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# **INSTALLATION REPORT OF AUDIT**

**F2010-0011-FCW000**

**American Recovery and Reinvestment  
Act of 2009 Program Execution  
434th Air Refueling Wing  
Grissom ARB IN**

**Wright-Patterson Area Audit Office**

**18 November 2009**

### INTRODUCTION

On 17 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 with the express purpose of stimulating the economy. The Recovery Act provided the DoD with \$3.4 billion in facilities sustainment, restoration, and modernization projects. As of July 2009, the 434th Air Refueling Wing awarded one Recovery Act project totaling over \$1.9 million.

### OBJECTIVES

We performed this centrally directed audit, which was requested by the DoD Inspector General as part of their DoD-wide review of the Recovery Act Program, to determine whether 434th Air Refueling Wing personnel properly managed the American Recovery Act facilities sustainment, restoration, and modernization requirements. Specifically, we determined whether personnel properly:

- Justified Recovery Act projects and met the goals of the Recovery Act by fostering competition, expeditiously awarding contracts, and creating or retaining jobs.
- Reported contract information transparently to the public.
- Included required Federal Acquisition Regulation clauses in the Recovery Act contract.

### CONCLUSIONS

Wing personnel properly managed the American Recovery Act facilities sustainment, restoration, and modernization requirements. Specifically, Wing personnel properly:

- Justified Recovery Act projects and met the goals of the Recovery Act by fostering competition, and expeditiously awarded the contract. As a result, the Air Force accurately justified and awarded a contract totaling over \$ 1.9 million on a high priority project to correct valid facility infrastructure while meeting the Recovery Act goals. (Tab A, page 1)
- Reported contract information transparently to the public. Effective management of contract transparency on Federal government systems and web sites helps ensure the Recovery Act, and the Federal Acquisition Regulation requirements are achieved. (Tab B, page 3)

- Included required Federal Acquisition Regulation clauses in the one Recovery Act contract. As a result, contractors bidding on and accepting contracts were aware of the Recovery Act requirements; therefore, making them accountable to fulfill and abide by them. (Tab C, page 5)

**RECOMMENDATIONS** This audit did not identify any specific issues requiring corrective action by Wing personnel. Therefore, this report does not contain any recommendations.

**MANAGEMENT'S RESPONSE** Management officials agreed with the audit results in Tabs A, B, and C of this report. Therefore, this report contains no disagreements requiring elevation for resolution.



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## **BACKGROUND**

The goal of the American Recovery and Reinvestment Act of 2009 is to provide an infusion of money, within specific guidelines, that will result in a jump start to the United States economy. Recovery Act guidelines include initiating expenditures and activities as quickly as possible in a manner consistent with prudent management. Further, Recovery Act projects should be fully justified and consistent with Recovery Act goals and requirements.

**Project Justification.** Organizations submit DoD Form 1391, *Military Construction Project Data*, to the base civil engineer to request facility sustainment, restoration, and modernization projects. The DoD Form 1391 describes the requested work and details the justification for the project. The civil engineer uses information on this form as the basis for evaluating requirements and selecting projects for Recovery Act funding.

**Recovery Act Goals.** The President of the United States indicated multiple goals for the Recovery Act including: (1) awarding projects quickly and putting the money into the economy quickly; (2) fostering competition; and (3) creating and retaining jobs. Additionally, organizations should use competitive, firm, fixed price contracts to reduce risk to the government and taxpayers. The Federal Acquisition Regulation <sup>1</sup> requires contractors receiving Recovery Act funds to report information quarterly regarding the amount of money expended, percent of project completion, salaries of particular personnel, and the number of jobs created/retained.

## **AUDIT RESULTS 1 – JUSTIFICATION AND GOALS**

**Condition.** Wing personnel properly justified Recovery Act projects and met the goals of the Recovery Act by fostering competition and expeditiously awarding contracts.

- Justification. A review of one Recovery Act project DoD Form 1391 to repair the family readiness center contained proper details and supporting documentation for funding.
- Goals. Contracting personnel awarded the one Recovery Act project under full and open competition, in a timely manner, and had procedures in place to ensure the contractor was accomplishing required quarterly reports.<sup>2</sup>

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<sup>1</sup> Federal Acquisition Regulation, Volume 1, Parts 1-51, March 2005.

<sup>2</sup> Contract award occurred on 23 July 2009; therefore, we were unable to determine whether Wing personnel met the goal of creating and retaining jobs.

**Cause.** This condition occurred because Wing personnel followed Recovery Act guidance and properly justified the Recovery Act project. Additionally, management followed Federal Acquisition Regulation guidance and developed local procedures to monitor contractor performance after the contract was awarded.

**Impact.** As a result, the Air Force accurately justified and awarded a contract totaling over \$1.9 million on a high priority project to correct valid facility infrastructure while meeting the Recovery Act goals.

## **BACKGROUND**

Organizations meet transparency requirements for Recovery Act contract actions by creating systems and web sites to provide information to the general public and contracting offices. The transparency sources consist of web sites that provide registration requirements, applications, contract solicitation, and award information to the public who wish to do business with the Federal Government. The public web sites and systems include the Central Contractor Registration,<sup>3</sup> (CCR), Online Representation and Certifications Application,<sup>4</sup> (ORCA), Federal Business Opportunities (FBO), Federal Procurement Data System (FPDS), and the Excluded Parties List System (EPLS).

- The FBO is the single government point-of-entry for Federal government procurement opportunities over \$25,000. The Federal Acquisition Regulation<sup>5</sup> requires all contract actions (solicitations and awards) over \$25,000 be posted on the FBO.
- The FPDS is the Federal Government's central source of procurement information. Contract actions including task and delivery orders must be posted to the FPDS.
- The EPLS documents information on parties excluded from receiving Federal contracts and certain subcontracts. The Recovery Act transparency requirements mandate that contractors receiving Recovery Act funds must not be on the EPLS.

## **AUDIT RESULTS 2 – TRANSPARENCY**

**Condition.** Wing personnel properly reported contract information transparently to the public. Specifically, a review of one contract disclosed proper posting of the required information on four web sites. For example, the contracting officer posted the solicitation for the family readiness repair project on the FBO and FPDS web sites, ensured the contractor registered in CCR and ORCA sites, and was not listed in the EPLS.

**Cause.** This condition occurred because contracting personnel followed the guidance established by the Federal Acquisition Registration and implemented procedures to ensure the application and registration information was available on the public web site.

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<sup>3</sup> The CCR is the primary registrant database for the Federal Government. Organizations wishing to do business with the Federal Government under a Federal Acquisition Regulation-based contract must be registered in CCR before being awarded a contract.

<sup>4</sup> ORCA is a complementary system to the CCR. Contractors requiring registration in CCR also must be registered in ORCA.

<sup>5</sup> Federal Acquisition Regulation, Volume 1, Parts 1-51, March 2005.

**Impact.** Effective management of contract transparency on Federal government systems and web sites helps ensure the Recovery Act and the Federal Acquisition Regulation requirements are achieved.

## **BACKGROUND**

Internal controls over Recovery Act funding are required to reinforce the goals of the Act. Directive guidance states the requirement of eight Federal Acquisition Regulation<sup>6</sup> (FAR) clauses specifically related to Recovery Act contract actions be inserted in all contracts funded by the Act. The following includes a list of the required clauses:

- Whistleblower Protection under the American Recovery and Reinvestment Act of 2009 (FAR 52.203-15).
- Recovery Act Reporting Requirements (FAR 52.204-11).
- Audit and Records - Sealed Bidding (FAR 52.214-26).
- Audit and Records – Negotiation (FAR 52.215-2).
- Davis-Bacon Act (52.222-6).
- Required Use of American Iron, Steel, and Manufactured Goods – Buy American Act – Construction Materials (FAR 52.225-21).
- Notice of Required Use of American Iron, Steel, and other Manufactured Goods – Buy American Act – Construction Materials (FAR 52.225-22).
- Subcontracts for Commercial Items and Commercial Components (FAR 52.244-6).

## **AUDIT RESULTS 3 – FEDERAL ACQUISITION REGULATIONS**

**Condition.** Wing personnel properly included required FAR clauses in the one Recovery Act contract. Specifically, a review of one contract for the Family Readiness Center disclosed that all required FAR clauses for the Recovery Act were included in the contract.

**Cause.** This condition occurred because contracting personnel established contract review procedures to ensure all contacts included Recovery Act FAR clause requirements.

**Impact.** As a result, contractors bidding on and accepting contracts were aware of the Recovery Act requirements; therefore, making them accountable to fulfill and abide by them.

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<sup>6</sup> FAR, Volume 1, Parts 1-51, March 2005.

### AUDIT SCOPE

**Audit Coverage.** To determine whether 434th Air Refueling Wing personnel properly managed the American Recovery Act facilities sustainment, restoration, and modernization requirements, we reviewed the Recovery Act, DoD Form 1391, *Military Construction Project Data*, contract action notice, delivery order, contract, solicitation, and Commander Resource Information System (CRIS) reports, dated from August 2008 through July 2009. We conducted the audit from July through September 2009 and issued a draft report to management in November 2009.

- **Project Validity.** To determine whether Wing personnel properly justified projects for the Recovery Act, we reviewed the contract file for justification documents such as the DoD Form 1391. Additionally, we held discussions with Civil Engineering personnel to validate their justification for the project. Finally, we physically examined the Recovery Act project location to ensure that the justification given in the contract file and from personnel was valid through physical observation.
- **Recovery Act Goals.** To determine whether Wing personnel met the goals of the Recovery Act by fostering competition and expeditiously awarding contracts, we reviewed the CRIS report to ensure Recovery Act funds transferred to the installation. Additionally, we held discussion with contracting personnel to determine the type of solicitation used and whether it resulted in competition. Further, we held discussions with the quality assurance evaluator and contracting personnel to identify established procedures to validate and verify the contractor's accomplishment of the required quarterly reporting.
- **Transparency.** To determine whether Wing personnel reported contract information transparently to the public, we reviewed the Federal Business Opportunities and Federal Procurement Data System web sites to ensure the posting of all required information per the Federal Acquisition Regulation. We reviewed the Central Contractor Registration and the Online Representation and Certifications Application web sites to ensure that the contractor was registered on the listing and site. Further, we reviewed the Excluded Parties List System web site to ensure the contractor exclusion on this web site. Finally, we held discussions with contracting personnel to discuss Recovery Act projects.
- **Federal Acquisition Regulations.** To determine whether Wing personnel include all required FAR clauses in Recovery Act contracts, we reviewed the Recovery Act project contract at the 434th Air Refueling Wing.

### Sampling Methodology.

- **Sampling.** The Audit Control Point, Support and Personnel Engineering and Environmental Division (AFAA/SPE), obtained a full listing of Air Force Recovery Act Facilities Sustainment, Restoration, and Modernization projects containing 1,548 projects at 107 locations valued at \$1.15 billion. Further, the Audit Control Point used simple

random sampling to select 14 locations. We reviewed one Recovery Act project valued at \$ 1,913,046 for a 100 percent review of the Recovery Act projects at the 434th Air Refueling Wing.

- **Computer Assisted Auditing Tools and Techniques.** We used computer assisted auditing tools and techniques to analyze and summarize audit results. Specifically, we used Microsoft Excel<sup>®</sup> spreadsheets and advance functions such as COUNTIF and SUM to total the number of Federal Acquisition Regulation clauses included in the contract and summarize contract transparency information.

**Data Reliability.** We relied on information from CRIS and Electronic Document Access for our audit conclusions. However, we did not evaluate the systems' general and application controls. Instead, we established the data's reliability by comparing CRIS reports and contracts in the Electronic Document Access to physical evidence and available manual records. Based on these tests, we concluded that the data was sufficiently reliable to support audit conclusions.

**Auditing Standards.** We accomplished audit work 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 controls over management review and oversight of contractor performance, contract award, and reporting Recovery Act information and documentation.

**Discussion with Responsible Officials.** We discussed this report with the Commander, 434th Air Refueling Wing and other interested officials. Management was advised this was part of an Air Force-wide evaluation of American Recovery and Reinvestment Act of 2009 Program Execution, Project Number F2009-FD1000-0516.000. 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 18 November 2009 and are included in this report.

### **PRIOR AUDIT COVERAGE**

We did not identify any Air Force Audit Agency, DoD Inspector General, or U.S. Government Accountability Office reports issued to the 434th Air Refueling Wing within the last five years that related to our specific audit objectives.

## **POINTS OF CONTACT**

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## **FINAL REPORT DISTRIBUTION**

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## **PROJECT NUMBER**

We accomplished this audit under project number F2009-FD1000-0516.026.

## **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.