



INSTALLATION REPORT OF AUDIT

F2010-0005-FBS000

**American Recovery and Reinvestment
Act of 2009
49th Fighter Wing
Holloman AFB NM**

Southwest Area Audit Office

29 October 2009

INTRODUCTION

On 17 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009. This Act provides the Department of Defense with \$3.4 billion in facilities sustainment, restoration, and modernization projects to promote economic recovery. As of July 2009, the 49th Fighter Wing received \$22 million of Recovery Act funding.

OBJECTIVES

We accomplished this centrally directed audit to determine whether 49th Fighter Wing personnel properly managed Recovery Act sustainment, restoration, and modernization requirements. Specifically, we determined whether wing personnel:

- Properly justified Recovery Act projects.
- Met Recovery Act goals by fostering competition, expeditiously awarding contracts, and creating or retaining jobs.
- Reported information so it was transparent to the public.
- Included all applicable Federal Acquisition Regulation clauses in Recovery Act contracts.

CONCLUSIONS

Wing personnel did not properly manage Recovery Act sustainment, restoration, and modernization requirements. Specifically, personnel properly justified recovery act projects and met Recovery Act goals. However, contracting personnel did not:

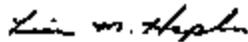
- Properly report contract information so it was transparent to the public. For example, contracting personnel did not post the contract solicitations for any of the four Recovery Act projects selected for review to the Federal Business Opportunity website. As a result, the wing did not achieve the required visibility for the four contract actions valued at over \$7.5 million. (Tab A, page 1)
- Include all applicable Federal Acquisition Regulation clauses in the Repair North to Main Backup Feed Recovery Act project. As a result, the Air Force cannot hold contractors fully accountable for abiding by Recovery Act Federal Acquisition Regulation requirements. (Tab B, page 3)

MANAGEMENT CORRECTIVE ACTIONS

During the audit, the contract administrator added the Treasury Account Symbol and all applicable Federal Acquisition Regulation Recovery Act clauses to the Repair North to Main Backup Feed Recovery Act project. Additionally, contract management established contract review procedures requiring personnel to use the Recovery Act checklist for completing project documentation.

MANAGEMENT'S RESPONSE

Management agreed with the audit results and corrective actions taken are responsive to the issues included in this report. Accordingly, there are no disagreements requiring elevation for resolution.



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	<u>Page</u>
EXECUTIVE SUMMARY	i
TAB	
A Transparency	1
B Federal Acquisition Regulation	3
APPENDIX	
I Audit Scope and Prior Audit Coverage	5
II Points of Contact and Final Report Distribution	7

BACKGROUND

The American Recovery and Reinvestment Act subjects every taxpayer dollar spent on economic recovery to unprecedented levels of transparency and accountability. Organizations meet transparency requirements for Recovery Act contract actions by posting information on the Federal Business Opportunities and Federal Procurement Data System websites.

- The Federal Business Opportunities 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. Further, Federal Acquisition Regulations (FAR) require all contract actions over \$25,000 be posted on the Federal Business Opportunity website, along with information specific to Recovery Act projects.
- The Federal Procurement Data System is the Federal government’s central source of procurement information. Contracting officers enter information, to include the Treasury Account Symbol, in the Federal Procurement Data System for all Recovery Act contract actions. Including the Treasury Account Symbol enables the Procurement Data System to provide transparency by generating and posting a report containing all Recovery Act contract actions.

AUDIT RESULTS 1 – TRANSPARENCY

Condition. Contracting personnel did not properly report contract information for the four Recovery Act projects reviewed so it was transparent to the public. For example, contracting personnel did not:

- Post the contract solicitations for any of the four Recovery Act projects to the Federal Business Opportunity website.
- Include the Treasury Account Symbol in contract postings to the Federal Procurement Data System for the Repair North to Main Backup Feed Recovery Act project.

Cause. This condition occurred because contracting officials did not establish contract review procedures that included Recovery Act requirements.

Impact. As a result, the wing did not achieve the required visibility for the four contract actions valued at over \$7.5 million.

Management Corrective Action. During the audit, the contract administrator added the Treasury Account Symbol to the Repair North to Main Backup Feed Recovery Act project. Also, contract management established contract review procedures requiring personnel to use the Recovery Act checklist for completing project documentation.

Evaluation of Management Comments. Management comments addressed the issues raised and management actions taken should correct the problem.

BACKGROUND

To implement controls over Recovery Act funding and reinforce the goals of the act, the Government established FAR clauses specifically related to Recovery Act contract actions. Contracting officials are required to insert applicable clauses in all contracts funded by the Recovery Act. These clauses include:

- FAR 52.203-15, Whistleblower Protection under the American Recovery and Reinvestment Act of 2009.
- FAR 52.204-11, Recovery Act Reporting Requirements.
- FAR 52.225-21, Required Use of American Iron, Steel, and Manufactured Goods – Buy American Act – Construction Materials.
- FAR 52.225-22, Notice of Required Use of American Iron, Steel, and Other Manufactured Goods – Buy American Act – Construction Material.
- FAR 52.244-6, Subcontracts for Commercial Items and Commercial Components.
- FAR 52.215-2, Audit and Records – Negotiation.
- FAR 52.222-6, Davis-Bacon Act.
- FAR 52.212-4, Contract Terms and Conditions – Commercial Items.
- FAR 52.212-5, Contract Terms and Conditions Required to Implement Statutes or Executive Orders – Commercial Items.

AUDIT RESULTS 2 – FEDERAL ACQUISITION REGULATION

Condition. Contracting personnel did not include all applicable FAR clauses in 1 of 4 Recovery Act projects reviewed. Specifically, the Repair North to Main Backup Feed Recovery Act project did not contain the following four required Recovery Act FAR clauses: 52.203-15, 52.204-11, 52.225-21 and 52.225-22.

Cause. This condition occurred because contracting officials did not establish contract review procedures that included Recovery Act requirements.

Impact. As a result, the wing cannot hold contractors fully accountable for complying with Recovery Act FAR requirements.

Audit Note. A recommendation is not required in this Tab regarding contract reviews since these reviews were addressed in the management corrective actions in Tab A.

Management Corrective Action. During the audit, the contract administrator modified the Repair North to Main Backup Feed Recovery Act delivery order to include all applicable FAR Recovery Act clauses.

Management Comments. Management concurred with the audit results.

Evaluation of Management Comments. Management comments addressed the issues raised and management actions taken should correct the problem.

AUDIT SCOPE

Audit Coverage. To determine whether 49th Fighter Wing (49 FW) personnel properly managed Recovery Act facilities sustainment, restoration, and modernization requirements, we reviewed documentation from February 2006 to July 2009. We obtained an understanding of the management control structure by reviewing regulatory guidance and discussing Recovery Act processes with comptroller, civil engineer, and contracting personnel. We conducted the audit from July to August 2009 and provided management a draft report on 15 October 2009.

- Transparency. To determine whether officials reported contract information to provide transparency to the public, we reviewed information on the Federal Business Opportunities website for solicitation and award postings for the four sampled projects. We also determined whether the posted contract actions complied with Recovery Act requirements. We reviewed information posted on the Federal Procurement Data System to determine whether contracting officials properly reported selected projects for Recovery Act visibility. To review the accuracy of transparency information, we discussed contracts with contracting officials and examined contract files to review rationale for contract award methods and small business coordination.
- Federal Acquisition Regulations. To determine whether officials included all required FAR clauses in Recovery Act contracts, we reviewed contract files and discussed each FAR clause with contracting officials. We also discussed validation of the contractors' quarterly reporting requirements with contract inspectors and contracting officials.

Sampling Methodology.

- Sampling. We identified all ten Recovery Act projects for Holloman Air Force Base. We then reviewed the four recovery act projects administered by Holloman Air Force Base personnel.
- Computer-Assisted Auditing Tools and Techniques. We did not use computer-assisted auditing tools and techniques to analyze data during the audit.

Data Reliability. Although we relied on computer-generated data from the Commander's Resource Integrated System, we did not evaluate the systems' general or application controls. Instead, we established the data's reliability by comparing system data on the Open Document Listing for Recovery Act fund codes to the recovery act project listing, original project estimates, and contract award amounts for the four contract actions selected for review. Our tests disclosed that the system data were accurate for the contracts reviewed. Therefore, we concluded that the data were sufficiently reliable to support the audit conclusions.

Auditing Standards. We accomplished this audit in accordance with generally accepted government auditing standards and accordingly included tests of internal controls considered

necessary. Specifically, we reviewed management oversight and documentation controls over Recovery Act project selection and contract award processes.

Discussion with Responsible Officials. We discussed/coordinated this report with the 49 FW Commander and other interested personnel on 15 October 2009. Management was advised this audit was part of an Air Force-wide evaluation, American Recovery and Reinvestment Act of 2009 (Project FD1000-0516.019). 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 written comments were received on 26 October 2009 and are included in this report.

PRIOR AUDIT COVERAGE

Our review of audit files and contact with the audit focal point disclosed no Air Force Audit Agency; Office of the Inspector General, Department of Defense; Government Accountability Office; or public accountant audit reports issued to the 49 FW within the last 5 years related to our audit objectives.

POINTS OF CONTACT

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PROJECT NUMBER

We accomplished this audit under project number F2009-FD1000-0516.019.

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.