INSTALLATION
REPORT OF AUDIT

F2009-0077-FCR000

American Recovery and Reinvestment Act of 2009 Program Execution
United States Property and Fiscal Office
Air National Guard
Atlanta Georgia

Robins Area Audit Office
17 September 2009

INTRODUCTION

On 17 February 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 providing the DoD with $2.3 billion in military construction projects and $3.4 billion in Facilities Sustainment, Restoration, and Modernization projects. The purpose of the Act is to provide an infusion of money within specific guidelines that will result in a jump start to the United States economy. The Air Force portion of the Act included $1.15 billion in funding for 1,548 projects at 107 locations.

The 165th Airlift Wing is a Georgia Air National Guard Wing that initially received approximately $8 million for a Recovery Act project to replace the Combat Readiness Training Center's aircraft ramp. The Center is a co-located tenant organization that shares the Wing's facilities. According to project documents, 2 engineering studies determined the 1952 ramp was well past the 25-year life cycle, was not structurally sound, and prevented parking larger aircraft on the weakened areas, hindering related training. The project was originally estimated to cost $15 million; however, due to the economy, final costs were $11.6 million. The project began 7 July 2009 with a March 2010 scheduled completion date.

President Obama issued a related memorandum stating DoD will use non-competitive contracts except in limited circumstances where fully justified and focus on fixed-price contracts. The DoD Inspector General has oversight and audit responsibility for Recovery Act execution and tasked the Air Force Audit Agency to provide audit support over the Act. Since the Wing does not have contracting personnel in place, the United States Property and Fiscal Office in Atlanta Georgia is the contracting official for this and all of the Wing's other construction projects, while the Wing's Civil Engineering Squadron provide on-site project management and financial personnel execute the project's funding.

OBJECTIVES

The overall objective of this centrally directed audit was to determine whether applicable personnel properly managed Recovery Act Facilities Sustainment, Restoration, and Modernization contract requirements. Specifically, we evaluated whether applicable United States Property and Fiscal Office personnel:

- Transparently reported contract information to the public.
- Met the goals of the Recovery Act by fostering

competition, expeditiously awarding the contract, and creating/retaining jobs.

- Included all new Federal Acquisition Regulation clauses in Recovery Act contracts and established the required processes to verify the Recovery Act goals of creating/retaining jobs were met.

Additionally, since Wing personnel completed the initial Recovery Act project justification documentation, provided on-site oversight for the project, and executed the associated funding for the project, there is a related audit report to the Wing covering those objectives. For this report, we limited our objectives to the United States Property and Fiscal Office's management of contracting and related processes.

CONCLUSIONS

While the contracting officer properly managed the Recovery Act contract requirements by maintaining extremely well organized contract documentation and processes, and was very knowledgeable in all contracting processes, some minor improvements in Recovery Act unique contracting processes were needed. Specifically,

- The contracting officer transparently reported all contract information to the public except he did not accurately record the project in 1 data system because the contracting officer was already in the process of awarding the contract when the special funding was received. For example, he notified all potential competitive sources the contract solicitation was directly related to Recovery Act funding, clearly explained the required work and planned evaluation criteria, and timely posted the award notice and the winning contractor information. However, the 1 website did not report the project was funded with Recovery Act funds or the applicable financial code to separate the funding. Transparently reporting contract information to the public is important to verify taxpayers and all potential contractors are properly informed of Recovery Act project data and costs. (Tab A, page 1)

- The contracting officer effectively met the goals of the Recovery Act. To further explain, he awarded the contract as a fixed price competitive contract with only the 1 limitation of a small business set-aside. As a result,

there was full and open competition to all types of small businesses. Additionally, he verified the contractor was properly registered to perform Federal government contracts and was not disbarred before contract award. Also, the contracting officer expeditiously awarded the contract. For example, the solicitation process began in January 2009; the contracting officer reviewed all 14 contractors' offers; verified past performance on jobs of the same size, scope, and magnitude; and awarded the contract in April 2009. Meeting the goals of the Recovery Act is important to validate funding is used as intended. (Tab A, page 2)

- Further, even though the contracting officer included all new Federal Acquisition Regulation clauses in the contract; neither he nor Wing civil engineering personnel established the required processes to verify the Recovery Act goals were met. That is, although Wing personnel received daily quality and activity reports, they had not discussed specific details and the unique Recovery Act information required in the contractor's quarterly reports, to include dollar values and jobs created/retained. Receiving and verifying the information in the contractor provided quarterly reports is important to allow government personnel to independently validate information accuracy for Recovery Act project goals. (Tab A, pg 2)

MANAGEMENT CORRECTIVE ACTIONS

After we discussed our preliminary audit results with the contracting officer and Wing civil engineering personnel, they addressed some of the issues at 2 of their normal bi-weekly progress meetings on 12 and 26 August 2009.

- That is, at the 12 August 2009 meeting, they requested the contractor provide a list of locally created jobs and briefly discussed the quarterly Recovery Act reporting requirements.

- On 26 August 2009, they requested that the contractor clearly separate the funding between the 2 phases to assist with separately tracking the Recovery Act funding.

- Further, on 31 August 2009, the contracting officer followed up on the quarterly contractor reports and provided the contractor with a copy of the related Federal

Acquisition requirements by email.

- Finally, the contracting officer completed a contract modification to clearly specify that Phase 2 of the contract was funded with Recovery Act funds.

Therefore, there are no recommendations requiring those 4 actions.

RECOMMENDATIONS

We made 3 recommendations to improve and strengthen the internal controls for completing the required contracting processes directly related to the unique requirements of the Recovery Act. (Reference the individual tab for the specific recommendations.)

MANAGEMENT'S RESPONSE

Management officials agreed with the audit results and recommendations in this report. The corrective actions planned and taken are responsive to the issues and recommendations included in this report.

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BACKGROUND

The Combat Readiness Training Center (CRTC) aircraft parking ramp was over 50-years old and showed significant signs of age and climate damage. The cracks and missing crack sealant were deteriorating, allowing water to damage the pavement substructure. The concrete slabs, currently 6 inches deep, required replacement of 15 inches to withstand the weight of heavy aircraft. At this time, large aircraft weighing more than 155,000 pounds require a waiver to park on the ramp.

Prior to the Recovery Act and as a result of the condition of the CRTC ramp, 165th Airlift Wing personnel completed the initial project justification documentation on 26 February 2008. The project involved repairing the existing aircraft parking ramp, taxiway arm/disarm pad, and power check pad by removing and replacing the old concrete with new concrete and repairing selected support elements. The United States Property and Fiscal Office (USP&FO) contracting officer (CO) was in the process of awarding the first phase of the contract when the Recovery Act funding was approved. Therefore, the approved Recovery Act project was implemented and funded in 2 different phases.

As a part of the Recovery Act process, President Obama was very specific about selected projects meeting the established Recovery Act goals, so government personnel developed unique Federal Acquisition Regulation (FAR) requirements to assist installation personnel with monitoring accomplishment of the Act's goals. Specifically, FAR clause 52.204-11 covers quarterly contractor reports that detail the required report information, including the dollar values and the number of jobs created/retained. Also, the CO verifies all related contracting information is properly recorded on applicable websites, competitively and openly solicits and awards the contract, and validates the contractor is properly qualified.

AUDIT RESULTS 1 – REQUIREMENTS AND REVIEWS

Condition. While the USP&FO CO properly managed the Recovery Act contract requirements by maintaining extremely well organized contract documentation and processes, and was very knowledgeable in all contracting processes, some minor improvements in Recovery Act unique contracting processes were needed. Specifically,

- The CO transparently reported all contract information to the public except he did not accurately record the Recovery Act project on the website, the Federal Procurement Data System (FPDS). To further explain, he notified all potential competitors the contract solicitation was directly related to the Recovery Act, clearly explained the required work and planned evaluation criteria, and timely posted the award notice and the winning contractor information. However, the FPDS website did not include that the project was funded with Recovery Act funds or the applicable financial code to separate the funding.

- The CO effectively met the goals of the Recovery Act. For example, he awarded the contract as a fixed price competitive contract with only the 1 limitation of a small

business set-aside. As a result, there was full and open competition to all types of small businesses in accordance with National Guard Bureau guidelines. Additionally, the CO verified the contractor was properly registered to perform Federal government contracts and was not disbarred before contract award. Also, the CO expeditiously awarded the contract. For example, the solicitation process began in 30 January 2009; the contracting officer reviewed all 14 contractors' offers on the project; verified past performance on jobs of the same size, scope, and magnitude; and awarded the contract on 24 April 2009.

- Further, even though the CO included all new FAR clauses in the Recovery Act contract; neither he nor Wing civil engineering personnel established the required processes to verify the Recovery Act goals were met. That is, although civil engineering personnel received daily quality and activity reports, they had not discussed with the contractor the specific details and unique Recovery Act FAR 52.204-11information required in the contractor's quarterly reports, to include the dollar values and number of jobs created/retained.

Causes. These conditions occurred for the following reasons.

- There was not ample time for the CO to record project information and the applicable financial code to separate the different fund types in FPDS because he was already in the process of awarding the contract when the special funding was received.

- Even though the CO included the quarterly reports as a requirement in the contract, neither he nor Wing personnel established processes to verify/validate the information in the reports since the first report was not due until October 2009.

- Also, the specific Recovery Act FAR requirements were new and since the contract did not start until 7 July 2009, the CO and Wing personnel had not addressed the quarterly reports with the contractor due to other higher priority workload. As a result, USP&FO management had not provided adequate oversight to verify the implementation of processes and metrics to monitor Recovery Act goal accomplishment.

Impact. Transparently reporting contract information to the public is important to verify taxpayers and all potential contractors are properly informed of Recovery Act project data and costs. Also, reviewing and verifying the information in contractor provided quarterly reports is important to allow government personnel to independently validate information accuracy for Recovery Act project goal accomplishment.

Management Corrective Actions. After we discussed our preliminary audit results with the CO and Wing civil engineering personnel, they addressed some of the issues at 2 of their normal bi-weekly progress meetings on 12 and 26 August 2009.

- That is, at the 12 August 2009 meeting, they requested the contractor provide a list of locally created jobs and briefly discussed the quarterly Recovery Act reporting requirements.

- On 26 August 2009, they requested that the contractor clearly separate the funding between the 2 phases to assist with separately tracking the Recovery Act funding.

- Further, on 31 August 2009, the CO followed up on the quarterly contractor reports and provided the contractor with a copy of the related FAR clause by email.

- Finally, the CO completed a contract modification to clearly specify that Phase 2 of the contract was funded with Recovery Act funds.

Therefore, there are no recommendations requiring those 4 actions.

Audit Comment. Since the issue relating to contractor quarterly reports represents a joint responsibility between USP&FO and Wing civil engineering personnel, this issue is addressed in both reports.

Recommendations. The USP&FO Commander should instruct:

- **Recommendation A.1.** The CO to use the Multiple Reports capability in the FPDS and enter the appropriate Treasury Account Symbol at the beginning of the Description of Requirements field to separately report the Recovery Act funds.

- **Recommendation A.2.** The CO, to coordinate with Wing civil engineering personnel, to establish the necessary processes to validate the goals of the Recovery Act program and the required FAR 52.204-11 information are included in the contractor's quarterly reports beginning in October 2009.

- **Recommendation A.3.** Management personnel to provide sufficient oversight to verify the implementation of sufficient processes to track and monitor program metrics associated with the number of jobs created/retained and all specific Recovery Act requirements are included in future contracts.

Management Comments. The USP&FO Commander concurred with the audit results and recommendations, and stated,

- **Recommendation A.1.** "The CO will use the Multiple Reports capability in the FPDS to enter the appropriate Treasury Account Symbol at the beginning of the Description of Requirements field and separately report the Recovery Act funds. Estimated Completion Date: 31 October 2009.

- **Recommendation A.2.** "The CO will coordinate with Wing civil engineering personnel to establish the necessary processes to validate the goals of the Recovery Act program and the required FAR 52.204-11 information are included in the contractor's quarterly reports beginning in October 2009. Estimated Completion Date: 31 October 2009.

- **Recommendation A.3.** "Management personnel will provide additional oversight to verify the implementation of sufficient processes to track and monitor program metrics associated with the number of jobs created/retained, and verify all specific Recovery Act requirements are included in future contracts. Estimated Completion Date: 31 October 2009."

Evaluation of Management Comments. Management comments addressed the issues discussed in the audit results, and the completed and planned management actions should correct the problems identified.

AUDIT SCOPE.

We conducted this centrally directed audit at the 165th Airlift Wing, Savannah GA, and included a review of United States Property and Fiscal Office (USP&FO) Atlanta GA, contracting processes, in coordination with DoD Inspector General personnel, and will provide the results of this audit to them. Specifically, to determine whether the USP&FO contracting officer (CO) effectively managed the Recovery Act Facilities Sustainment, Restoration, and Modernization contract requirements, we reviewed the Combat Readiness Training Center (CRTC) replacement ramp DD Form 1391, *Year 2009, Military Construction Project Data*, dated 26 February 2008, a listing of other possible Recovery Act projects, Wing Facilities Board Meeting Minutes dated 29 March 2007 through 16 March 2009, Commanders Resource Integration System (CRIS) Reports dated 28 July and 18 August 2009, the CRTC repair ramp project contract dated 24 April 2009, Recovery Act contracting website information, and other various contract documentation dated between 8 August 1997 and 11 June 2009. We conducted the audit from 17 August to 8 September 2009 and issued a draft report to management on 11 September 2009.

- **Transparency of Contract Information.** To evaluate whether the USP&FO CO properly posted the solicitation and contract information on the various contracting websites, we queried the Federal Procurement Data System, the Central Contractor Registration, the Online Representation and Certifications Application, Federal Business Opportunities, and the Excluded Parties List System to verify posted information was accurate and CO timely posted the final award information.

- **Recovery Act Goals.** To determine whether the USP&FO CO met the Recovery Act goals and established processes to verify goal accomplishment, we reviewed the original contract dated 24 April 2009 and the related contract file documentation to determine if all normal and the additional unique Recovery Act Federal Acquisition Regulation requirements were met. Additionally, we reviewed the processes related to the contract award, to include the type of contract awarded, how timely the CO awarded the contract, the selection process, and the information related to the 14 offers by all possible contractors to determine why the selected contractor was picked. Further, we determined the CO reviewed the Excluded Parties List System to verify the selected contractor was not barred from doing business with the Federal government. Also, we discussed the goals and contractor reporting with the USP&FO CO and applicable Wing civil engineering personnel.

- **Federal Acquisition Regulation (FAR).** To determine if the contract included all normal and the unique Recovery Act FAR requirements, we reviewed the contract documentation to verify the contract included all the specific unique requirements. Further, we discussed with the USP&FO CO and Wing civil engineering personnel; the processes related to FAR 52.204-11 for quarterly contractor reports and currently received daily quality and activity reports.

Sampling Methodology.

- Sampling. The audit control point (AFAA/SPP, Brooks City Base, TX) obtained a full listing of Air Force Recovery Act Facilities Sustainment, Restoration, and Maintenance projects, to include Family Housing, Air Force Reserves, and Air National Guard projects. This listing contained 1,548 projects at 107 locations valued at $1.15 billion. Then, they judgmentally selected all locations with projects over $7.5 million, resulting in 6 locations. They then selected 14 additional locations using a simple random sample. We reviewed 100 percent of the Recovery Act projects at each location, for the 165th Airlift Wing, this resulted in 1 project.

- Computer Assisted Auditing Tools and Techniques. We did not use any computer assisted auditing tools and techniques to summarize audit results. Instead, we reviewed all specific Recovery Act requirements for the 1 Recovery Act project selected for review at the 165th Airlift Wing.

Data Reliability. We relied on computer-generated data contained in CRIS and in the Electronic Data Access for our audit conclusions. We did not evaluate the systems' general and application controls. However, to establish data reliability, we compared output data to manual documents to validate data accuracy; and reviewed output products for obvious errors, reasonableness, and completeness. Based on these tests, we concluded the data were reliable in meeting the audit objectives.

Auditing Standards. We conducted this audit in accordance with generally accepted government auditing standards, and accordingly included internal controls over transparently reporting contract information, meeting the goals of the Recovery Act, including all FAR requirements in the contract, and providing adequate management oversight of all contracting processes.

Discussion with Responsible Officials. We discussed and coordinated this report with the USP&FO Commander and other interested officials. We advised the Commanders this audit was part of an Air Force-wide evaluation, F2009-FD1000-0516.000, *American Recovery and Reinvestment Act of 2009 Program Execution*. Therefore, selected data not reflected in this report, as well as data contained herein, may appear in the related Air Force report of audit. We received management's formal comments on 17 September 2009.

PRIOR AUDIT COVERAGE

We did not identify any Air Force Audit Agency, DoD Inspector General, or Government Accountability Office reports for the 165th Airlift Wing relating to USP&FO contracting processes that addressed the same or similar objectives as this audit during the last 5-years.

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PROJECT NUMBER

We accomplished this audit under project number **F2009-FD1000-0516.033**.

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.