August 2009 instead of 19 August 2009. This occurred because the contractor signed the task order on 17 August 2009 and the contracting officer didn't sign the task order until 19 August 2009.
 - Funding agency and awarding agency code as "96CE" (USACE-civil financing program only) instead of the correct code "21CE" (USACE (except civil financing program)). The Headquarters, USACE validation tool also flagged the contractor's entry for funding agency as a potential error during the reporting periods because it didn't pass the logic test based on the treasury account symbol reported. USACE personnel need to work with the contractor during the data validation process in the next reporting period to correct this error.
 - Amount of award as \$20,456,707. This was the amount of the task order awarded on 19 August 2009. However, contracting officers modified the task order on 9 November 2009 to increase the cost by \$17,332 to \$20,474,039. If not corrected, the data validation tool in the Web site will detect an error near the end of the project because the "amount invoiced" field will be greater than the "amount awarded" field. USACE personnel need to work with the contractor during the data validation process in the next reporting period to correct this error.

- For the MILCON project, the contractor incorrectly reported the funding agency and awarding agency code as “2100” (Department of the Army) instead of code “21CE” (USACE (except civil financing program)). The Headquarters, USACE validation tool also flagged the contractor’s entry for awarding agency as a potential error because it didn’t match the contracting officer’s entry in FPDS-NG. USACE personnel need to work with the contractor during the data validation process in the next reporting period to correct this error.

Recommendation 6 addresses the action needed to correct the inaccurate recipient reports.

RECOMMENDATIONS AND COMMENTS

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

For the Commanding General, U.S. Army Corps of Engineers

Recommendation 1

Include in project files the initial funding authorization document for the MILCON project and the plan for the project’s funds retained in the management reserve fund.

Command Comments and Official Army Position

The U.S. Army Corps of Engineers agreed and said it will work with the project manager, resource manager, and contracting officer to obtain the appropriate information to ensure they post proper documentation to the contract files. The target date for implementation is 30 September 2010.

Recommendation 2

Direct contracting officers to review all contracts for ARRA projects at Fort Stewart to determine if each contains the most applicable FAR clauses the Act and other guidance require and add the appropriate clauses to any contracts that don’t have them.

Command Actions Taken During the Audit

The U.S. Army Engineering and Support Center, Huntsville said it modified the IDIQ base contract and task order for the FSRM project to add the missing FAR clause 52.225-23. In addition, personnel modified the IDIQ base contract and task order for the MILCON project to include Alternate-1 of FAR clause 52.215-2.

Agency Evaluation of Command Actions

This action corrected the problem for the FSRM and MILCON projects we reviewed. However, the Engineering and Support Center, Huntsville still needs to review the other contracts for ARRA projects at Fort Stewart.

Command Comments and Official Army Position

The U.S. Army Corps of Engineers agreed and said it will direct the contracting officers to review all contracts for ARRA projects at Fort Stewart to determine if each contains the most applicable FAR clauses the Act and other guidance required and to add the appropriate clauses to any contracts that don't have them. The target date for implementation is 30 September 2010.

Recommendation 3

Direct contracting officers to review all contracts for ARRA projects at Fort Stewart to ensure they posted pre-solicitation and award notices for all contract actions required by FAR Subpart 5.7.

Command Actions Taken During the Audit

The U.S. Army Engineering and Support Center, Huntsville said it posted the missing award notice for the MILCON project we reviewed.

Agency Evaluation of Command Actions

This action partially corrected the problem for the MILCON project. The pre-solicitation notice is still missing from the Federal Business Opportunities Web site. In addition, the Engineering and Support Center, Huntsville still needs to review the other contracts for ARRA projects at Fort Stewart.

Command Comments and Official Army Position

The U.S. Army Corps of Engineers agreed and said it will direct the contracting officers to review all contracts for ARRA projects at Fort Stewart to ensure the officers have posted both pre-solicitation and award notices for all contract actions as FAR Subpart 5.7 requires. The target date for implementation is 30 September 2010.

Recommendation 4

Direct contracting officers to retain documentation in contract files for Fort Stewart's ARRA projects to show they checked the central contractor registration database and the excluded parties' list system before contract award.

Command Comments and Official Army Position

The U.S. Army Corps of Engineers agreed and said it will direct the contracting officers to ensure they have posted documentation to the file showing that both the central contractor registration database and the excluded parties' list system are checked. The target date for implementation is 30 September 2010.

Recommendation 5

Direct contracting officers to review all contract action reports in the Federal Procurement Data System-Next Generation for all projects, including the two projects we reviewed, and to correct entries not based on the system's guidance. Specifically, they should review entries for signature and effective dates.

Command Actions Taken During the Audit

The U.S. Army Engineering and Support Center, Huntsville said it corrected the signature and effective dates in one contract action report for the FSRM project.

Agency Evaluation of Command Actions

This action corrected the problem for one contract action report. However, the Engineering and Support Center, Huntsville still needs to review the remaining contract action reports for all projects, including both projects we reviewed, and correct the signature and effective dates that don't follow the guidance.

Command Comments and Official Army Position

The U.S. Army Corps of Engineers agreed and said it will direct the contracting officers to review all contract action reports in FPDS-NG and correct effective dates and signature dates based on guidance in FPDS-NG. The target date for implementation is 30 September 2010.

Recommendation 6

Direct contracting officers to work with the contractors for the two projects we reviewed at Fort Stewart to correct errors in their recipient reports for the award date, funding agency code, awarding agency code, and amount of award.

Command Comments and Official Army Position

The U.S. Army Corps of Engineers agreed and said it worked with the contractors for the two projects reviewed at Fort Stewart to correct errors in the recipient reports for the award date, funding agency code, awarding agency code, and amount of the award. The Corps said this action was complete, but it will review the contractor's most recent report for accuracy. The target date for implementation is 31 July 2010.

A – GENERAL AUDIT INFORMATION

SCOPE AND METHODOLOGY

We conducted the audit from December 2009 through May 2010 under project A-2010-ALO-0163.005.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objective. We believe the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

We obtained data from the Federal Business Opportunities, Federal Procurement Data System-Next Generation, and Federal Reporting Web sites. We obtained additional documentation, such as contract files, to help validate the information obtained from the Web sites. We identified errors in some of the data and made recommendations in this report to correct those errors. We determined we could sufficiently rely on the other information obtained from the Web sites for our conclusion.

The audit covered transactions current at the time of the audit. According to the DOD expenditure plans, Fort Stewart received about \$42.2 million for 10 FSRM projects and \$8.6 million for 1 MILCON project. For our review, the Office of the Inspector General, DOD used a predictive analytics sampling method to select one FSRM project (the chilled water distribution system project costing \$24 million) and one MILCON project (the child youth services center project costing \$8.6 million) at Fort Stewart based on the parameters set in the model.

To determine if the Army implemented ARRA in accordance with the Act, OMB guidance, and subsequent related guidance, we focused our audit approach on how the Army at Fort Stewart planned, funded, executed, and tracked and reported ARRA projects. We:

- Reviewed prior audits on ARRA to determine the level of risk associated with ARRA execution and reporting requirements.
- Visited the Fort Stewart garrison to gather relevant information and to observe the existing renovation of the chilled water distribution system and the future site of the child youth services center.

- Identified and interviewed key personnel at Fort Stewart to understand all aspects of the process, to include how they identified projects for ARRA funding, determined the funding process for ARRA projects, decided how to execute projects, and tracked and reported project progress.
- Compared the DOD ARRA expenditure plans to ARRA projects at Fort Stewart to determine if the Army approved the ARRA projects we reviewed.
- Obtained ARRA funding documents to determine if the Army properly funded the ARRA projects at Fort Stewart.
- Reviewed requirements documentation, such as the DD Forms 1391 (FY__ Military Construction Project Data Form) and Records of Environmental Consideration, to determine if the Army had adequate justification and conducted the required environmental review for both ARRA projects.
- Analyzed contract documents and reviewed information contained on ARRA-related Web sites to determine if the Army properly executed both ARRA projects. We reviewed and analyzed the:
 - Federal Business Opportunities Web site to verify the contracting office posted a pre-solicitation notice and award notice on the Web site and the notices were appropriately identified with the word “Recovery” as the first word in the title.
 - Central Contractor Registration Web site to verify the contractor was a government-approved contractor.
 - Excluded Parties List System Web site to verify the contractor was eligible to conduct business with the government.
 - Small Business coordination records to identify whether the contracting office coordinated the project with the U.S. Small Business Administration.
 - Federal Procurement Data System-Next Generation Web site to verify all contract actions were recorded in the system with the appropriate treasury account symbol.
 - Independent government estimates to verify the contracting office obtained cost estimates.
- Interviewed personnel and reviewed their reports from the ARRA Federal Reporting Web sites to determine if the Army complied with ARRA tracking and reporting requirements.

RESPONSIBILITIES

The Office of the Assistant Chief of Staff for Installation Management provides policy formulation, strategy development, enterprise integration, program analysis and integration, requirements and resource determination, and best business practices for services, programs, and installation support to Soldiers, Families, and civilians of an expeditionary Army in a time of persistent conflict. The office was responsible for approving projects eligible for ARRA funding and overseeing execution of the projects.

The U.S. Army Corps of Engineers provides vital public engineering services in peace and war to strengthen our Nation's security, energize the economy, and reduce risks from disasters. It was responsible for distributing the ARRA funding for selected projects. The U.S. Army Engineering and Support Center, Huntsville and the Savannah District, under the South Atlantic Division, were responsible for soliciting and awarding the contracts and conducting quality assurance for the projects we reviewed.

U.S. Army Installation Management Command provides the Army with the installation capabilities and services to support expeditionary operations in a time of persistent conflict, and to provide a quality of life for Soldiers and Families commensurate with their service. The Southeast Region, in coordination with personnel at its Fort Stewart garrison, approved the projects the garrison identified as eligible for 2009 ARRA funding.

Fort Stewart determined requirements for projects eligible for ARRA of 2009 funding and submitted them to Installation Management Command's Southeast Region for review and approval.

ACKNOWLEDGMENTS

These personnel contributed to the report: Linda Colquitt (Audit Manager), Christopher Wenthold (Auditor-in-Charge), Kimberly Gibbs and Josie Smallwood (Auditors), and Harvey Reinkemeyer (Editor).

DISTRIBUTION

We are sending copies of this report to:

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Chief of Staff for Installation Management

Deputy Commanding General for Operations, U.S. Army Installation Management Command
Commander, U.S. Army Engineering and Support Center, Huntsville
Commander, U.S. Army Corps of Engineers, Savannah District
Commander, U.S. Army Garrison Fort Stewart and Hunter Army Airfield

We will also make copies available to others on request.

B – ABBREVIATIONS USED IN THIS REPORT

ARRA	American Recovery and Reinvestment Act
ASA (FM&C)	Assistant Secretary of the Army (Financial Management & Comptroller)
CCR	Central Contractor Registration
EPLS	Excluded Parties List System
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
FSRM	Facilities Sustainment, Restoration, and Modernization
IDIQ	Indefinite Delivery, Indefinite Quantity
MILCON	Military Construction
OMB	Office of Management and Budget
PR&C	Purchase Request and Commitment
USACE	U.S. Army Corps of Engineers

C – CHILLED WATER DISTRIBUTION SYSTEM RENOVATION

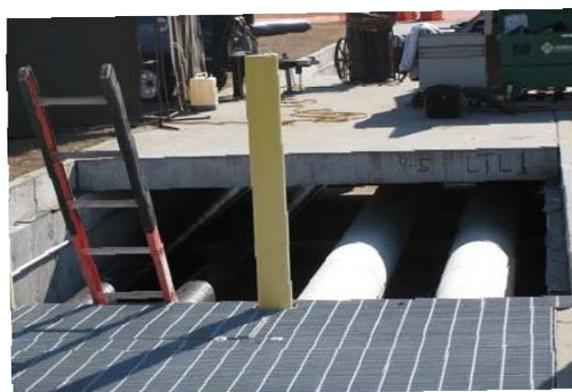
The chilled water distribution system project was ongoing during our site visit to Fort Stewart and Hunter Army Airfield. Contractors installed new pipes in existing trenches and dug new trenches to install new pipes. Here are pictures of the renovation.



Central energy plant



New trenches and new pipes



New pipes in existing trenches

D – OFFICIAL ARMY POSITION AND VERBATIM COMMENTS BY COMMAND



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
WASHINGTON, D.C. 20314-1000

CEIR

10 June 2010

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

SUBJECT: AAA Draft Report American Recovery and Reinvestment Act of 2009, Fort
Stewart and Hunter Army Airfield, Georgia (A-2010-ALO-0163.005)

1. Reference AAA draft report, subject as above.
2. AAA addressed five recommendations to the Commanding General, U.S. Army Corps of Engineers. These recommendations were addressed by contracting personnel from the USACE Huntsville Center.
3. HQs USACE concurs with the position of the Huntsville.
4. Please feel free to contact the undersigned or my point of contact, Alicia Matias (202) 761-4573 or via email at Alicia.S.Matias@usace.army.mil if you further questions regarding this matter.

Encl


BRENDA L. MAYES
Deputy Chief
HQ USACE Internal Review Office

AAA Audit Response and Corrective Actions**U.S. Army Engineering and Support Center - Huntsville****American Recovery and Reinvestment Act of 2009
Fort Stewart and Hunter Army Airfield, Georgia****Audit Report: (35a) (13MAY10) Draft (10-ALO-0163-005)****Recommendation 1**

Include in project files the initial funding authorization document for the MILCON project and the plan for the project's funds retained in the management reserve fund.

Response We concur.

Corrective Action. In the future the Project Manager, Resource Manager and Contracting Officer will work with HQs USACE to obtain the appropriate information to ensure that proper documentation is posted to the contract files that shows accountability and transparency of all project-related funds retained in the management reserve fund throughout the process on awarded actions. Will approach HQs to assist in identifying the proper corrective actions to take in order to fully address this recommendation by the end of the 4th Qtr.

Recommendation 2

Direct contracting officers to review all contracts for ARRA projects at Fort Stewart to determine if each contains the most applicable FAR clauses the Act and other guidance require and add the appropriate clauses to any contracts that don't have them.

Command Actions Taken During the Audit

The U.S. Army Engineering and Support Center, Huntsville modified the IDIQ base contract and task order for the FSRM project to add the missing FAR clause 52.225-23.

In addition, personnel modified the IDIQ base contract and task order for the MILCON project to include alternate-1 of FAR clause 52.215-2.

Agency Evaluation of Command Actions

This action corrected the problem for the FSRM and MILCON projects. However, the U.S. Army Engineering and Support Center, Huntsville still needs to review the other contracts for ARRA projects at Fort Stewart.

Response We concur.

Corrective Action. Contracting Officers will be directed to review, by the end of the 4th Qtr, all contracts for ARRA projects at Fort Stewart to determine if each contains the most applicable FAR clauses the Act and other guidance required and to add the appropriate clauses to any contracts that do not have them.

HNC has already taken supplemental corrective actions by updating the ARRA Checklist and will ensure that Contracting Officers and Specialists are aware of all ARRA FAR clause and other requirements. Additionally, the Business Operations Branch has identified the need for a monthly bulletin to ensure consistent awareness of ARRA and other contracting policy guidance and changes to keep our workforce abreast of current information affecting their work products.

Recommendation 3

Direct contracting officers to review all contracts for ARRA projects at Fort Stewart to ensure they posted pre-solicitation and award notices for all contract actions required by FAR Subpart 5.7.

Command Actions Taken During the Audit

The U.S. Army Engineering and Support Center, Huntsville posted the missing award notice for the MILCON project we reviewed.

Agency Evaluation of Command Actions

This action partially corrected the problem for the MILCON project. The pre-solicitation notice is still missing from the Federal Business Opportunities Web site. In addition, the U.S. Army Engineering and Support Center, Huntsville still needs to review the other contracts for ARRA projects at Fort Stewart.

Response We concur.

Corrective action. As advised, Contracting Officers will be directed to review all contracts for ARRA projects at Fort Stewart by the end the 4th Quarter to ensure that both pre-solicitation and award notices for all contract actions have been posted as required by FAR Subpart 5.7.

As stated under Recommendation 2 above, HNC has already updated the ARRA Checklist and will ensure that Contracting Officers and Specialists are aware of all ARRA FAR clause and other requirements. Additionally, the Business Operations Branch has identified the need for a monthly bulletin to ensure consistent awareness of ARRA and other contracting policy guidance and changes to keep our workforce abreast of current information affecting their work products.

Recommendation 4

Direct contracting officers to retain documentation in contract files for Fort Stewart's ARRA projects to show they checked the central contractor registration database and the excluded parties list system

Response We concur. As advised, Contracting Officers will be directed to ensure that documentation is posted to the file showing that both the Central Contractor Registration (CCR) database and the Excluded Parties List System (EPLS) have been checked by the end of the 4th Qtr.

Recommendation 5

Direct contracting officers to review all contract action reports in the Federal Procurement Data System-Next Generation for all projects including the two projects we reviewed and correct entries not based on the system's guidance. Specifically, they should review entries for signature and effective dates.

Command Actions Taken During the Audit

The U.S. Army Engineering and Support Center, Huntsville corrected the signature and effective dates in one contract action report for the FSRM project.

Agency Evaluation of Command Actions

This action corrected the problem for one contract action report. However, the U.S. Army Engineering and Support Center, Huntsville still needs to review the remaining contract action reports for all projects, including both projects we reviewed and correct the signature and effective dates that don't follow the guidance.

Response We concur. As advised, Contracting Officers will be directed to review all contract action reports in FPDS-NG for correction based upon system's guidance relative to effective dates/signature dates and review remaining contract actions reports (CARs) on all projects for correction by the end of the 4th Qtr.

Recommendation 6

Direct contracting officers to work with the contractors for the two projects we reviewed at Fort Stewart to correct errors in their recipient reports for the award date, funding agency code, awarding agency code, and amount of award.

Command Comments and Official Army Position

USACE's comments to the recommendation will represent the official Army position on the report's conclusion and recommendations.

Response We concur. Contracting Officers have taken corrective actions by working with the contractors for the two projects reviewed at Fort Stewart to correct errors in their recipient reports for the award date, funding agency code, awarding agency code, and amount of award. *Corrective action is now complete.*

The response to the recommendations will represent U.S. Army Engineering and Support Center – Huntsville's official response as a component of USACE.

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