



INSTALLATION REPORT OF AUDIT

F2010-0012-FDN000

**American Recovery and Reinvestment
Act of 2009 Program Execution
436th Airlift Wing
Dover AFB DE**

Northeast Area Audit Office

INTRODUCTION

On 17 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009. The Recovery Act provided the Department of Defense with \$3.4 billion for Facilities Sustainment, Restoration, and Modernization (FSRM) requirements. The Department of Defense intends to spend this funding with unprecedented full transparency and accountability. As of August 2009, the 436th Airlift Wing (436 AW) awarded 21 Recovery Act projects totaling \$32 million.

OBJECTIVES

This was a centrally directed audit to determine whether 436 AW personnel properly managed Recovery Act FSRM requirements. Specifically we determined whether 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, and
- Included all new Federal Acquisition Regulation (FAR) clauses in Recovery Act contracts.

CONCLUSIONS

Overall, 436 AW personnel properly managed Recovery Act FSRM requirements in two of the four areas reviewed. The 436 AW personnel properly justified all 21 Recovery Act projects and met Recovery Act goals by fostering competition, expeditiously awarding contracts, and creating or retaining jobs. However;

- Contracting personnel did not report contract information so it was transparent to the public. Properly reporting contract information will enhance transparency to the public and establish compliance with the Recovery Act and FAR. (Tab A, page 1)
- Contracting personnel did not include all applicable FAR clauses in Recovery Act contracts. Including all applicable FAR clauses in Recovery Act contracts informs contractors about the reporting requirements, and promotes compliance. (Tab B, page 3)

RECOMMENDATIONS

We made five recommendations to improve transparency and accountability of the Recovery Act projects. (Reference the individual tabs for specific recommendations.)

MANAGEMENT'S RESPONSE

Management officials agreed with the audit results and recommendations. Corrective actions planned and taken are responsive to the issues and recommendations included in this report. Therefore, this report does not contain disagreements requiring elevation for resolution.



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BACKGROUND

The contracting office is responsible for everything from solicitation to contract award. Before awarding a contract, the contracting office must run a search in several databases to ensure the contractor is approved to perform Federal government contracts. Specifically, the contractor is searched in the Central Contractor Registration (CCR) which is the primary registrant database for the Federal government. Any organization wishing to do business with the Federal government under a FAR-based contract must be registered in CCR before being awarded a contract. The Online Representation and Certifications Application is a complementary system to CCR. Any contractor required to be registered in CCR must also be registered in Online Representation and Certifications Application. The Excluded Parties List System documents information on parties excluded from receiving Federal contracts and certain subcontracts. Because of the nature of the Recovery Act and its transparency requirements, it is very important to ensure contractors receiving Recovery Act funds are not on this list. All Recovery Act contracts must be posted on the Federal Business Opportunities (FBO) website which 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 along with the Federal Procurement Data System (FPDS) which is the Federal government's central source of procurement information. All contract actions, including task/delivery orders, must be posted to FPDS. A detailed synopsis is required for all pre-solicitations over \$25,000 and awarded task/delivery orders over \$500,000.

AUDIT RESULTS 1 –TRANSPARENCY

Condition. The 436 AW contracting personnel did not report contract information so it was transparent to the public. Specifically, all eight projects reviewed, contracting officers did not post all required information to the FBO. For example, the information on the FBO website did not meet the FAR requirement to explain the work to be accomplished in a clear and unambiguous language, so that the general public could understand the job. One of eight task/delivery orders was not recorded in FPDS as required by the FAR 4.605(c). Also, one of eight task/delivery orders did not include the contractor's full address.

Cause. The 436 AW contracting personnel used existing indefinite delivery orders, which did not include a detailed synopsis, for all eight pre-solicitations over \$25,000 and three of eight task/delivery orders over \$500,000. Also, the DoD conducted required maintenance on the FPDS website on 28 February 2009 which prevented the Contracting Officer from connecting to the website to update one of eight contract awards for a duration of 8 to 10 weeks.

Impact. Properly reporting contract information will enhance transparency to the public and establish compliance with the Recovery Act and FAR. As a result of the missing information, the Air Force is not in compliance with the Recovery Act and FAR.

Recommendations. The Contracting Squadron Commander should:

- Recommendation A.1. Verify that future pre-solicitations over \$25,000 and task/delivery orders over \$500,000 include a synopsis that meets the FAR requirements to explain the work to be accomplished in a clear and unambiguous language.
- Recommendation A.2. Establish connection with FPDS and post all required contract information to FBO and FPDS.
- Recommendation A.3. Modify the one task/delivery order to include the contractor's full address.

Management Comments. The 436 Airlift Wing Commander concurred with the audit result and recommendations and stated:

- Recommendation A.1. "Concur. Contracting personnel will establish procedures to verify future pre-solicitations over \$25,000 and task/delivery orders over \$500,000 include a synopsis that meets the FAR requirements to explain the work to be accomplished in a clear and unambiguous language. Estimated completion date: 31 December 2009 (**OPEN**)."
- Recommendation A.2. "Concur. Contracting personnel established connection with FPDS and posted all required contract information to FBO and FPDS. Action completed: 2 November 2009 (**CLOSED**)."
- Recommendation A.3. "Concur. Contracting personnel will modify the one task/delivery order to include the contractor's full address. Estimated completion date: 31 December 2009 (**OPEN**)."

Evaluation of Management Comments. Management comments addressed the issue raised in the audit result and management actions planned should correct the problem identified. Therefore, this report does not contain any disagreements requiring elevation for resolution.

BACKGROUND

New FAR clauses were developed to help achieve the goals of the Recovery Act. The contracting office is responsible for including all new FAR clauses in Recovery Act contract task and delivery orders. The FAR clause 52.244-6, Subcontracts for Commercial Components, is required for other than commercial item solicitations, contracts, and task orders. To the maximum extent practicable, the Contractor shall incorporate, and require its subcontractors at all tiers to incorporate, commercial items or nondevelopmental items as components of items to be supplied under the contract.

AUDIT RESULTS 2 – FAR CLAUSES

Condition. Contracting personnel did not include all applicable FAR clauses into Recovery Act contracts. Specifically, 8 of 21 contract solicitations were available for review and 4 of 8 reviewed did not contain FAR clause 52.244-6, Subcontracts for Commercial Items, required for all Recovery Act projects.

Cause. Management was unaware of the requirement to include FAR clause 52.244-6, Subcontracts for Commercial Items, in Recovery Act projects.

Impact. As a result, including all applicable FAR clauses Recovery Act contracts informs contracts about the reporting requirements and promotes compliance.

Recommendations. The Contracting Squadron Commander should:

- Recommendation B.1. Modify existing Recovery Act contracts to include FAR clause 52.244-6.
- Recommendation B.2. Establish procedures to verify all applicable FAR clauses are included in Recovery Act contracts.

Management Comments. The 436th Airlift Wing Commander concurred with the audit result and recommendations and stated:

- Recommendation B.1. “Concur. Contracting personnel will modify existing Recovery Act contracts to include FAR clause 52.244-6. Estimated completion date: 31 December 2009 (**OPEN**).”
- Recommendation B.2. “Concur. Contracting personnel established procedures to verify all applicable FAR clauses are included in future Recovery Act contracts. Action completed: 2 November 2009 (**CLOSED**).”

Evaluation of Management Comments. Management comments addressed the issue raised in the audit result and management actions planned and taken should correct the problem identified. Therefore, this report does not contain disagreements requiring elevation for resolution.

Glossary of Acronyms

ACRONYM	DESCRIPTION	PAGE INTRODUCED
AFAA	Air Force Audit Agency	6
AW	Airlift Wing	i
CCR	Central Contractor Registration	1
CRIS	Commander's Resource Integration System	6
DoDIG	Department of Defense Inspector General	7
FAR	Federal Acquisition Regulation	i
FBO	Federal Business Opportunities	1
FPDS	Federal Procurement Data System	1
FSRM	Facilities Sustainment, Restoration, and Modernization	i

AUDIT SCOPE

Audit Coverage. To determine whether 436 AW personnel properly managed Recovery Act FSRM requirements we reviewed documents dated between 1 December 2005 and 21 August 2009. We conducted the audit from 20 July to 8 September 2009 and issued a draft report to management on 13 October 2009.

- To determine whether 436 AW personnel properly justified Recovery Act projects, we reviewed project justifications included in Department of Defense Form 1391, *Military Construction Project Data*, and Air Force Information Management Tool 332, *Base Civil Engineer Work Request* as of 18 August 2009. In addition, we discussed the validity, justification, and selection process for projects with Civil Engineer personnel.
- To determine whether 436 AW personnel reported information so it was transparent to the public, we reviewed the FBO website as of 6 August 2009 (www.FBO.gov) to determine if all required information (contractor's name, award amount, contract number, and related data) was posted for 21 selected projects. Next, we reviewed the eight contract files managed by Dover AFB to determine if required documentation was maintained (award method rationale and small business coordination).
- To determine whether 436 AW personnel included all new FAR clauses in Recovery Act contracts, we reviewed the eight contract files managed by Dover AFB to verify that all required FAR clauses were included.
- To determine whether 436 AW personnel met Recovery Act goals by fostering competition, expeditiously awarding contracts, and creating or retaining jobs we reviewed the task or delivery orders to verify several factors. Specifically, we reviewed contract files for documentation of competition and award documentation, and we verified that 20 out of 21 task or delivery orders had been awarded by comparing the Commander's Resource Integration System (CRIS) report to the local Emergency and Special Program code listing. We also discussed validation of the contractors' quarterly reporting requirements with contract inspectors and the contracting officer. In addition, we discussed economic benefits and the Recovery Act project backlog with civil engineer personnel.

Sampling Methodology.

- **Sampling.** In coordination or coordinate with audit statisticians, the audit control point developed a statistical sample for transactions testing at the 436 AW. The 21 Recovery Act Project transactions (valued at \$41 million) for the 436 AW were extracted from a universe of 1,548 Recovery Act projects totaling \$1.15 billion at 107 locations covering the period 17 February to 24 July 2009. The Air Force Audit Agency (AFAA) judgmentally selected all locations with a project over \$7.5 million, resulting in six locations. Audit then selected 14 additional locations using a simple random sample, for

a total of 20 audit locations. The Department of Defense Inspector General (DoDIG) selected sites based on a predictive analysis for several risk factors. These risk factors were rated on a scale of one to ten (where ten is the highest). The factors were summed for each location and selections were made based on the highest risk factors. The DoDIG and AFAA then determined which DoDIG locations would be reviewed by each agency based on the location of AFAA audit offices. The AFAA agreed to perform the audit at an additional nine locations, dropped one simple random sample location that DoDIG reviewed, and dropped six additional simple random sample locations that had not yet started the audit. This left a total of 22 audit locations. Dover AFB was selected as a result of the simple random sample. Audit did not project the results for the sampled transactions to the universe at the 436 AW.

- **Computer Assisted Auditing Tools and Techniques.** We used Computer Assisted Auditing Tools and Techniques to analyze and organize data during the course of the audit. We used advanced tools and features of Microsoft Excel to automate and expedite the comparison of data required to complete the audit. Specifically, excel was utilized often. The CRIS report was downloaded to an Excel spreadsheet as well as the current Recovery Act Report from the FPDS. Once the Recovery Act Report was downloaded into Excel, filters were used to determine if all contract actions were recorded in FPDS.

Data Reliability. Although we used computer-generated data from the CRIS, we did not evaluate the adequacy of the system's general or application controls. We established the data's reliability by comparing all of the Recovery Act projects listed in the CRIS report to the projects listed on the Dover AFB Recovery Act Projects listing provided by the Audit Manager. This verified that the funds had been transferred to the installation and properly distributed to the projects. Our tests determined the data were sufficiently reliable to support our audit conclusions.

Auditing Standards. We accomplished audit work in accordance with generally accepted Government auditing standards and, accordingly, included such tests of management controls as considered necessary under circumstances. Specifically, we evaluated controls over justification, transparency, and competition.

Discussion with Responsible Officials. We discussed or coordinated this report with the 436 AW Vice-Commander and other interested officials. We advised the 436th Airlift Wing Vice Commander this audit was part of an Air Force-wide evaluation, Project Number F2009-FD1000-0516.000, American Recovery and Reinvestment Act of 2009 Program Execution. 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 4 December 2009 and are included in this report.

PRIOR AUDIT COVERAGE

Our review of audit files and contact with base officials disclosed no other audit report issued to the 436th Airlift Wing by any audit agency within the last 5 years that related to our audit objectives.

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PROJECT NUMBER

We accomplished this audit under project number F2009-FD1000-0516.006.

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.