



INSTALLATION REPORT OF AUDIT

F2010-0011-FDS000

**American Recovery and Reinvestment
Act of 2009 Military Construction
37th Training Wing
Lackland AFB TX**

South Central Area Audit Office

02 November 2009

INTRODUCTION

On 1 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009. The goal of the Recovery Act was to help jump start the United States economy with an infusion of money. Within specified guidelines, the Recovery Act provided the Air Force funding for military construction. Of the Air Force Recovery and Reinvestment Act construction projects valued at \$260 million, the 37th Training Wing (TRW) received authorization for \$6 million to construct an addition to the existing Child Development Center (CDC) on Lackland AFB.

OBJECTIVES

The overall objective of this centrally directed audit was to determine whether the 37 TRW personnel properly managed Recovery Act MILCON requirements¹. Specifically, we determined whether Civil Engineering personnel:

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

CONCLUSIONS

Wing officials could more effectively manage Recovery Act requirements. While an environmental analysis was completed in January 2007 incorporating capital construction requirements to include the CDC, Civil Engineering personnel did not properly justify the addition to the existing Child Development Center, scope and support the CDC Recovery Act project, or perform an economic analysis before the project was funded. Since the CDC project was funded outside of the normal approval process, accurate and properly supported Government estimates were not available to provide a reliable basis for ensuring data submitted to Congress was correct and reflected comprehensive installation construction needs. Further, implementing procedures to appropriately coordinate MILCON

¹ The Air Force-wide review of Recovery and Reinvestment Act MILCON requirements included determining whether reported contract information was transparent to the public, included all new Federal Acquisition Regulation clauses, and met the goals of the Recovery Act by fostering competition, expeditiously awarding the contract, and creating or retaining jobs. The 37 TRW had not awarded the Child Development Center contract; therefore, we were unable to perform these objectives at Lackland AFB.

projects prior to funding helps justify facilities can be economically improved or upgraded for their intended purpose. (Tab A, page 1)

RECOMMENDATIONS

We made one recommendation to effectively comply with Recovery Act requirements. (Reference Tab A for the specific recommendations.)

MANAGEMENT'S RESPONSE

Management officials agreed with the overall audit results and recommendation presented in this report. The actions planned are responsive to the issues identified. Therefore, this report contains no disagreements requiring elevation for resolution.



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BACKGROUND

While the intent of the 2009 American Recovery and Reinvestment Act (ARRA) included making expenditures as quickly as possible to promote economic recovery, prudent management and Air Force guidance² requires Headquarters Air Force, Major Commands (MAJCOMs) and installation officials validate each military construction (MILCON)³ project through properly documented justification and approval. During March 2009, the ARRA authorized the 37th Training Wing to construct an addition to the existing Child Development Center on Lackland AFB valued at approximately \$6 million.

Project development is one of the most important actions in MILCON programming and it is documented using a DD Form 1391, *FY __ Military Construction Project Data*. To accurately identify user⁴ functional and technical requirements, qualified base civil engineering (CE) personnel scope the MILCON project on the DD Form 1391, with the programmed amount shown on the form fully supported by a reasonable estimate of project costs. The MAJCOM MILCON Program Manager confirms the DD Form 1391 data is accurate and complete and then signs the form. The DD Form 1391 by itself, explains the project to all levels of the Air Force. Ultimately, this document is forwarded to Congress as part of the Department of Defense budget request for approval.

In addition to the DD Form 1391, a formal economic analysis (EA) must support every Air Force project above \$2 million. Civil Engineer personnel perform an economic analysis when more than one alternative exists to determine the most economical and effective method of accomplishing the project (construction or renovation). The economic analysis confirms which alternative is in the best interest of the Air Force. During the planning stage, CE personnel must also complete an AF Information Management Tool 813, *Request for Environmental Impact Analysis*, to assess and document the construction's impact on the environment.

AUDIT RESULTS 1 –SCOPE AND SUPPORT

Condition. Civil Engineering personnel did not properly justify the addition to the existing Child Development Center, scope and support the CDC Recovery Act project, or perform an economic analysis before the project was funded.

² Air Force Instruction (AFI) 32-1021, *Planning and Program Military Construction (MILCON) Projects*, 24 January 2003.

³ Military Construction (MILCON) is defined as any construction on a military installation. Normally, MILCON includes buildings, roads, airfield pavements, and utility systems costing \$750,000 or more.

⁴ The organization requesting the facility construction is known as the user. In this instance, the user was the Services Division on Lackland AFB.

Cause. When faced with Recovery Act funding to be expended quickly, the Air Force Services Agency combined the Lackland CDC Operation and Maintenance projects that were on the Emergency Intervention Program list and created a CDC MILCON project funded by the Recovery Act without prior coordination with CE.

Impact. Since the CDC project was funded outside of the normal approval process, accurate and properly supported Government estimates were not available to provide a reliable basis for ensuring data submitted to Congress was correct and reflected comprehensive installation construction needs. Further, implementing procedures to appropriately coordinate MILCON projects prior to funding helps justify facilities can be economically improved or upgraded for their intended purpose.

Audit Comment. A recommendation to address the project approval process would require higher headquarters to ensure the user coordinated with Civil Engineer personnel to scope and support the project prior to funding, and is therefore 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 A.1. The Commander, 37th Civil Engineering Squadron, should direct the Programs Flight Chief to immediately request a certificate of exception (waiver) from HQ AETC to release the installation from performing the required EA.

Management Comments. The Commander, 37 CES, concurred with the audit results and recommendation and stated, "Concur. The Programs Flight Chief will immediately request a certificate of exception from HQ AETC to release the installation from performing the required EA. Estimated Completion Date: 31 October 2009."

Evaluation of Management Comments. Management officials agreed with the overall audit results and recommendation presented in this report. The actions planned are responsive to the issues identified. Therefore, this report contains no disagreements requiring elevation for resolution.

AUDIT SCOPE

Audit Coverage. To accomplish the audit objectives, we reviewed documents (DD Form 1391, CE Programmer's Cost Estimation Sheet , Facility Plans (A & B)) dated between 5 March and 15 May 2009. We conducted the audit from 10 through 21 August 2009 and issued management a draft report on 14 October 2009.

- **Requirements.** To determine if DD Form 1391 primary and supporting facility cost estimates were properly supported, we requested the CE programmer provide the original supporting documents submitted with the approved Form 1391. We also held discussions with the CE programmer and reviewed the approved memo for the project from the Air Force Center for Engineering and the Environment to determine if there were any discrepancies or costs not properly identified or included on the Form 1391. Finally, to determine if the cost figures on the DD Form 1391 were overscoped or underscoped, we performed a comparison between audit calculation and the CE programmer's cost estimation worksheet. To determine if an economic analysis and environmental analysis was accomplished, we held discussions with the CE programmer. We also reviewed the DD Form 1391 to see if it met the dollar threshold for an economic analysis. To validate space requirements we used the AF Handbook 32-1084, *Facility Requirements*, dated 1 September 1996, and facility plan drawings provided by the CE programmer.

Sampling Methodology. We used the following sampling and computer-assisted auditing tools and techniques (CAATTs) to select and analyze data in this audit.

- **Sampling.** The Department of Defense Inspector General (DoDIG) developed an ARRA MILCON sample based on predictive analysis of critical risk factors (a form of judgmental sampling). Air Force Audit Agency (AFAA) received a sample of seven Active Air Force Military Construction transactions of which AFAA was directed to review. From the seven, the audit control point provided one MILCON project selected under the Recovery Act at Lackland AFB.
- **CAATTs.** We used Microsoft Excel formulas to add and subtract. We also used mathematical formulas such as 'SUM' and 'IF' to verify and count operations.

Data Reliability. We did not rely on information from the Parametric Cost Estimating System (PACES) or Automated Civil Engineering System (ACES) system used to track projects through approval and execution stages to support our audit conclusions. However, we established the data's reliability by comparing the programmer's cost sheet with DD Form 1391, audit calculations, and interviewing CE officials to determine whether the data was 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 management controls over documentation of transactions, document retention, and management oversight.

Audit Scope and Prior Audit Coverage

Discussion with Responsible Officials. We coordinated this report with the 37th Training Wing Commander and other interested officials. We advised the commander this audit was part of an Air Force-wide evaluation, Project Number F2009-FD1000-0655.000, American Recovery and Reinvestment Act of 2009 Military Construction; therefore, selected data not reflected in this report, as well as data contained herein, may appear in a related Air Force audit report. Management's formal comments were received on 29 October 2009 and are included in this report.

PRIOR AUDIT COVERAGE

We did not identify any Air Force Audit Agency, DoD Inspector General, or Government Accountability Office reports issued to the 37th Training Wing within the last 5 years that 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-FD1000-0655.005.

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.