



INSTALLATION REPORT OF AUDIT

F2010-0007-FBS000

**American Recovery and Reinvestment
Act of 2009
99th Air Base Wing
Nellis AFB NV**

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. 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 99th Air Base Wing received \$13.4 million in Recovery Act funds to construct a child development center.

OBJECTIVES

We accomplished this centrally directed audit to determine whether 99th Wing personnel properly managed Recovery Act military construction requirements. Specifically, we determined whether wing personnel:

- Properly justified the Recovery Act project.
- Conducted an environmental assessment for the 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 and retaining jobs.

CONCLUSIONS

The 99th Air Base Wing effectively managed the first two Recovery Act requirement areas reviewed. We were not able to review the last three subject areas above because the child development center construction contract had not been awarded. We summarized the results for the requirement areas reviewed below. In particular, we determined wing personnel:

- Properly justified the Recovery Act project and conducted an environmental assessment study for the proposed child development center project. Properly justifying and accomplishing an environmental analysis helps ensure

environmental factors are considered and funds are appropriately spent on priority projects. (Tab A, page 1)

- Did not properly scope and support the Child Development Center Recovery Act project. As a result, we could not determine if \$3.8 million in estimated costs were accurate or valid. (Tab B, page 2)
- Did not properly prepare an economic analysis or obtain a certificate of exception (waiver). Diligently coordinated waivers provide local and major command officials with important information. (Tab C, page 3)

MANAGEMENT CORRECTIVE ACTION

During the audit, civil engineer personnel coordinated the approved waiver from economic analysis through the wing chain of command.

RECOMMENDATIONS

We made two recommendations to improve management over Recovery Act military construction requirements. (Reference the individual tabs for specific recommendations.)

MANAGEMENT'S RESPONSE

Management officials agreed with the audit results and the corrective actions taken or planned are responsive to the issues identified. Accordingly, no disagreements required elevation for resolution.



TIRA J. WHITT
Team Chief, Nellis AFB NV



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	<u>Page</u>
EXECUTIVE SUMMARY	i
TAB	
A Environmental Assessment and Project Justification	1
B Scope and Support	2
C Economic Analysis	4
APPENDIX	
I Audit Scope and Prior Audit Coverage	5
II Points of Contact and Final Report Distribution	7

BACKGROUND

Civil engineers ensure military construction projects are fully justified and follow environmental and economic guidelines. During the planning stage of a military construction project, the civil engineering programmer justifies the need for the project by completing a Department of Defense (DD) Form 1391, *Military Construction Project Data*. The form should include information about the mission impact, people and productivity, and the effect if the project is not accomplished. Additionally, an environmental analysis must be completed to document the construction's impact on the environment.

AUDIT RESULTS 1 – JUSTIFICATION AND ENVIRONMENTAL ASSESSMENT

Condition. Civil engineers provided justification and conducted an environmental assessment for the child development center project. To illustrate, civil engineering personnel:

- Identified the current childcare deficit with a child development center waiting list, showing at any given time, between 150 and 300 children. Additionally, civil engineers appropriately considered all applicable remedies to include using off installation childcare services.
- Completed an environmental assessment study on the project site which resulted in a Finding of No Significant Impact.¹

Cause. This occurred because civil engineering personnel adhered to Air Force guidance by following construction planning and programming procedures.

Impact. Fully justified projects help ensure government funds are spent on high priority projects. Additionally, accomplishing an environmental analysis ensures that Air Force decision-makers consider environmental factors prior to commitment of resources.

Management Comments. The 99th Wing Commander concurred with the audit result.

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

¹ A Finding of No Significant Impact documents why an action would not have a significant effect on the environment, and therefore, would not require further environmental analysis.

BACKGROUND

Civil engineering programmer's plan or "scope" military construction projects by developing floor space and infrastructure requirements and cost estimates. This information is recorded on the DD Form 1391. The form is used to explain and justify the project to all levels of the Air Force, Office of Secretary of Defense, Office of Management Budget, and Congress.

Cost estimates are categorized into primary costs (price per floor space unit, anti-terrorism force protection, and Leadership in Energy and Environmental Design) and supporting facility costs (utilities, pavements, communications, site improvements, and other requirements). Cost estimates are developed by using Department of Defense and Air Force guidance or other permissible cost data. The DD Form 1391 is closely scrutinized by the chief of the engineering flight, and the civil engineering programmer. Both validate that estimates comply with guidance and are fully justified with acceptable cost data.

AUDIT RESULTS 2 – SCOPE AND SUPPORT

Condition. Civil Engineering programmers did not properly scope and support the Child Development Center Recovery Act project. Specifically, primary and supporting facility costs of \$3.8 million were unsupported.

Cause. This condition occurred because:

- The chief, engineering flight and the civil engineer programmer did not validate whether cost estimates listed on the DD Form 1391 were in line with Department of Defense and Air Force guidance.
- Major Command (MAJCOM) increased the cost estimate by an additional \$1.6 million without providing the installation documentation support for the increased cost.

Impact. As a result, we could not determine whether \$3.8 million in cost estimates for the child development center Recovery Act project were accurate or valid.

Audit Comment. A recommendation to address the lack of supporting documentation from MAJCOM personnel is not included in this report. This issue is more effectively addressed at the Air Force level, and therefore was referred to the audit control point for possible inclusion in the Air Force report of audit.

Recommendation. The 99th Civil Engineering Squadron Commander should direct:

- Recommendation B.1. Civil engineering programmers document the specific source of each cost estimate recorded on the DD Form 1391 and identify how costs were derived.

- Recommendation B.2. The engineering flight chief and the civil engineering programmer validate all future cost estimates and ensure costs are in line with Department of Defense and Air Force guidance and are fully justified with other acceptable cost data.

Management Comments. The 99th Wing Commander concurred with the audit results and recommendations, and stated,

- Recommendation B.1. Concur. Civil engineer programmers will retain and document the specific sources of all cost estimates programmed on the DD Form 1391 to identify how the costs were derived. Estimated completion date: 31 December 2009
- Recommendation B.2. Concur. The engineering flight chief and civil engineer programmers will validate all cost estimates programmed on the DD Form 1391 by means of performing a review of cost estimates to ensure costs are in line with Department of Defense and Air Force guidance and are fully justified with other acceptable cost data. Estimated completion date: 31 December 2009

Evaluation of Management Comments. Management comments addressed the issues presented in this audit result, and actions taken and planned should correct the problem identified.

BACKGROUND

One requirement of military construction planning is the completion of an economic analysis. The analysis determines the most economical and effective method of project accomplishment. Waivers from economic analysis can be requested when the costs of conducting the analysis clearly outweigh the potential benefits. At base level, civil engineering programmers must coordinate military construction waivers from economic analysis through the wing chain of command to include the comptroller.

AUDIT RESULTS 3 – ECONOMIC ANALYSIS

Condition. Wing Civil Engineering personnel and the comptroller did not coordinate on the certificate of exception for the Child Development Center project.

Cause. This occurred because MAJCOM civil engineering personnel initiated the certificate of exception and did not coordinate it with installation officials as required.

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

Audit Comment. A recommendation to address the lack of coordination by MAJCOM is not included in this report. This issue is more effectively addressed at the Air Force level, and therefore was referred to the audit control point for possible inclusion in the Air Force report of audit.

Management Corrective Action. During the audit, civil engineer personnel coordinated the waiver through the wing chain of command to include the comptroller.

Management Comments. The 99th Wing Commander concurred with the audit result and corrective action taken during audit.

Evaluation of Management Comments. Addressed the issues presented in this audit result and the actions taken should correct the problem identified.

AUDIT SCOPE

Audit Coverage. To determine whether 99th Air Base Wing personnel properly managed Recovery Act military construction requirements, we reviewed military construction documentation dated from September 1996 to June 2009. We performed audit field work during August and September 2009 and issued a draft report to management on 5 October 2009.

- To determine whether wing personnel properly justified the child development center project, we discussed the project with civil engineering and airmen family services personnel. Further, we reviewed the DD Form 1391 and other project documentation.
- To determine whether civil engineering personnel conducted an environmental assessment for the project, we obtained and reviewed the environmental impact study documentation and assessment report.
- To determine whether civil engineer programmers properly scoped and supported primary and supporting facility costs, we reviewed costs estimates listed on the DD Form 1391 along with supporting documentation to determine whether estimates were prepared in accordance with Air Force and Department of Defense guidance requirements.
- To determine whether wing personnel prepared an economic analysis or certificate of exception, we obtained a copy of the completed certificate of exception and reviewed the certificate for appropriate coordination.

Sampling Methodology. The Department of Defense Inspector General developed an American Recovery and Reinvestment Act military construction sample based on predictive analysis (a form of judgmental sampling) of critical risk factors. The Air Force Audit Agency received a sample of 13 military construction projects at Air Force bases from the Inspector General. The \$13.4 million child development center project at Nellis Air Force Base was one of the 13 projects. We did not use computer assisted auditing tools and techniques to analyze data or project results for the child development center project.

Data Reliability. We did not use or rely on computer-generated data to support the conclusions in this audit. Floor space and cost estimates listed on the DD Form 1391 were not developed from Parametric Cost Estimating System, but rather manually generated by the civil engineer programmer. Data on the DD 1391 is entered into the Automated Civil Engineer System – Program Management; however we were unable to validate the cost data on the DD Form 1391 because there was no documentation to support the estimates. 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 commanders from the 99th Air Base Wing, 99th Civil Engineer Squadron, 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 28 October 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 99th Air Base Wing by any audit agency within the past 5 years that related to our specific audit objectives.

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PROJECT NUMBER

We accomplished this audit under project number F2009-FD1000-0655.007.

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.