



U.S. Army Audit Agency

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American Recovery and Reinvestment Act of 2009

**U.S. Army Corps of Engineers
Pittsburgh District**

Executive Summary

Audit Report A-2011-0046-IEE
22 December 2010



American Recovery and Reinvestment Act of 2009

U.S. Army Corps of Engineers Pittsburgh District



Results

On 17 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 with the express purpose of stimulating economic growth. The Recovery Act 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 Recovery Act plans and implementation.

We reviewed the U.S. Army Corps of Engineers Pittsburgh District's implementation of the Recovery Act to ensure that it was in accordance with the requirements of the Act, the Office of Management and Budget guidance, and subsequent related guidance. Specifically, we focused on the planning, funding, project execution, and tracking and reporting of Recovery Act projects to ensure transparency, accountability, and mitigation of fraud, waste, and abuse.

The Pittsburgh District generally implemented the Recovery Act in accordance with the requirements of the Act, the Office of Management and Budget guidance, and subsequent related guidance. Specifically, for the projects that we reviewed, our review showed that the Pittsburgh District:

- Sufficiently planned its Recovery Act project implementation.
- Distributed and awarded Recovery Act funds in a prompt and reasonable manner.
- Properly performed contract and project execution duties.
- Tracked and reported most of its Recovery Act information.

However, the Pittsburgh District didn't post and report all information for one project that we reviewed to public Web sites, as required by the Act, because of an oversight error. As a result, the actions for the project weren't fully transparent to the public.

Despite the minimal reduction in transparency, there is reasonable assurance that the Pittsburgh District used Recovery Act funds for authorized purposes, mitigated the risks of fraud, waste, and abuse, and achieved program transparency goals.

Recommendations

We recommended the Commander, U.S. Army Corps of Engineers Pittsburgh District direct personnel to:

- Post the Treasury appropriation fund symbols for contract W911WN04C0003 and all other Recovery Act contract actions in the Federal Procurement Data System.
- Ensure all contractors disclose, in the description section of Recovery.gov, the full amount of Recovery Act funding received and a breakdown of funding received for the Locks and Dams 2, 3, and 4 projects.

U.S. Army Corps of Engineers headquarters provided the official Army position and agreed with the recommendations and actions taken.



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22 December 2010

Commanding General, U.S. Army Corps of Engineers
Commander, U.S. Army Corps of Engineers Pittsburgh District

This is the report on our audit of the American Recovery and Reinvestment Act of 2009 at the U.S. Army Corps of Engineers Pittsburgh District. The audit was part of a Defensewide effort executed by the Office of the DOD Inspector General and the Service audit agencies. In accordance with requirements of the Act, we will make the results of this audit available to the public. We focused the audit on determining whether the Pittsburgh District implemented the Recovery Act in accordance with the requirements of the Act, the Office of Management and Budget guidance, and subsequent related guidance.

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

This report has two recommendations addressed to the Commander, U.S. Army Corps of Engineers Pittsburgh District.

The Army's official position on the conclusion, recommendations, and command comments is in Annex D. For additional information about this report, contact the Environment and Civil Works Audits Division at 410-278-4287.

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

FOR THE AUDITOR GENERAL:

A handwritten signature in black ink, reading "Clarence G. Johnson, Jr.", is positioned above the typed name.

CLARENCE G. JOHNSON, JR.
Program Director
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CONTENTS

	Page
Introduction	
What We Audited	2
Background.....	2
Other Matters.....	4
Detailed Results of Audit	
A – Planning	8
B – Funding.....	10
C – Project Execution.....	12
D – Tracking and Reporting.....	17
Annexes	
A – General Audit Information.....	19
B – Abbreviations Used in This Report.....	22
C – Lock and Dam 4 of the Monongahela River, Pennsylvania (River, Upper, and Lower Guard Walls)	23
D – Official Army Position and Verbatim Comments by Command	24

INTRODUCTION

WHAT WE AUDITED

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

We audited the Army's implementation of the Act at the U.S. Army Corps of Engineers (USACE) Pittsburgh District. Specifically, we assessed whether Pittsburgh District personnel:

- Sufficiently planned the projects to ensure the appropriate use of Recovery Act funds. (Planning)
- Distributed and awarded funds in a prompt, fair, and reasonable manner. (Funding)
- Performed contract administration and project execution duties in a manner to ensure the use of Recovery Act funds was for authorized purposes; instances of fraud, waste, error, and abuse were mitigated; program goals were achieved; and funded projects avoided unnecessary delays and cost overruns. (Project Execution)
- Ensured that recipients and uses of funds were transparent to the public and the benefits of the funds were reported clearly, accurately, and in a timely manner. (Tracking and Reporting)

BACKGROUND

The Office of Management and Budget (OMB) Memorandum M-09-15 (Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009), dated 3 April 2009, provides an updated set of governmentwide requirements and guidelines that Federal agencies must implement or prepare for, to effectively manage activities under the Recovery Act. Specifically, the guidance establishes and clarifies the required steps Federal agencies must take to meet the following crucial accountability objectives:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner.
- The 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 the potential for fraud, waste, error, and abuse is 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 that they're meeting the transparency and accountability objectives and mitigate potential for fraud, waste, and abuse.

DOD received approximately \$12 billion as part of the Recovery Act. Of the \$12 billion, the U.S. Army received about \$7.7 billion for operation and maintenance; military construction; research, development, test, and evaluation; and USACE civil works projects. All funds were available for obligation until 30 September 2010, and will be available until 30 September 2013 for military construction. As of 26 May 2010, the Pittsburgh District planned to expend about \$137.9 million for 117 projects.

The Office of the DODIG analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of fraud, waste, and abuse associated with each. The DODIG used predictive analytics to quantify the risks and to select projects to review. The predictive analytics results identified three project groups for review at the Pittsburgh District:

- Locks and Dams 2, 3, and 4, Monongahela River, Pennsylvania – with estimated costs of about \$84 million.
- Ohio River Locks and Dams, Pennsylvania, Ohio, and West Virginia – with estimated costs of about \$8.2 million.
- Shallow Land Disposal Area, Pennsylvania – with estimated costs of about \$5 million.

The 3 project groups included 10 projects from the approved USACE expenditure plan (dated May 2009): 3 projects for Locks and Dams 2, 3, and 4, Monongahela River, Pennsylvania; 6 projects for the Ohio River Locks and Dams, Pennsylvania, Ohio, and West Virginia; and 1 project for the Shallow Land Disposal Area, Pennsylvania. We reduced the scope of our review by selecting the projects with the highest risk, based on

the DODIG risk analysis, and one of the six projects for the Ohio River Locks and Dams, Pennsylvania, Ohio, and West Virginia, using a random sampling function. As a result, we initially reviewed the following five projects, valued at \$89.5 million:

Projects Reviewed by U.S. Army Audit Agency as of May 2009		
Project Title	Cost Estimate	Project Type
Locks and Dams 2, 3 and 4, Monongahela River, River Wall	\$17,000,000	Construction
Locks and Dams 2, 3 and 4, Monongahela River, Upper Guard Wall	32,000,000	Construction
Locks and Dams 2, 3 and 4, Monongahela River, Lower Guard Wall	35,000,000	Construction
Ohio River Locks and Dams, Pennsylvania, Ohio, and West Virginia*	546,000	Operation & Maintenance Formerly Utilized Sites
Shallow Land Disposal Area	5,000,000	Remedial Action Program

*We randomly selected one project to review – “Pike Island Emergency Standby Generator”

During the course of our audit, the Pittsburgh District decided to remove the Shallow Land Disposal Area project from the Recovery Act funding list because of the time that it would take to complete. Subsequently, USACE headquarters reprogrammed Recovery Act funds for this project.

OTHER MATTERS

We conducted the review of the Pittsburgh District as a joint effort with the DODIG. This report addresses our review of five projects. The DODIG reported separately on the following three project groups that they reviewed:

Projects Reviewed by DODIG		
Project Title	Cost Estimate	Project Type
Emsworth Locks and Dam, Ohio River, Pennsylvania	\$13,000,000	Construction
Upper Ohio Navigation Study, Pennsylvania	285,000	Investigations
Mahoning Creek Lake, Pennsylvania	3,052,000	Operation and Maintenance

See Report No. D-2010-RAM-022, U.S. Army Corps of Engineers Civil Works, Pittsburgh District, Recovery Act Implementation (30 September 2010) for more information about their review.

RECOVERY ACT IMPLEMENTATION

OBJECTIVE

Did the U.S. Army Corps of Engineers Pittsburgh District 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

Generally, yes. The Pittsburgh District implemented the American Recovery and Reinvestment Act of 2009 in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance for the five projects within the scope of our review. For our review, we initially selected five projects, but one project was canceled during the audit. Therefore, we reviewed all five projects for the planning and funding phases and then four of the five projects for the project execution and tracking and reporting phases. Overall, for the projects that we reviewed, the Pittsburgh District:

- Sufficiently planned Recovery Act project implementation by identifying projects eligible for Recovery Act funding and having sufficient controls; the district also had an approved expenditure plan in place.
- Distributed and awarded funds in a prompt, fair, and reasonable manner.
- Performed contract and project execution duties in a manner that provided reasonable assurance that the district used Recovery Act funds for authorized purposes; mitigated risks of fraud, waste, and abuse; and achieved program goals.
- Properly tracked and reported most of the information to ensure the recipients, uses, and benefits of Recovery Act funds were transparent to the public.

However, the Pittsburgh District didn't meet all posting and reporting requirements for one of the four projects we reviewed. Specifically,

- Contracting personnel didn't include the Treasury appropriation fund symbols for one of the project's contract modifications in the Federal Procurement Data System because of an oversight error.

- The contractor didn't disclose the full amounts of Recovery Act funding received and a breakdown of funding, in the description of the project on Recovery.gov, because of an oversight error.

As a result, the project award wasn't fully transparent to the public. The Pittsburgh District needs to ensure that its contracting personnel and the recipients of Recovery Act funds post and report all Recovery Act actions to meet requirements of the Act and ensure transparency.

Our recommendations to correct transparency and reporting issues are in the next section. We discuss our detailed audit results for the four areas of planning, funding, project execution, and tracking and reporting beginning on page 8.

RECOMMENDATIONS AND COMMENTS

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

For the Commander, U.S. Army Corps of Engineers Pittsburgh District

Recommendation 1

Direct personnel to post the Treasury appropriation fund symbols for contract W911WN04C0003 and all other Recovery Act contract actions in the Federal Procurement Data System.

Command Comments

Command concurred with the recommendation and stated that contracting personnel made the appropriate corrections (to all of the contract actions) in the Federal Procurement Data System – Next Generation on 26 May 2010.

Official Army Position

U.S. Army Corps of Engineers headquarters provided the official Army position and agreed with the recommendation and actions taken.

Recommendation 2

Direct personnel to ensure all contractors disclose, in the description section of Recovery.gov, the full amount of Recovery Act funding received and a breakdown of funding received for the Locks and Dams 2, 3, and 4 projects.

Command Comments

Command concurred with the recommendation and stated that the contractor made the appropriate correction to the reported award amount on 11 June 2010. Since prior American Recovery and Reinvestment Act recipient reports cannot be corrected at this time, Pittsburgh District contracting personnel will ensure that the contractor's award description reflects the expected outcomes from Modification P00037 and status of work in the next reporting period, beginning 1 January 2011, and all future reporting periods.

Official Army Position

U.S. Army Corps of Engineers headquarters provided the official Army position and agreed with the recommendation and actions taken.

A – PLANNING

BACKGROUND

Operations Order 2009-11 (USACE Execution of the American Recovery and Reinvestment Act of 2009), dated 9 March 2009, provides overall guidance for the USACE on the requirements of the Recovery Act.

USACE Circular 11-2-195 (Execution of the American Recovery and Reinvestment Act 2009 - Civil Works Program), dated 30 April 2009, provides USACE program and project management guidance to govern execution of civil works funds provided by the Recovery Act. In accordance with requirements of the Recovery Act, the guidance states that no new specifically authorized programs, projects, or activities could receive Recovery Act funds unless they had first received regularly appropriated Energy and Water Development funds.

USACE Fragmentary Orders (FRAGOs) 4 and 11 to Operations Order 2009-11, dated 25 March and 27 May 2009, provide guidance for procedures and documentation of communications with registered lobbyists regarding the Recovery Act. The guidance requires USACE officials to document their communications with registered lobbyists under the Lobbying Disclosure Act of 1995.

USACE FRAGO 22 to Operations Order 2009-11, dated 9 November 2009, supersedes FRAGOs 12 and 19 and provides the USACE Recovery Act Risk Management Plan, guidance on implementing the Act, and specific management control requirements to include management control checklists and reporting schedules.

DISCUSSION

The Pittsburgh District sufficiently planned its Recovery Act projects. Our review showed that the district worked with USACE headquarters to identify, validate, and prioritize requirements eligible for Recovery Act funding. The district also had sufficient controls and processes in place to implement its Recovery Act projects to include:

- Designating a Recovery Act program manager to oversee the district's implementation of Recovery Act projects.

- Implementing management control checklists for engineering and construction, contracting, public affairs, and resource management, specifically for the Recovery Act.
- Developing risk management plans when appropriate to assess the risks of the Recovery Act projects.
- Implementing and following all applicable guidance specific to USACE civil works for the Recovery Act projects.

In addition, the Pittsburgh District's expenditure plans for its Recovery Act projects were consistent with the approved USACE headquarters' expenditure plans, as of May 2009, which included 117 projects requiring about \$137.9 million in Recovery Act funds. As a result of sufficient planning, there is reasonable assurance that the Pittsburgh District appropriately used Recovery Act funds for the five projects we reviewed.

Because our results are positive, there are no recommendations for planning.

B – FUNDING

BACKGROUND

OMB Bulletin 09-02 (Budget Execution of the American Recovery and Reinvestment Act of 2009) requires agencies to use a separate Treasury appropriation fund symbol to track and report Recovery Act funding in order to facilitate transparency.

Office of the Secretary of Defense (Comptroller) Memorandum, dated 7 May 2009, (Subject: “Project Cost Variations during Execution of American Recovery and Reinvestment Act of 2009 Expenditure Plans for Infrastructure Investments”), signed by the Principal Deputy and Senior Accountable Official for Recovery Act, contains guidance for:

- **Availability of Operation and Maintenance (O&M) Funds to Complete Recovery Act Projects.** O&M funds appropriated in DOD Appropriations Acts or in emergency supplemental appropriations shouldn't be used to carry out Recovery Act projects, except when Recovery Act supplemental O&M appropriated funds are no longer available and component request is approved by the Principal Deputy Under Secretary of Defense (Comptroller).
- **Bid Savings.** Components should use their management discretion to use bid savings (as they occur) to offset the cost growth in other projects, regardless of location. If bid savings aren't available, then the component should “borrow” funds from the later-executing projects to cover cost variations. When subsequent bid savings become available, the later-executing projects should be executed from Recovery Act O&M appropriations in accordance with the original expenditure plan.
- **Project Cancellations and Additions.** If a project can't be executed or is no longer required, and cancellation is deemed the better action, rather than retaining unobligated balances in the Recovery Act O&M appropriation, the component must nominate a replacement project.

DISCUSSION

The Pittsburgh District distributed and awarded funds in a prompt, fair, and reasonable manner for the five projects included in our review. Specifically, our review showed that USACE headquarters appropriately used separate Treasury appropriation fund

symbols to transfer \$137.9 million in Recovery Act funds to the Pittsburgh District's contracting authority. Of the \$137.9 million, USACE headquarters transferred approximately \$514,338 to investigations, \$130,000 to regulatory, \$5 million to the formerly utilized sites remedial action program, \$28.8 million to O&M, and \$103.5 million to construction accounts for Recovery Act projects, including the five that we reviewed as of May 2010. The funds received by the district, as of May 2010, were consistent with the estimated costs included in the USACE expenditure plan, dated May 2009. The district's distribution of the funds to the project level was reasonably consistent with prior funding plans and estimates. Further, the district started the five projects in prior years using regularly appropriated funds in accordance with USACE Recovery Act guidance.

The Pittsburgh District appropriately distributed funds to the five projects we reviewed. Specifically, as of May 2010, the district:

- Distributed \$62.9 million for the three Monongahela River Locks and Dams 2, 3, and 4 projects. This is about \$9.2 million more than the two (\$53.7 million) contract awards for the three projects and \$21.1 million less than the \$84 million received. The district achieved savings by combining two projects into one contract. The additional amount distributed to the projects was to cover future modifications and contingency costs. The district appropriately used savings towards other approved Recovery Act projects.
- Distributed \$546,000 for the Ohio River Locks and Dams - Pike Island Emergency Standby Generator project. However, it awarded a contract for \$358,000, which is approximately \$188,000 lower than the received amount transferred for the project. The difference is the result of bid savings and the district appropriately used it towards other approved Recovery Act projects.
- Returned the \$5 million received for the Shallow Land Disposal Area project because of the time that it would take to complete. Subsequently, USACE headquarters reprogrammed the funds to another district.

As a result, there is reasonable assurance that the Pittsburgh District properly funded its Recovery Act projects and the use was appropriate.

Because our results are positive, there are no recommendations for funding.

C – PROJECT EXECUTION

BACKGROUND

The National Environmental Policy Act of 1969 requires Federal agencies to integrate environmental values into their decisionmaking processes by considering the environmental effects of their proposed actions and developing reasonable alternatives to those actions. To meet National Environmental Policy Act requirements, Federal agencies should prepare a detailed statement known as an environmental statement.

FRAGO 5 to Operations Order 2009-11, dated 31 March 2009, provides guidance for USACE's division level to report all Recovery Act-funded contract/purchase actions through Federal Procurement Data System - Next Generation. The guidance states that the contracting office should post all solicitations to the Army Single Face to Industry Business Web site. The guidance requires divisions to utilize Federal Acquisition Circular 2005-032 and incorporate the following interim rules into all Recovery Act solicitations/contracts:

- Federal Acquisition Regulation (FAR) 2009-008- American Recovery and Reinvestment Act of 2009 – Buy American Requirements for Construction.
- FAR 2009-009- American Recovery and Reinvestment Act of 2009 – Reporting Requirements.
- FAR 2009-010- American Recovery and Reinvestment Act of 2009 – Publicizing Contract Actions.
- FAR 2009-011- American Recovery and Reinvestment Act of 2009 – Government Accountability Office/Inspector General Access.
- FAR 2009-012- American Recovery and Reinvestment Act of 2009 – Whistle Blower Protections.

FAR Subpart 5.7 (Publicizing Contracts Requirements under the American Recovery and Reinvestment Act of 2009) requires contracting officers to use the Federal Business Opportunities Web site to:

- Identify the action as funded by the Recovery Act.
- Post preaward notices for orders exceeding \$25,000, for “informational purposes only.”

- Describe supplies and services that are clear and unambiguous.
- Provide a rationale for awarding any action that isn't both fixed-price and competitive.

DISCUSSION

We reviewed four of the five initial projects for project execution. For the four projects we reviewed, the Pittsburgh District generally performed contract administration and project execution duties in accordance with the requirements of the Act (as discussed earlier, USACE headquarters canceled the Shallow Land Disposal Area project and reprogrammed the funds to another district). Our review showed that the four projects represented valid needs that supported Recovery Act goals; the district had reasonable cost estimates for the four projects; contracting personnel generally met competition and transparency goals and requirements; and the district had quality assurance measures in place. However, personnel didn't post some information for one of the four projects as required for transparency.

Project Justification

We determined that the four projects we reviewed represented valid needs. The district had project management plans for the four projects, which outlined the authority and requirements for each of the projects. Specifically, our review showed that:

- The feasibility report, dated December 1991, authorized the maintenance of reliable navigation on the Lower Monongahela River. This construction project addresses structural problems and future traffic conditions at the Locks and Dams 2, 3, and 4, located above the mouth of the Monongahela River at "Point" in Pittsburgh. In addition, the district completed the required National Environmental Policy Act study for the river wall and upper and lower guard wall projects.
- The district is responsible for the O&M of all projects associated with the Ohio River Lock and Dams, which authorizes the district to conduct continuous O&M. This O&M project involves the installation of a new 300-kilowatt diesel generator with the construction of an enclosure for the generator located in Wheeling, West Virginia. The district didn't complete a National Environmental Policy Act study because this project was an O&M project and didn't require one.

Project Estimates

The Pittsburgh District had reasonable cost estimates for the four projects that we reviewed. Our review showed that the district engineers developed cost estimates and contracting personnel reviewed those estimates. The cost estimates were submitted to the Great Lakes and Ohio River Division and then to headquarters, which approved and included the estimates in the expenditure plan. Prior to awarding the contracts, independent government estimates were completed to help establish reasonable cost estimates. However, there were differences between the expenditure plan, award amounts, and the independent government estimate for the projects we reviewed.

Monongahela River Locks and Dams 2, 3, and 4 – River Wall Project. The original expenditure plan allocated \$17 million for this project. Pittsburgh District personnel based the expenditure plan estimate on a November 2008 estimate that would fully fund the River Wall project. At the time of our review, the district awarded the contract at approximately \$18 million. The difference of approximately \$1 million was attributable to multiple modifications to this contract. The district didn't complete an independent government estimate for the \$17 million estimate. Since the district reasonably explained the expenditure plan differences, we concluded that the contract award resulted in the effective use of Recovery Act funds.

Monongahela River Locks and Dams 2, 3, and 4 - Upper and Lower Guard Wall Project. The original expenditure plan allocated \$67 million for two projects. Pittsburgh District personnel based the expenditure plan estimate on budgetary numbers that included a 15 percent contingency and \$6 million for engineering costs during construction, and supervision and administration for each project – resulting in \$32 million for the upper guard wall and \$35 million for the lower guard wall. At the time of our review, the district awarded the contract at \$35.7 million. The difference of approximately \$31.3 million was attributable to the combination of the two projects into one contract, which eliminates costs for engineering during construction and supervision and administration. Also, low bids from contractors resulted in bid savings. The district appropriately used it towards other approved Recovery Act projects. The independent government estimate totaled approximately \$50.7 million. Since, the independent government estimate was greater than the award amount, and the district reasonably explained the expenditure plan differences, we concluded that the contract award resulted in the effective use of Recovery Act funds.

Ohio River Lock and Dams – Pike Island Project. The original expenditure plan allocated \$546,000 for this project. Pittsburgh District personnel based the expenditure plan on budgetary numbers. At the time of our review, the district awarded the contract at \$358,000. The difference of approximately \$188,000 was attributable to the low bids from contractors that resulted in bid savings. The district used the bid savings

toward contract modifications and larger bids on other O&M Recovery Act projects to include Ohio River roofs and Monongahela River security upgrade contracts. The independent government estimate totaled \$554,120. Since the independent government estimate was greater than the award amount, and the district reasonably explained the expenditure plan differences, we concluded that the contract award resulted in the effective use of Recovery Act funds.

Competition and Transparency Goals

Overall, Pittsburgh District contracting personnel generally met competition and transparency requirements of the Recovery Act. Specifically, as of May 2010:

- The district awarded fully competed firm, fixed-price contracts to government-approved contractors for the four projects.
- Contracting officers included applicable FAR clauses in the solicitation and contracting documents for the four projects.
- Contracting officers had properly posted most of the required public notices (solicitations and awards) on the Federal Business Opportunities Web site and contract actions on the Federal Procurement Data System. The notices included the word “Recovery” in the title, stated that Recovery Act funding would be used, and provided a description of services that was clear and unambiguous to the public.

However, contracting personnel didn’t include the Treasury appropriation fund symbols for the contract modifications of the Locks and Dams 2, 3, and 4 River Wall project (Contract W911WN04C0003) in the Federal Procurement Data System. This occurred because of an oversight error by contracting personnel. As a result, there is reduced transparency of Recovery Act funds.

We address actions needed to meet the Recovery Act goal of full transparency for all projects in Recommendation 1 on page 6.

Quality Assurance

The Pittsburgh District had sufficient quality assurance and control plans for the four projects that we reviewed. The plans sufficiently specified work requiring surveillance and methods of surveillance. The plans included:

- Steps to ensure that contractors meet technical requirements for inspection, testing, and other quality controls.

- Methods of control management to ensure the contractor adheres to contract requirements and remedies any defects or nonconformances.

Despite the minimal reduction to transparency for one of the four projects reviewed, there is reasonable assurance that the Pittsburgh District performed contract administration and project execution duties for the projects in a manner to ensure:

- The use of Recovery Act funds was for authorized purposes.
- Instances of fraud, waste, error, and abuse were mitigated.
- Program goals were achieved.
- Funded projects avoided unnecessary delays and cost overruns.

D – TRACKING AND REPORTING

BACKGROUND

FAR 4.15 and 52.204 -11 (American Recovery and Reinvestment Act – Reporting Requirements) require contractors to report on their use of Recovery Act funds. Contracting officers must include these clauses in solicitations and contracts funded with Recovery Act funds.

FAR Subpart 4.1501 (Procedures) requires contracting officers to ensure that the contractor complies with reporting requirements.

FRAGO 27 to Operations Order 2009-11, dated March 2010, outlines recipient reporting procedures for USACE. It discusses how prime recipients submit reports through www.FederalReporting.gov and goes through the timeline of events for reporting. It states that recipient-reported data will be provided to reviewers through a central data repository and updated daily.

DISCUSSION

The Pittsburgh District properly tracked most of its Recovery Act projects. The Pittsburgh District implemented internal management control procedures, monitored data with USACE validation tools, provided Recovery Act notification letters to contractors, and complied with Recovery Act reporting requirements. Specifically, the district:

- Tracked and reported the status, receipt, and distribution of funding, and contract actions.
- Included the appropriate FAR clauses for Recovery Act reporting in the contract actions.
- Had information available to track and report the percentage of backlog reduced by Recovery Act funding.

We also found that the contractors for the four projects generally complied with reporting requirements by posting award summaries that included the appropriate recipient data, total award amount, award date, project status, and number of jobs created or retained.

However, the contractor for the Locks and Dams 2, 3, and 4 River Wall project didn't report the full amount of Recovery Act contract awards in Recovery.gov. The contractor received a total of \$25.3 million for the River Wall project at Locks and Dams 2, 3, and 4 and to supply concrete to the Upper and Lower Guard Wall project at Locks and Dams 2, 3, and 4, but only reported about \$25 million – a difference of about \$266,902 (1 percent). Additionally, the contractor didn't fully disclose funds received for concrete provided to the Upper and Lower Guard Wall project at Locks and Dams 2, 3, and 4 in the description of the projects on Recovery.gov. As a result, there is reduced transparency of Recovery Act funds for these projects.

We address actions needed to comply with the Recovery Act reporting requirements for all projects in Recommendation 2 on page 7.

A – GENERAL AUDIT INFORMATION

SCOPE AND METHODOLOGY

We conducted the audit from August 2009 through September 2010 under project A-2009-FFE-0446.000.

We performed this engagement at the U.S. Army Corps of Engineers Pittsburgh District 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 provided a reasonable basis for our finding and conclusion based on our audit objective.

We obtained computer-generated data from the Federal Business Opportunities Web site, the Federal Procurement Data System, the Central Contractor Registration Database, and the Excluded Parties List System. We reviewed the Recovery Act project data and contracting documents to verify the need for the projects, reasonableness of cost estimates, contractor eligibility, and the inclusion of required language and clauses. We assessed the reliability of the data by testing for completeness, accuracy, and consistency. However, we didn't test or evaluate any general or application controls of the systems. Our assessment showed that the data was sufficiently reliable to answer our audit objective and support our conclusion.

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

To determine whether the Army implemented the Recovery Act in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance, we:

- Interviewed key personnel from the Planning, Program, and Project Management Division; Engineering and Construction Division; Resource Management Office; Operations Division; Contracting Division; and Internal Review Office of the Pittsburgh District to obtain an understanding of their involvement in satisfying the requirements for identifying and contracting projects, distributing funding, and tracking and reporting for the Recovery Act.
- Reviewed and analyzed the funding authorization documents, work allowance recaps, and revised expenditure plans to identify the amount of funding the Pittsburgh District received to execute the five Recovery Act projects reviewed.

- Reviewed and analyzed the project management plans to verify that the contracting office performed a cost estimate and that projects were valid.
- Reviewed and analyzed the Federal Procurement Data System and Central Contractor Registration database to verify that the contractors were government-approved, to obtain the contractor's address, and to ensure that the contractor qualified as a small and disadvantaged business.
- Reviewed and analyzed the Excluded Parties List System to verify contractors' eligibility to conduct business with the government.
- Reviewed and analyzed printouts from the Federal Business Opportunities Web site to verify whether the contracting office competed the opportunity and whether the synopsis contained a description of services and to identify the Recovery Act designation, contract date, project duration, and completion date.
- Reviewed and analyzed the contracts to verify the inclusion of required FAR clauses for the Locks and Dams 2, 3, and 4 River, Upper and Lower Wall, and Ohio River Locks and Dams - Pike Island Emergency Standby Generator projects.
- Reviewed completed Engineering and Construction Checklist, Contracting Quarterly Recovery Act Management Control Checklist, Public Affairs Control Checklist, and the Resource Management Control Checklist.
- Reviewed postings on www.Recovery.gov to determine whether contractors posted appropriate project information to www.Federalreporting.gov.

We didn't evaluate project execution and tracking and reporting for the Shallow Land Disposal Area project because the project was canceled during the audit.

RESPONSIBILITIES

The U.S. Army Corps of Engineers' mission is to provide vital public engineering services in peace and war to strengthen our Nation's security, energize the economy, and reduce risks from disasters.

The U.S. Army Corps of Engineers Pittsburgh District's mission is in the areas of navigation, flood damage reduction, recreation, environmental restoration, hydropower, storm damage reduction, regulatory, water supply, and emergency response.

The Pittsburgh District Commander is responsible for ensuring the implementation of projects receiving Recovery Act funds is in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance. The Commander received support in implementing the Recovery Act projects from the following key offices:

- **Contracting** – maintained responsibility for issuing bid solicitations, managing the proposal evaluation process, ensuring contractor eligibility, including required language and clauses in solicitation/contracting documents, and posting the documents to required Web sites and systems.
- **Resource Management** – maintained accountability of Recovery Act funds received and distributed to projects.
- **Planning, Programming, and Project Management Division** – maintained project management plans and tracked progress of projects.

ACKNOWLEDGMENTS

These personnel contributed to the report: Kimberly Craig (Audit Manager); Robin Gibbs and Rhonda Surrena (Auditors-in-Charge); Nicholas Belikov, Brian Desvignes, Crystal Myers, and Whitney Thompson (Auditors); and Elizabeth Curran (Editor).

DISTRIBUTION

We are sending copies of this report to the:

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Chief of Staff for Installation Management
Commander, U.S. Army Corps of Engineers Great Lakes and Ohio River Division

In accordance with requirements of the American Recovery and Reinvestment Act of 2009, we are sending a copy of this report to the Office of the DOD Inspector General to make the results available to the public.

We will also make copies available to others upon request.

B – ABBREVIATIONS USED IN THIS REPORT

DODIG	Department of Defense Inspector General
FAR	Federal Acquisition Regulation
FRAGO	Fragmentary Order
O&M	Operation and Maintenance
OMB	Office of Management and Budget
USACE	U.S. Army Corps of Engineers

C – LOCK AND DAM 4 OF THE MONONGAHELA RIVER, PENNSYLVANIA (RIVER, UPPER, AND LOWER GUARD WALLS)



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

01 December 2010

MEMORANDUM FOR U.S. Army Audit Agency
3101 Park Center Drive
Alexandria, Virginia 22302-1596

SUBJECT: American Recovery and Reinvestment Act of 2009, U.S. Army Corps of
Engineers, Pittsburgh District (A-2009-FFE-0446.000)

1. Reference AAA, subject as above.
2. The USACE Headquarters concurs with the Pittsburgh District.
3. If you have additional questions, please contact the undersigned, Ms. Brenda Mayes, at (202) 761-4461 or via email at Brenda.L.Mayes@usace.army.mil

Encl


BRENDA L. MAYES
Deputy Chief
HQ Internal Review Office

Command Comments in response to Recommendation 1

Pittsburgh District concurs with Recommendation 1. Appropriate corrections were made to all of the contract actions in the Federal Procurement Data System – Next Generation (FPDS-NG) on 26 May 2010.

Command Comments in response to Recommendation 2

Pittsburgh District concurs with Recommendation 2.

The contractor made the appropriate correction to the reported award amount on 11 June 2010.

Since prior ARRA recipient reports cannot be corrected at this time, Pittsburgh District Contracting personnel will ensure that the contractor's award description reflects the expected outcomes from Modification P00037 and status of work in the next reporting period (1 January 2011) and all future reporting periods.

[Auditor's Note: The Pittsburgh District provided the above comments to USACE headquarters for approval without Commander's Signature page.]

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