



INSTALLATION REPORT OF AUDIT

F2009-0076-FBS000

**American Recovery and Reinvestment
Act of 2009
27th Special Operations Wing
Cannon AFB NM**

Southwest Area Audit Office

17 September 2009

INTRODUCTION

On 17 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009. The goal of the Recovery Act is to provide an infusion of money within specific guidelines that will result in a jump start to the United States economy. In Fiscal Year 2009, the 27th Special Operations Wing received \$12 million in Recovery Act funds to construct a child development center.

OBJECTIVES

We accomplished this centrally directed audit to determine whether 27th Special Operations Wing personnel properly managed Recovery Act military construction requirements. Specifically, we determined whether wing personnel:

- Conducted environmental studies for the project.
- Properly justified the Recovery Act project.
- Properly scoped and supported primary and supporting facility costs identified on the Department of Defense Form 1391, *Military Construction Project Data*.
- Prepared an economic analysis or obtained a certificate of exception (waiver).
- Reported contract information so it was transparent to the public.
- Included all new Federal Acquisition Regulation clauses in the contract.
- Met the goals of the Recovery Act by fostering competition, expeditiously awarding the contract, and creating or retaining jobs.

CONCLUSIONS

The 27th Special Operations Wing effectively managed the first four Recovery Act requirement areas reviewed (with minor exceptions). We were not able to review the last three subjective areas above because the child development center construction contract had not been awarded. We summarized the results for the requirement area reviewed below. In particular, we determined wing personnel:

- Properly conducted an environmental study and justified the Recovery Act project. Accomplishing environmental analysis ensures that Air Force decision-

makers consider environmental factors prior to commitment of resources and prevents environmental damage. (Tab A, page 1)

- Could not support the cost estimate portion of the \$12 million Recovery Act funded child development center project scope. (The Army Corp of Engineers estimated project costs). As a result, we could not determine if \$12 million in estimated costs for the Recovery Act funded project were accurate or valid. (Tab B, page 2)
- Did not prepare an economic analysis or obtain a waiver. Diligently coordinated waivers provide local and major command officials with important information regarding Recovery Act funded military construction projects. (Tab C, page 3)

MANAGEMENT CORRECTIVE ACTIONS

During the audit, civil engineer personnel coordinated the waiver from economic analysis through the wing chain of command and forwarded the waiver to the major command for approval.

RECOMMENDATIONS

Corrective action taken during the audit eliminated the need for further recommendations. The issue regarding the costs calculated by the Army Corp of Engineers was forwarded to the audit control point for further analysis. (See individual tabs for specific information.)

MANAGEMENT'S RESPONSE

Management officials agreed with the audit results and the corrective action taken is responsive to the issue identified. Accordingly, no disagreements required elevation for resolution.



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BACKGROUND

Civil engineers must fully justify military construction projects and follow environmental guidelines. During the planning of a military construction project, an environmental assessment is completed to document the construction's impact on the environment. It also identifies any costs related to environmental factors. Additionally, the civil engineer programmer justifies the need for the project by completing a Department of Defense (DD) Form 1391, *Military Construction Project Data*. The justification data on the form includes information about the project such as mission impact, people and productivity, and the effect if the project is not accomplished.

AUDIT RESULTS 1 – ENVIRONMENTAL ASSESSMENT AND PROJECT JUSTIFICATION

Condition. Civil engineer personnel properly conducted an environmental assessment and provided justification for the child development center project. In particular, personnel:

- Prepared an environmental impact statement for all construction projects planned for the installation (including the child development center) as a result of the Air Force Special Operations Command beddown currently in progress. Additionally, personnel performed additional environmental testing at the location selected for the child development center.
- Considered the installation's current demand for child care, which far exceeds its capacity, when justifying the project. For example, the new mission is expected to increase the total requirement for child care by approximately 59 percent. In addition, the current facility is outdated (33 year-old facility) and does not meet current child development center standards.

Cause. This occurred because personnel adhered to Air Force guidance related to military construction environmental assessments and project justifications.

Impact. Accomplishing environmental analysis ensures that Air Force decision-makers consider environmental factors prior to commitment of resources. Furthermore, fully justified projects ensure government funds are spent on high priority projects.

Management Comments. The 27th Special Operations Wing Vice Commander concurred with the audit result.

Evaluation of Management Comments. Management comments are responsive and addressed the issue identified.

BACKGROUND

Civil engineer programmers plan or “scope” military construction projects. Part of scoping a project requires personnel to develop floor space and infrastructure requirements, prepare cost estimates, and record the data on a DD Form 1391. The DD Form 1391 explains and justifies the project to all levels of the Air Force, Office of Secretary of Defense, Office of Management and Budget, and Congress. Cost estimates are categorized into primary (price per floor space unit, anti-terrorist protection, and environmental conservation design costs) and supporting facility costs (utilities, pavements, communications, site improvements and other special requirements). Civil engineer personnel have the option of turning a military construction project over to the Army Corp of Engineers for this portion of the planning process. The Cannon Air Force Base Recovery Act military construction project (child development center) was turned over to the Army Corp of Engineers, who scoped and estimated the project and completed the DD Form 1391.

AUDIT RESULTS 2 – PROJECT SCOPE

Condition. Wing personnel could not support the cost estimate portion of the \$12 million Recovery Act funded child development center project scope.

Cause. This occurred because the Army Corp of Engineers completed the DD Form 1391 cost estimates, but did not provide thorough, detailed support for the cost estimate calculations.

Impact. As a result, we could not determine if cost estimates for the Recovery Act funded project were accurate or valid.

Auditor Comment. This information will be forwarded to the audit control point for further analysis of Army Corp of Engineer supporting documentation.

Management Comments. The 27th Special Operations Wing Vice Commander concurred with the audit result.

Evaluation of Management Comments. Management comments are responsive and addressed the issue identified.

BACKGROUND

Another requirement of military construction planning is the completion of an economic analysis. The analysis determines the most economical and effective method of construction. For example, whether to renovate a building versus construct a new building. Waivers from economic analysis can be requested if only one way (such as constructing a new building) exists to meet a valid requirement. Military construction waivers from economic analysis must be approved by local comptroller and civil engineer personnel and by major command financial analysis personnel and functional civil engineer counterparts.

AUDIT RESULTS 3 – ECONOMIC ANALYSIS

Condition. Civil engineer and financial management personnel did not prepare an economic analysis or obtain a waiver for the \$12 million child development center project.

Cause. This occurred because personnel turnover¹ and the quick turnaround imposed on Recovery Act funded projects impeded the coordination process and follow-up on the status of the waiver.

Impact. Diligently coordinated waivers provide local and major command officials with important information regarding Recovery Act funded military construction projects.

Corrective Action. During the audit, civil engineer personnel coordinated the waiver through the wing chain of command and forwarded the waiver to the major command for approval.

Audit Comment. Corrective action taken during audit eliminated the need for further recommendations.

Management Comments. The 27th Special Operations Wing Vice Commander concurred with the audit result and corrective action taken during audit.

Evaluation of Management Comments. Management comments addressed the issues raised in this tab, and action taken should resolve these discrepancies.

¹ After the waiver was initially processed, civil engineer personnel forwarded the waiver to the appropriate individuals within the financial management section. However, personnel turnover in the financial management section occurred before the waiver could be approved and forwarded to the next approval level. Responsible individuals did not follow up on the status of the waiver until we inquired about the waiver during audit field work.

AUDIT SCOPE

Audit Coverage. To determine whether 27th Special Operations Wing personnel properly managed Recovery Act military construction requirements, we reviewed military construction documentation dated from August 2007 to August 2009. We performed audit field work during August 2009 and issued a draft report to management on 16 September 2009.

- To determine whether civil engineer personnel conducted an environmental assessment for the project, we obtained and reviewed environmental impact statement documentation and the resulting record of decision. We compared assessed areas (air installation compatible zone/land use, air quality, water resources, safety and occupational health, hazardous materials/waste, biological resources, and cultural resources) to guidance and determined if appropriate areas were reviewed.
- To determine whether wing personnel properly justified the child development center project, we discussed the project with civil engineer personnel and reviewed the project DD Form 1391 and other project documentation.
- To determine whether civil engineer programmers properly scoped the project and supported facility costs, we discussed the estimates listed on the DD Form 1391 with civil engineer personnel. Based on this discussion, we determined that the Army Corp of Engineers calculated the estimate and therefore, we could not conduct further analysis due to a lack of supporting documents provided to the base.
- To determine whether wing personnel prepared an economic analysis or certificate of exception (waiver), we obtained a copy of the unsigned waiver and conducted inquiries to determine if appropriate individuals had approved the document.

Criteria. We reviewed Department of Defense criteria, *Unified Facilities Criteria*, 2 July 2007, to calculate cost estimates. We also reviewed the following Air Force criteria to identify policies and procedures associated with military construction: Air Force Handbook 32-1084, *Facility Requirements*, 1 September 1996; Air Force Instruction 32-1021, *Planning and Programming Military Construction Projects*, 24 January 2003; Air Force Instruction 65-501, *Economic Analysis*, 10 November 2004; *United States Air Force Project Managers Guide for Design and Construction*, 28 November 2007; the 2008 Air Force Unaccompanied Housing Design Guide; and Historical Air Force Construction Cost Handbook, February 2007.

Sampling Methodology. The Department of Defense Inspector General developed an American Recovery and Reinvestment Act military construction sample based on predictive analysis of critical risk factors (a form of judgmental sampling). The Air Force Audit Agency received a sample of 13 military construction projects at Air Force bases from the Inspector General. The \$12 million child development center at Cannon Air Force Base was one of the 13 selected projects. We did not use computer assisted auditing tools and techniques to analyze data or project results for this project.

Data Reliability. We did not use or rely on computer-generated data to support conclusions in this audit. Data on the DD Form 1391 is entered into Automated Civil Engineer System – Program Management;² however, we were unable to validate the cost data on the DD Form 1391 because the Army Corp of Engineers did not provide cost support documentation to the wing. Additionally, no other documentation or information reviewed during the audit was system generated.

Auditing Standards. We accomplished this audit in accordance with generally accepted government auditing standards and, accordingly, included tests of management controls over documentation of transactions, document retention, and management oversight.

Discussion with Responsible Officials. We discussed/coordinated this report with the 27th Special Operations Wing Vice Commander, 27th Special Operations Mission Support Group Deputy Commander, 27th Special Operations Wing Comptroller, and other interested officials. We advised management this audit was part of an Air Force-wide evaluation on American Recovery and Reinvestment military construction projects (Project F2009-FD1000-0655.000). Therefore, selected data not reflected 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

A review of audit files and contact with base officials disclosed no other audit reports issued to the 27th Special Operations Wing by any audit agency within the past 5 years that related to our specific audit objectives.

² Automated Civil Engineer System – Program Management is a system that houses data about military construction projects. The system utilizes distributive processing, with information entered at local desktop computers to generate daily updated project data for worldwide availability.

POINTS OF CONTACT

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PROJECT NUMBER

We accomplished this audit under project number F2009-FD1000-0655.001.

FREEDOM OF INFORMATION ACT

The disclosure/denial authority prescribed in AFPD 65-3 will make all decisions relative to the release of this report to the public.