



INSTALLATION REPORT OF AUDIT

F2010-0007-FDD000

**American Recovery and
Reinvestment Act of 2009
Military Construction
1st Special Operations Wing
Hurlburt Field FL**

Gulf Coast Area Audit Office

22 October 2009

INTRODUCTION

On 1 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). This law provided the Department of Defense (DoD) with \$2.3 billion in military construction (MILCON). In Fiscal Year 2009, the 1st Special Operations Wing (1 SOW) received \$11 million in Recovery Act funds to construct a child development center (CDC).

OBJECTIVES

The overall objective of this centrally directed audit was to determine whether the Air Force personnel properly managed Recovery Act MILCON requirements. Specifically, the Air Force review determined whether personnel:

- Adequately scoped and justified the Recovery Act project requirements.
 - Properly scoped and supported primary and supporting facility costs identified on the Department of Defense (DD) Form 1391, Military Construction Project Data.
 - Prepared an economic analysis or obtained a certificate of exception.
 - Conducted environmental studies for the project.
- 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.

At the 1 SOW, we reviewed one MILCON project, the CDC, to determine whether the 1 SOW Civil Engineer (CE) personnel adequately scoped and justified the Recovery Act project requirements.

CONCLUSIONS

The 1 SOW CE personnel can improve management of Recovery Act requirements. Specifically, wing personnel:

- Adequately scoped and justified the CDC project. Adequately scoping and justifying facility data is essential to successful MILCON project development and execution for the Recovery Act. (Tab A, page 1) However, 1 SOW personnel did not accurately identify the cost of the antiterrorism force protection (AT/FP) requirement for the project. As a result, reducing the excess AT/FP cost would result in \$679,000 potential monetary benefit for other Recovery Act projects. (Tab A, page 2)
- Had not awarded the CDC construction contract. Therefore, audit was unable to determine whether the contract reported transparency to the public, included all new Federal Acquisition Regulation clauses or met the goals of the Recovery Act by fostering competition, expeditiously awarding the contract, and creating or retaining jobs.

RECOMMENDATIONS

We made two recommendations to improve oversight of the validation of facility cost data. (Reference Tab A for the specific recommendation.)

MANAGEMENT'S RESPONSE

Management officials agreed with the audit results, recommendations, and potential monetary benefit in Tab A of this report, and the corrective actions taken and planned are responsive to the issues included in this report. Therefore, this report contains no disagreements requiring elevation for resolution.



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BACKGROUND

The CE programmers are responsible for overseeing the MILCON planning and for developing costs estimates and recording the data on the DD Form 1391. The DD Form 1391, by itself, should explain and justify the project to all levels of the Air Force, Office of the Secretary of Defense (OSD), Office of Management and Budget, and Congress. Justification data should clearly describe the impact on mission, people, productivity, life-cycle cost, etc., if the project is not accomplished.

Costs must be closely scrutinized to assure estimates are in line with the OSD Pricing Guide or fully justified with historical cost data. The CE programmer is responsible for submitting the DD Form 1391 to the MAJCOM CE program manager. The MAJCOM CE program manager is required to review and validate the DD Form 1391 primary and supporting facility cost prior to submission to Air Staff.

Antiterrorism force protection refers to defensive measures used to reduce vulnerability of individuals and property to terrorist acts. The cost associated with these measures is calculated as part of the primary facility cost. The Fiscal Year 2010/2011 MILCON Program Guidance indicates the cost of AT/FP should be estimated at 1 percent of the primary facility cost. If the AT/FP cost for a facility is more than 1 percent, a detailed cost estimate supporting the requirement must be submitted to justify the cost.

AUDIT RESULTS 1 – SCOPE OF WORK/JUSTIFICATION

Condition. The CE personnel adequately scoped and properly justified the CDC project with one exception. Specifically, CE personnel used installation cost estimate data and the Parametric Cost Estimating System to support facility data for the CDC project. To illustrate, CE personnel accurately identified facility data and maintained supporting documents which matched data on the DD Form 1391, for items such as:

- Primary facility cost.
- Facility category code.
- Sustainable design and development cost.
- Square footage.
- Request for Waiver from Economic Analysis.
- Request for Environmental Impact Analysis.

Cause. This condition occurred because the CE personnel had established adequate procedures to scope and justify MILCON projects submitted for Recovery Act funds.

Impact. Adequately scoping and justifying facility data is essential to successful MILCON project development and execution for the Recovery Act.

Management Comments. Management officials concurred with the audit results.

AUDIT RESULTS 2 – UNSUPPORTED COST

Condition. The 1 SOW personnel did not accurately identify the AT/FP requirement. Specifically, the DD Form 1391 for the CDC project showed a cost for AT/FP as \$742,000 (11.8 percent of the primary facility cost) rather than \$63,000 (1 percent of the primary facility cost).

Cause. This condition occurred because both 1 SOW and Air Force Special Operations Command (AFSOC) MILCON programmers did not thoroughly review each supporting facility cost on the DD Form 1391. Incomplete review of the DD Form 1391 cost data resulted in an unrecognized overstatement of the AT/FP cost.

Impact. As a result, reducing the excess AT/FP cost would result in \$679,000 potential monetary benefit for other Recovery Act projects.

Recommendations. The Commander, 1st Special Operations Civil Engineer Squadron, should instruct:

- Recommendation A.1. The CE MILCON programmer through coordination with the AFSOC and Air Staff programmers, to reduce the AT/FP cost shown on the DD Form 1391 for the Hurlburt Field CDC to agree with MILCON program guidance.
- Recommendation A.2. All squadron personnel who coordinate on the DD Forms 1391 to thoroughly review and verify the accuracy of AT/FP and other costs.

Management Comments. The Vice Commander, 1st Special Operations Wing, concurred with the audit results, recommendations, and potential monetary benefit, and stated:

- Recommendation A.1. “The CE MILCON programmer will coordinate with the AFSOC programmer to determine if the DD Form 1391 can still be changed. Since the project was approved by Congress and has in fact already been awarded, the DD Form 1391 may have become part of the official MILCON record and be unchangeable. If it can be changed, the CE MILCON programmer will request through AFSOC that these changes are made by Air Staff since neither CE or the AFSOC programmer have that authority because the project has been submitted to Air Staff. Estimated completion date: 30 October 2009.

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- Recommendation A.2. “The CE programmer has been directed once all personnel coordinate on the DD Form 1391 to thoroughly review and verify the accuracy of the AT/FP cost as a result of changes to the original primary facility cost.

While reducing the excess AT/FP cost would result in \$679,000 potential monetary benefit for other Recovery Act projects, it is important to remember that the DD Form 1391 is a programming document and does not actually obligate the funds. The actual cost of the project is not known until proposals are received and the project awarded. In this case, a significantly greater amount will be available for other Recovery Act projects. **(CLOSED)**”

Evaluation of Management Comments. Management comments addressed the issues presented in this tab, and actions taken and planned should correct the problems. Regarding management’s comments concerning Recommendation A.1, audit’s recommendation addressed the need to take local actions and elevate through to Air Staff. In addition, the audit control point will address actions needed for the programming document at Air Force level in the Air Force report of audit. There, this tab contains no disagreements requiring elevations.

AUDIT SCOPE

Audit Coverage. To accomplish the audit objectives, we conducted interviews with the CE programmer and other 1 SOW personnel, as well as AFSOC CE personnel. We reviewed controls over cost estimation, and reviewed documents and electronic records dated between May 2003 and August 2009. We accomplished this review between 30 July and 2 September 2009 and issued a draft report to management on 30 September 2009. Specific audit coverage areas were as follows:

- Project Scoping and Justification. To determine whether installation personnel adequately scoped and supported facility data, we reviewed project file supporting documents such as the work order requests, user requirements documents, planning meeting documents, environmental assessment documents and economic analysis.
- Cost Estimating. To determine whether civil engineer programmers properly supported facility cost estimates, we compared the CDC space requirement, unit cost, sustainable design and development, and AT/FP costs to guidance requirements and supporting documentation.

Sampling Methodology.

- Sampling. 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 \$11 million CDC at Hurlburt was one of the 13 selected projects.
- Computer-assisted Auditing Tools and Techniques (CAATTs). We did not use CAATTs to analyze data or project results.

Data Reliability. We did not rely on computer-generated data for our audit results.

Auditing Standards. We accomplished this audit in accordance with generally accepted Government auditing standards, and accordingly, included such tests of internal controls as considered necessary under the circumstances. Specifically, we evaluated the controls over documentation of transactions, document retention, and management oversight processes for the Hurlburt Field CDC.

Discussion with Responsible Officials. We discussed/coordinated this report with the Commander, 1st Special Operations Wing; Commander, 1st Special Operations Mission Support Group; Commander, 1st Special Operations Civil Engineer Squadron; and other interested officials. We advised management this audit was part of an Air Force-wide evaluation of

American Recovery and Reinvestment Act of 2009 Military Construction (Project F2009-FD1000-0655.000). 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 15 October 2009 and are included in this report.

PRIOR AUDIT COVERAGE

Our review of audit files and contact with base audit focal point disclosed no Air Force Audit Agency, DoD Inspector General, or Government Accountability Office reports issued to the 1 SOW within the last 5 years which 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-FD1000-0655.003.

FREEDOM OF INFORMATION ACT

The disclosure/denial authority prescribed in AFD 65-3, *Internal Auditing*, will make all decisions relative to the release of this report to the public.