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# **INSTALLATION REPORT OF AUDIT**

**F2009-0072-FDM000**

**American Recovery and Reinvestment  
Act of 2009 Requirements  
4th Fighter Wing  
Seymour Johnson Air Force Base, NC**

**Atlantic Area Audit Office**

**17 September 2009**

### INTRODUCTION

On 17 February 2009, President Obama signed into law the *American Recovery and Reinvestment Act*. This Act provided the Department of Defense with \$2.3 billion for military construction and \$3.4 billion for Facilities Sustainment, Restoration, and Modernization. As of 31 August 2009, the 4th Fighter Wing awarded 14 Recovery Act contracts for 15 projects valued at approximately \$15 million.

### OBJECTIVES

The Department of Defense Inspector General requested this centrally directed audit to determine whether 4th Fighter Wing contracting personnel properly managed Recovery Act Facilities, Sustainment, and Modernization requirements. Specifically, we determined whether contracting personnel:

- Included all new *Federal Acquisition Regulation* clauses in Recovery Act contracts.
- Reported contract information so it was transparent to the public.
- Met the program goals of the Recovery Act by expeditiously awarding contracts, and had a plan in place to validate that contractors were meeting quarterly reporting requirements.

### CONCLUSIONS

Wing contracting personnel properly managed Recovery Act Facilities, Sustainment, and Modernization requirements in two of three areas reviewed. Specifically, contracting personnel properly included all applicable Federal Acquisition Regulation clauses for the 15 of 15 projects reviewed in the Recovery Act contracts (Tab A, page 1). However, personnel:

- Did not always report contract information so that it was transparent to the public. Reporting contract information so that it is transparent to the public is essential for compliance with the Recovery Act and Federal Acquisition Regulation. (Tab B, page 2).
- Met the Recovery Act program goal of expeditiously awarding projects. Specifically, as of 20 July 2009, 15 (100 percent) of 15 projects were awarded. However, contracting personnel did not have a plan to validate that contractors were meeting quarterly reporting requirements. Validating that contractors are meeting their quarterly reporting requirements is crucial to

ensure that the benefits of using American Recovery funds are transparent to the public (Tab C, page 4).

### **MANAGEMENT CORRECTIVE ACTIONS**

During the audit, contracting personnel implemented four corrective actions to correct conditions identified (See individual tabs for specific management corrective actions). Therefore, no recommendations are necessary to be addressed in this audit.

### **MANAGEMENT'S RESPONSE**

Management officials agreed with the overall audit results and concurred with the issues as presented in this report. Therefore, this report does not contain disagreements requiring elevation for resolution.



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## BACKGROUND

The Federal Acquisition Regulation (FAR) is the primary regulation for use by all Federal Executive agencies in their acquisition of supplies and services with appropriated funds. New FAR clauses were developed to help achieve the goals of the Recovery Act. In case Recovery Act funds are used, contracting officers are required to incorporate the clauses into new contracts, as well as modifying existing contracts to include the Recovery Act FAR clauses. In the event that a contractor refuses to accept such a modification, the contractor will not be eligible for receipt of Recovery Act Funds.

## AUDIT RESULTS 1—FEDERAL ACQUISITION REGULATION CLAUSES

**Condition.** Contracting personnel properly included all applicable FAR clauses for the 15 of 15 projects reviewed in the Recovery Act contracts.

**Cause.** This condition occurred because contracting personnel received specific guidance on the new FAR clauses requirements from Headquarters Air Combat Command and followed the directions.

**Impact.** Properly including all applicable FAR clauses helps ensure that contractors bidding on and accepting contracts are aware of the Recovery Act requirements, and are able to fulfill and abide by the clauses.

## **BACKGROUND**

The Federal Business Opportunities (FBO) website is the single government point-of-entry for Federal government procurement opportunities over \$25,000. This website contains all Federal government solicitations and contract awards.

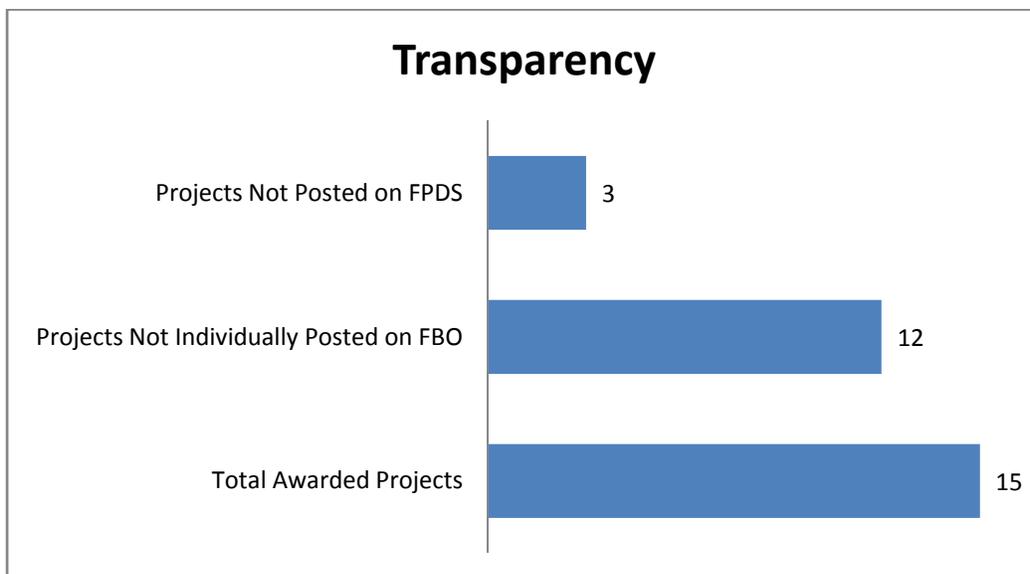
The Federal Acquisition Regulation (FAR) Part 5.704, *Publicizing-pre-award*, paragraph (a)(2) requires all contract actions over \$25,000 to be posted on the FBO website as well as any contract action, regardless of amount, which was not awarded both competitively and firm, fixed price. The FAR outlines the specific posting requirements for these actions.

The *Federal Procurement Data System* (FPDS) is the Federal government’s central source of procurement information. All contract actions, including task/delivery orders, must be posted to the FPDS. Additionally, Recovery Act program contract actions will be tracked using the “Description of the Requirements” data element, which must include the Treasury Account Symbol (TAS).

## **AUDIT RESULTS 2—TRANSPARENCY**

**Condition.** Contracting personnel did not always report contract information so that it was transparent to the public. Specifically, personnel did not:

- Post required information for 3 (20 percent) of 15 projects to the American Recovery and Reinvestment Act Report in FPDS.
- Solicit 12 (80 percent) of 15 projects individually on the FBO website.



**Cause.** This condition occurred for two reasons. Specifically, contracting personnel incorrectly entered “TSA” instead of “TAS” in the description block of the contractor action report. Therefore, the three projects were not identified within the FPDS as Recovery Act projects. Additionally, at the time of solicitation of the 12 task/delivery orders on the FBO website, contracting personnel did not follow specific guidance on the required procedures and format. For example, personnel combined 12 task/delivery orders into two solicitations on the FBO website instead of posting the projects individually.

**Impact.** Reporting contract information so that it is transparent to the public is essential for compliance with the Recovery Act and the FAR.

**Management Corrective Actions.** As of 12 August 2009, management took the following corrective actions which should correct the condition identified. Therefore, no further recommendations are necessary.

- Contracting personnel corrected the spelling error to read “TAS” in the description block in the contractor action report and the three projects were reported in the American Recovery and Reinvestment Act Report included in FPDS.
- Additionally, contracting personnel followed the procedures required by the FAR Part 5.704(a)(2) and changed the format for the 12 projects on the FBO website to meet the specific requirements established by the Recovery Act.

**Evaluation of Management Actions.** Management actions taken should correct the condition identified.

## **BACKGROUND**

Federal Acquisition Regulation 52.204-11 requires contractors receiving Recovery Act funds to report quarterly certain information regarding the amount of money expended, percent of project completion, salaries of particular personnel, and the number of jobs created/retained. Contractors are required to post the report to [www.federalreporting.gov](http://www.federalreporting.gov) by 10 October 2009, then the “Agency” (Department of Defense in this case) has 20 days to review the reports for obvious errors/omissions and post them to [www.recovery.gov](http://www.recovery.gov). Contracting officers must ensure the contractor is meeting these reporting requirements. However, there is limited guidance on how personnel should validate that contractors are in compliance with Recovery Act program reporting requirements.

## **AUDIT RESULTS 3—REPORTING REQUIREMENTS VALIDATION**

**Condition.** Contracting personnel did not have a plan in place to validate that contractors were meeting quarterly Recovery Act program reporting requirements.

**Cause.** This condition occurred because the contracting officers did not have specific guidance regarding the validation of contractor reporting requirements.

**Impact.** Validating that contractors are meeting quarterly reporting requirements is crucial to ensure that the benefits of using American Recovery Act funds are transparent to the public.

**Management Corrective Actions.** As of 23 July 2009, contracting personnel implemented two corrective actions which should help to correct the condition identified. Therefore, no further recommendations are necessary. Specifically, contracting personnel:

- Added Recovery Act program contractor reporting requirements to the contract checklist. The checklist is a “to do list” reminder used by contracting personnel.
- Will withhold partial payment if the contractor is not in compliance with reporting requirements. This procedure is allowed by the Federal Acquisition Regulation 52.232-5(e), *Payment under Fixed Price Construction Contracts*, which states that the contracting officer may retain a maximum of 10 percent of the amount of the payment until satisfactory progress is achieved to protect the government’s interest.

**Evaluation of Management Actions.** Management actions taken should correct the condition identified.

### AUDIT SCOPE

**Audit Coverage.** To accomplish the audit objectives, we reviewed Air Force Forms 332, *Base Civil Engineer Work Request*, contract files, and supporting documentation covering the period 30 March 2005 through 20 July 2009. We conducted the audit from 20 July through 31 August 2009 and issued management a draft report on 14 September 2009.

- **Federal Acquisition Regulation Clauses.** To determine whether all new Federal Acquisition Regulation clauses were incorporated into new and existing contracts, we reviewed both the solicitation and the contract as well as the task/delivery order and modifications
- **Transparency.** We reviewed the information posted for each project posted on the Federal Business Opportunity website and the *Federal Procurement Data System* American Recovery and Reinvestment Act report to determine whether contract information was posted so it was transparent to the public.
- **Recovery Act Goals.** We reviewed contract files and interviewed contracting personnel to determine the timeline of awarding the projects, as well as if they have plans to validate the information contained in the contractor's quarterly reports.

**Sampling Methodology.** The audit control point obtained the full listing of Air Force Recovery Act Facilities, Sustainment, Restoration, and Modernization projects, to include Family Housing, Air Force Reserves, and Air National Guard. This listing contained 1,548 projects at 107 locations valued at \$1.15 billion. The audit control point judgmentally selected all locations with a project total cost over \$7.5 million, resulting in six locations. Then 14 locations were selected using a simple random sample. We reviewed 100 percent of projects at each location, one of which was Seymour Johnson Air Force Base, North Carolina.

**Computer Assisted Auditing Tools and Techniques.** We used computer assisted auditing tools and techniques to interpret data in *Microsoft Excel*<sup>®</sup> spreadsheets. Specifically, we used *Microsoft Excel*<sup>®</sup> functions such as SUM and COUNTIF to summarize, analyze, and interpret data.

**Data Reliability.** We relied on computer-generated data contained in the *Commander's Resource Integration System* and *Electronic Document Access*. To establish data reliability, we obtained a funding report by the Recovery Act fund code from *Commander's Resource Integration System* to determine amounts being funded and compared it to the contract award documents obtained from *Electronic Document Access* and manual documents in the contract folders. After a review of output products for obvious errors, reasonableness, and completeness, we concluded that the data were reliable in meeting the audit objective.

**Auditing Standards.** We accomplished audit work in accordance with generally accepted government auditing standards and, accordingly, included tests of internal controls such as reviews of appropriate validation documentation as well as the accurate and timely recording of

the validation process. Further, we evaluated other internal controls as considered necessary under the circumstances.

**Discussion with Responsible Officials.** We discussed/coordinated this report with the Commander, 4th Mission Support Group; the Deputy Commander, 4th Contracting Squadron; and other interested officials. Management was advised this was part of an Air Force-wide evaluation of the *American Recovery and Reinvestment Act of 2009 Program Execution*, Project F2009-FD1000-0516.000. Therefore, selected data not contained in this report, as well as data contained herein, may be included in a related Air Force report of audit. Management's formal comments were received on 17 September 2009 and are included in this report.

### **PRIOR AUDIT COVERAGE**

We did not identify any Air Force Audit Agency; Office of the Inspector General, Department of Defense; or United States Government Accountability Office reports issued to the 4th Fighter Wing within the past 5 years that related to our specific objectives.

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**FINAL REPORT DISTRIBUTION**

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**PROJECT NUMBER**

We accomplished this audit under project number F2009-FD1000-0516.002.