



INSTALLATION REPORT OF AUDIT

F2010-0022-FCI000

**American Recovery and Reinvestment
Act of 2009, Air National Guard
Military Construction
151st Air Refueling Wing
Salt Lake City UT**

Hill Area Audit Office

2 December 2009

INTRODUCTION

On 1 February 2009, the President of the United States signed into law the American Recovery and Reinvestment Act of 2009. Providing \$2.3 billion in Department of Defense military construction funding, the primary goal of the Recovery Act was to promote economic recovery through a quick infusion of money into the market place, thereby creating and/or preserving jobs. Given the purposes of the Act, projects submitted for approval were those for which required documentation and support already existed. For example, project documentation should have included government cost estimates, economic analyses, and environmental studies as required. Also, once selected for funding, each project was to be properly competed with contracting actions adequately advertised and necessary Federal Acquisition Regulation clauses included in contractual terms. The intent of these actions was to ensure contracting efforts were transparent to the general public. At the 151st Air Refueling Wing, one military construction project (Phase II of the Fire Station composite facility) with an estimated cost of \$5.1 million was selected for funding under the Recovery Act.

OBJECTIVES

Responsible for the oversight and audit of Recovery Act execution, the Department of Defense Inspector General requested the Air Force Audit Agency to accomplish this Air Force-wide centrally directed audit. At the 151st Air Refueling Wing, we focused audit testing on the only military construction project that was submitted and approved for funding through the Recovery Act. The overall objective of this Air Force-wide review was to determine whether Air National Guard personnel properly managed Recovery Act military construction requirements. Specifically, we determined whether local Wing management officials:

- Managed contract information so it was transparent to the public, and included all new Federal Acquisition Regulation clauses mandated by the Recovery Act.
- Met the Recovery Act goals of fostering full-and-open competition, expeditiously awarding the contract, and creating or retaining jobs.
- Properly justified the military construction project in required DD Forms 1391, FY 2009 Military Construction Project Data, providing project scope information; cost estimates; environmental studies; and economic analyses.

CONCLUSIONS

The 151st Air Refueling Wing in conjunction with the United States Property and Fiscal Office generally managed the Recovery Act military construction requirements appropriately. To illustrate, contract information was properly advertised to ensure contracting actions were transparent to the public; all new Federal Acquisition Regulation clauses were included in contractual documentation; and full-and-open competition and other contract goals were met. Also, cost estimates and environmental studies were conducted.

However, local civil engineering officials in coordination with financial management personnel did not accomplish an economic analysis for the Recovery Act project. An economic analysis provides upper management with information necessary to support military construction decisions and ensure limited resources are optimally used to obtain required facilities. (Tab A, page 1)

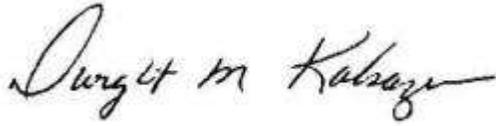
Additionally, the audit identified concerns regarding combining multiple facilities of different types into a single military construction project in the DD Form 1391. These issues have been elevated to the Air Force Audit Agency Audit Control Point at the Support and Personnel Audits Directorate, Engineering and Environment Division, Brooks City-Base TX.

RECOMMENDATIONS

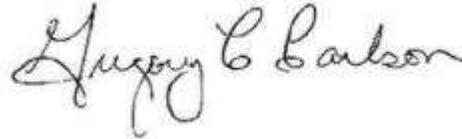
This report contains one recommendation to accomplish economic analyses in the future for military construction projects totaling \$2 million or more. (Reference Tab A for specific details.)

MANAGEMENT'S RESPONSE

Management officials concurred with the audit result and recommendation discussed in this report. Also, management comments were responsive to the issues identified. However, the audit identified some questions with National Guard Bureau guidance to local officials regarding the processing of economic analyses or waivers. These questions were elevated to the Air Force Audit Agency Audit Control Point at the Support and Personnel Audits Directorate, Engineering and Environment Division, Brooks City-Base TX, for resolution at higher headquarters.



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	<u>Page</u>
EXECUTIVE SUMMARY	i
TAB	
A Economic Analysis	1
APPENDIX	
I Audit Scope and Prior Audit Coverage	3
II Points of Contact and Final Report Distribution	6

BACKGROUND

Per Air Force Instruction (AFI) 32-1021, *Planning and Programming Military Construction (MILCON) Projects*, paragraph 2.2.2, installations should evaluate existing assets and determine the most economical and effective means of satisfying facility needs. Further, paragraph 3.3.3 of AFI 32-1021 states an economic analysis (EA) is required in accordance with AFI 65-501, *Economic Analysis*, for all projects costing over \$2 million. However, according to AFI 65-501, paragraph 2.2.3, .a waiver or exemption from performing an EA may be requested when certain conditions exist.

AUDIT RESULTS 1 – ECONOMIC ANALYSIS REQUIREMENT

Condition. Local civil engineering officials did not accomplish an EA or obtain a waiver as required for the Fire Station Phase II Project selected for funding under the American Recovery and Reinvestment Act of 2009. As documented in a local Air National Guard MILCON Program Project Book, dated 1 December 2003, the subject project was developed as a composite fire station facility which included areas for mobility processing and Explosive Ordinance Division training. Also, the project had an estimated cost of \$5.1 million. However, an EA was not developed at that time or prior to when the Recovery Act funding became available in fiscal year 2009.

Cause. The cause for the above condition could not be readily identified during the audit. This was because current civil engineering management officials were not involved in the development of the December 2003 composite fire station project plan and therefore, could not provide an explanation as to why an EA had not been accomplished at that time.

Impact. An EA or a waiver for an EA provides upper management with information necessary to support MILCON decisions and ensure limited resources are optimally used to obtain required facilities.

Audit Comment. As directed by National Guard Bureau civil engineering officials, local civil engineering personnel requested a waiver from processing an EA during the audit. However, the justification used in the EA waiver request was not correct. Specifically, following National Guard Bureau guidance, the waiver request indicated an EA was not necessary because the Fire Station Phase II MILCON Project resulted from specifically directed legislation. Audit discussions with the American Recovery and Reinvestment Act Project Manager at Head Quarters United States Air Force disclosed that accomplishment of the project was not congressionally mandated. Rather, it was a previously planned project for which funding was not made available until passage of the Recovery Act of 2009. Since local civil engineering officials processed the EA waiver request in accordance with guidance received from the National Guard Bureau, we have elevated this issue to the Audit Control Point at the Air Force Audit Agency Support and Personnel Audits Directorate, Engineering and Environment Division, Brooks City Base TX, for further review and resolution at higher headquarters.

Accordingly, this audit report does not contain any recommendations for local management action specific to this EA waiver request.

Recommendation A.1. The 151st Air Refueling Wing Commander should direct local civil engineering officials to accomplish and obtain an EA or a waiver for all future Air National Guard MILCON projects with estimated costs totaling \$2 million or more.

Management Comments. The 151st Air Refueling Wing Commander concurred with the audit results and recommendation, and provided the following comments.

- **Condition.** “Concur with comments. The guidance from the National Guard Bureau was that an EA is not required for the subject project. Apparently, this guidance has been a systemic issue in the Air National Guard and as such should not necessarily be considered an oversight on the part of local civil engineering.
- **Recommendation A.1.** “Concur with comments. The 151st Air Refueling Wing Commander will issue guidance upon resolution of the matter at the National Guard Bureau. All steps for an EA have been completed, as has a request for a waiver of the EA. Both actions are at the National Guard Bureau for concurrence. Once a requirement for an EA is firmly established by the National Guard Bureau, all guidelines will be followed in future projects. Estimated Completion Date: 24 May 2010.”

Evaluation of Management Comments. Management comments addressed the issues discussed in Audit Results 1. While we agree the issues discussed above were at least, in part, due to guidance received from the National Guard Bureau, the Air Force Audit Agency position is that the AFI 32-1021 and AFI 65-101 requirements for an EA for all projects costing over \$2 million should be followed. Hence, the need for EAs and any related waivers there from have been elevated to the Audit Control Point at the Air Force Audit Agency Support and Personnel Audits Directorate, Engineering and Environment Division, Brooks City Base TX, for further review and resolution at higher headquarters. Once those issues have been clarified, Wing officials should establish EA procedures as mentioned above.

AUDIT SCOPE

Audit Coverage. This review was part of an Air Force-wide centrally directed audit applied at six different audit sites, including the 151st Air Refueling Wing, Salt Lake City UT. To accomplish the audit objectives, we conducted tests to determine whether the Air National Guard properly managed Recovery Act military construction (MILCON) requirements. Also, we reviewed DD Forms 1391 (FY 09 Military Construction Project Data), DD Forms 2579 (Small Business Coordination Record), AF Forms 9 (Purchase Request), and General Accounting and Finance System [BQ] queries. Also, we examined the Congressional Fact Sheet supporting MILCON project submission as well as cost estimate, budget authorization, contractual, economic analysis, waiver request, and environmental assessment documents. The documents reviewed were dated between December 1999 and 27 February 2009. We conducted the audit from 28 July 2009 to 4 September 2009, and issued a draft report to management on 28 October 2009.

Audit Tests. To accomplish the audit objectives, we focused audit testing on the Fire Station Phase II MILCON Project—the only Recovery Act MILCON project submitted and approved for the 151st Air Refueling Wing. In order to determine whether Air National Guard personnel properly managed Recovery Act MILCON requirements, we accomplished the following.

- **Contract Requirements.** To evaluate project compliance with new Recovery Act contract transparency and notification requirements, we reviewed the Federal Business Opportunities and Federal Procurement Data System websites. Also, we evaluated data posted to the sites to verify that all required data were included. Additionally, we reviewed solicitation and draft contract documents to ensure that required new Federal Acquisition Regulation clauses were included.
- **Contract Award.** To determine if the Recovery Act goals were met, we reviewed documentation supporting the source selection rationale and determined whether full-and-open competition was utilized. Also, we determined whether a firm-fixed priced contract was anticipated. Further, we interviewed contracting personnel to determine whether the contractor selected for work was a small business set-aside and had not previously been used by the Air National Guard. Additionally, we reviewed the draft contract that was awaiting Congressional approval in order to award.
- **Project Justification.** To determine whether 151st Air Refueling Wing officials properly justified the Fire Station Phase II Project, we held discussions with local management officials and requested copies of the DD Form 1391 and records supporting any government cost estimate, environmental assessment, and economic analysis accomplished. To illustrate:
 - To determine if a government cost estimate was accomplished and adequately supported, we obtained and validated selected data on the DD Form 1391. Specifically, we reviewed the category codes specified on the DD Form 1391 to

the title of the project to determine whether different types of facilities were improperly combined into one single project. Then, we compared the category codes and the reported square footage to the space allowance requirements found in the Draft Air National Guard Handbook 32-1084, Air National Guard Standard Facility Requirements. Also, we compared the total cost estimate to the funding amount approved for the Recovery Act project. Additionally, we reviewed the project justification for reasonableness and obtained any other supporting documentation for information on the DD Form 1391. Finally, we reviewed the Air National Guard Military Construction Program Project Book, dated 1 December 2003, for supporting documentation regarding requirements and project planning.

- We assessed the propriety of the environmental assessment accomplished and confirmed that the assessment results were appropriate.
- We determined whether an economic analysis, certificate of exception, or a waiver had been accomplished for the project. Also, we reviewed the Air National Guard Military Construction Program Project Book, dated 1 December 2003, to determine when an economic analysis should have been accomplished. Additionally, we discussed the lack of an economic analysis with local civil engineering officials and National Guard Bureau program management personnel.

Sampling Methodology. The Department of Defense Inspector General developed a sample of American Recovery and Reinvestment Act military construction projects for review 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 Fire Station Phase II project was one of the 13 projects selected. Also, we did not use computer-assisted auditing tools and techniques due to the limited scope of the audit and the nature of the data reviewed.

Data Reliability. During the audit, we obtained selected construction project funding information from the General Accounting and Finance System [BQ]. We did not evaluate the BQ general and application controls as part of our review. However, we validated the BQ computer-processed data obtained through comparisons to supporting documents. As a result of our audit tests, we concluded the BQ computer-processed data obtained were sufficiently reliable to support our audit conclusions.

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. Specifically, we conducted selected tests of applicable management controls established to ensure the (1) proper execution of key MILCON project processing and contracting actions and (2) existence of required supporting documentation. For example, to assess controls over preliminary project requirements, we determined whether required higher

headquarters approvals, economic analyses, and environmental studies were effectively accomplished. Further, to evaluate controls established to ensure cost estimates were accurate, we identified square footage information and other related cost data reflected in DD Forms 1391 for propriety. Also, to evaluate controls over the execution of key contracting actions, we determined whether the proposed contract was properly advertised, full-and-open competition was used, and required Federal Acquisition Regulation clauses were properly cited.

Discussion with Responsible Officials. We coordinated this report with the 151st Air Refueling Wing Commander, the Base Civil Engineer, and other interested officials. We advised the Commander this audit was part of an Air Force-wide evaluation (Project Number F2009-FD1000-0659.000, American Recovery and Reinvestment Act of 2009–Air National Guard Military Construction). Accordingly, selected data not reflected in this report, as well as data contained herein, may appear in a related Air National Guard audit report. Management’s formal comments were received on 30 November 2009.

PRIOR AUDIT COVERAGE

We did not identify any Air Force Audit Agency, Department of Defense Inspector General, or Government Accountability Office audit reports issued to the 151st Air Refueling Wing within the last 5 years related to our specific objectives.

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PROJECT NUMBER

We accomplished this audit under project number F2009-FD1000-0659.006.

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.