

# Inspector General

United States  
Department of Defense



American Recovery and Reinvestment Act  
Projects - Construction of 23 Family Housing Units  
and 5 Facilities Sustainment, Restoration, and  
Modernization Projects at Fort McCoy, Wisconsin

# Report Documentation Page

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## Acronyms and Abbreviations

FAR	Federal Acquisition Regulation
FBO	Federal Business Opportunities
FPDS	Federal Procurement Data System
FSRM	Facilities Sustainment, Restoration, and Modernization
IDIQ	Indefinite-Delivery, Indefinite-Quantity
MILCON	Military Construction Program
OMB	Office of Management and Budget
USACE	U.S. Army Corps of Engineers



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

September 30, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/  
CHIEF FINANCIAL OFFICER  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act Projects—Construction of  
23 Family Housing Units and 5 Facilities, Sustainment, Restoration, and  
Modernization Projects at Fort McCoy, Wisconsin  
(Report No. D-2010-RAM-026)

We are providing this report for review and comment. Generally, Fort McCoy and United States Army Corps of Engineers—Omaha personnel properly justified and adequately planned, funded, contracted for, and began execution for the Army Family Housing Construction project and the five Facilities, Sustainment, Restoration and Modernization projects reviewed. However, we found that Fort McCoy contracting officials failed to ensure the transparency of contracts awarded with Recovery Act funds. The Director of Contracting, Mission and Installation Contracting Command, United States Army Reserve—North, did not respond to the draft report. DOD Directive 7650.3 requires that recommendations be resolved promptly. Therefore, we request that the Director of Contracting provide comments by November 1, 2010.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, please send a .pdf file containing your comments to [audacm@dodig.mil](mailto:audacm@dodig.mil). Copies of the management comments must contain the actual signature of the authorizing official. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201 (DSN 664-9201).

A handwritten signature in blue ink, reading "Richard B. Jolliffe", is positioned above the typed name.

Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management

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## **Results in Brief: American Recovery and Reinvestment Act Projects—Construction of 23 Family Housing Units and 5 Facilities Sustainment, Restoration, and Modernization Projects at Fort McCoy, Wisconsin**

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### **What We Did**

Our objective was to determine whether Army personnel adequately planned, funded, executed, and reported on a Family Housing Construction project to design and construct 23 single family homes, valued at \$14 million, and five Facilities Sustainment, Restoration, and Modernization (FSRM) projects, valued at \$4.04 million.

### **What We Found**

Generally, Fort McCoy and United States Army Corps of Engineers–Omaha personnel properly justified and adequately planned, funded, contracted for, and began execution for the Army Family Housing Construction project and the five Facilities Sustainment, Restoration and Modernization projects reviewed. However, Fort McCoy contracting officials did not post required presolicitation notices for four of five delivery orders for FSRM projects reviewed, thereby failing to ensure the transparency of contracts awarded with Recovery Act funds. This occurred because the Fort McCoy contracting personnel believed that presolicitation notices for delivery orders on previously competed contracts were unnecessary. A Fort McCoy contracting official noted that he planned to issue reminders to all contract specialists to notify them of the Recovery Act transparency requirements.

Fort McCoy and United States Army Corps of Engineers contracting officials reported on contract awards and delivery orders as required by Office of Management and Budget guidance, and all awarded contract actions reviewed contained the required Federal Acquisition Regulation clauses when using Recovery Act funds.

### **What We Recommend**

We recommend that the Director of Contracting, Mission and Installation Contracting Command, United States Army Reserve–North, direct contracting officers to post presolicitation notices and solicitation announcements of Recovery Act work on public Web sites.

### **Management Comments**

The Director of Contracting, Mission and Installation Contracting Command, United States Army Reserve–North, did not respond to the draft report. Therefore, we request that the Director of Contracting provide comments by November 1, 2010. Please see the recommendation table on the back of this page.

## Recommendation Table

<b>Management</b>	<b>Recommendation Requires Comment</b>	<b>No Additional Comments Required</b>
Director of Contracting, Mission and Installation Contracting Command, United States Army Reserve–North	Yes	

**Please provide comments by November 1, 2010.**

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# Introduction

## Objective

The primary objective of the audit was to determine whether DOD and its Components were planning and implementing the American Recovery and Reinvestment Act of 2009 (Recovery Act) by meeting the requirements in the Recovery Act, Office of Management and Budget (OMB) Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009, and subsequent related guidance. For this audit, we reviewed the planning, funding, contracting, and initial execution of 23 single family homes, valued at \$14 million, and 5 FSRM projects, valued at \$4.04 million, at Fort McCoy to ensure that the efforts of the Army complied with Recovery Act requirements, OMB guidance, the Federal Acquisition Regulation (FAR), and DOD implementing guidance. See Appendix A for a discussion of our scope and methodology.

## Recovery Act Background

The President signed the Recovery Act into law on February 17, 2009. It is an unprecedented effort to jump-start the economy, and create or save jobs.

The purposes of this Act include the following:

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- (5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

. . . the heads of Federal departments and agencies shall manage and expend the funds made available in this Act so as to achieve the purposes specified . . . including commencing expenditures and activities as quickly as possible consistent with prudent management.

## Recovery Act Requirements

The Recovery Act and implementing OMB guidance require projects to be monitored and reviewed. We have grouped these requirements into the following four phases: (1) planning, (2) funding, (3) execution, and (4) tracking and reporting. The Recovery Act requires that projects be properly planned to ensure the appropriate use of funds. Review of the funding phase is to ensure the funds were distributed in a prompt, fair, and reasonable manner. Review of the project execution phase is to ensure that contracts awarded with Recovery Act funds were transparent, competed, and contain specific FAR clauses; that Recovery Act funds were used for authorized purposes; and that instances of fraud, waste, error, and abuse were mitigated. Review of the execution phase also ensures that program goals were achieved, including specific program outcomes and improved results on broader economic indicators; that projects funded avoided

unnecessary delays and cost overruns; and that contractors or recipients of funds reported results. Review of the tracking and reporting phase ensures that the recipients' use of funds was transparent to the public and that benefits of the funds were clearly, accurately, and timely reported.

## **Recovery Act Contracting Requirements**

The Recovery Act establishes transparency and accountability requirements. Federal Acquisition Circular 2005-32, March 31, 2009, provides policies and procedures for the Government-wide implementation of the Recovery Act and guidance on special contract provisions. Federal Acquisition Circular 2005-32 amended the FAR and provided interim rules that made FAR solicitation provisions and contract clauses immediately available for inclusion in contracts for Recovery Act work.

The specific FAR Recovery Act requirements were for:

- buying American construction material,
- protecting contractor whistleblowers,
- publicizing contract actions,
- reporting, and
- giving the Government Accountability Office and agency Inspectors General access to contracting records.

Federal Government organizations meet requirements for Recovery Act contract actions by posting information on the Federal Business Opportunities (FBO) and Federal Procurement Data System (FPDS) Web sites. FAR Subpart 5.7, "Publicizing Requirements Under the American Recovery and Reinvestment Act of 2009," directs contracting officers to use the Government-wide FBO Web site (<http://www.fbo.gov>) to:

- identify the action as funded by the Recovery Act,
- post pre-award notices for orders exceeding \$25,000,
- describe supplies in a clear narrative to the general public, and
- provide the rationale for awarding any contracting actions that were not both fixed-price and competitive.

FBO is the Federal Government's central source of Federal procurement opportunities. FBO is a Web-based portal that allows agency officials to post Federal procurement opportunities and contractors to search and review those opportunities. Agencies also post contract award notices on FBO. In addition, to provide transparency, FBO has a separate section identifying Recovery Act opportunities and awards.

FPDS is the Federal Government's central source of procurement information. Contracting officers enter information, to include the Treasury Account Symbol, in the FPDS for all Recovery Act contract actions. The Treasury Account Symbol enables PDS to provide transparency by generating and posting a report containing all Recovery Act contract actions.

## OMB Recovery Act Guidance

Criteria for planning and implementing the Recovery Act continue to change as OMB issues additional guidance, and DOD and the Components issue their implementation guidance. OMB has issued 10 memoranda and 1 bulletin to address the implementation of the Recovery Act. See Appendix B for Recovery Act criteria and guidance.

## DOD Recovery Act Program Plans

Under the Recovery Act, Congress appropriated approximately \$12 billion to DOD for the following programs: Energy Conservation Investment; Facilities Sustainment, Restoration, and Modernization (FSRM); Homeowners Assistance; Military Construction (MILCON); Near Term Energy-Efficient Technologies; and U.S. Army Corps of Engineers (USACE) Civil Works.

The value of the six Recovery Act programs is shown in the following table.

**Table 1. DOD Agency-Wide and Program-Specific Recovery Act Programs**

<b>Program</b>	<b>Amount (in millions)</b>
Energy Conservation Investment	\$120
Facilities Sustainment, Restoration, and Modernization	4,260
Homeowners Assistance	555
Military Construction	2,185
Near Term Energy-Efficient Technologies	300
U.S. Army Corps of Engineers Civil Works	4,600
<b>Total</b>	<b>\$12,020</b>

The Recovery Act divides the approximately \$12 billion among 32 DOD and USACE line items of appropriations.

## Army Reserve Command Mission

The mission of the Army Reserve Command is to provide trained, equipped, and ready soldiers and cohesive units to meet the global requirements across the full spectrum of operations. The Army Reserve is a key element in the Army multi-component unit force, training with Active and National Guard units to ensure all three components work as a fully integrated team.

The U.S. Army Reserve consists of 16 Army Reserve Operational and Functional Commands, 7 Army Reserve Support Commands, and 6 Army Reserve Training Commands. The U.S. Army Reserve headquarters is located at Fort McPherson, Georgia.

## Fort McCoy Army Installation Mission and Functions

Fort McCoy is Wisconsin's only Army Reserve installation and supports the training of more than 100,000 Reserve and Active-Component Military personnel from all branches

of the Armed Forces each year. Fort McCoy is executing a Recovery Act Family Housing Construction project at an estimated cost of \$14 million to construct 23 family housing units at the South Post location. Fort McCoy also has 11 Army FSRM Recovery Act projects, valued at \$31.2 million, to rehabilitate existing WWII-era barracks; renovate dining facilities; construct maintenance facilities, arms vaults, and laundry facilities; repair a recreation center, the Bachelor Officer Quarters, and asphalt roads; and replace a water main.

## **U.S. Army Corps of Engineers–Omaha District**

The USACE–Omaha District provides a full range of construction management and contract support services. The USACE–Omaha District managed the Fort McCoy Family Housing Construction project.

## **Internal Controls Not Effective for Posting Presolicitation Notices**

DOD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness in the posting of presolicitation notices for Fort McCoy Recovery Act contract actions. Implementing the recommendation will improve the internal control deficiency identified in this report. A copy of the report will be provided to the senior official responsible for internal controls in the Army.

## **Finding. Fort McCoy Did Not Publicize FSRM Solicitations**

Generally, USACE–Omaha District and the Fort McCoy Department of Public Works personnel properly justified, planned, funded, and began execution of Recovery Act-funded projects for one Army Family Housing Construction project and five FSRM projects. The USACE–Omaha District properly reported, solicited, competitively awarded, and included proper Recovery Act clauses for the Army Family Housing Construction contract. Fort McCoy contracting officials reported the awards of contracts or delivery orders for five FSRM projects reviewed in accordance with OMB guidance, and included required Recovery Act clauses in the contracts or orders. However, Fort McCoy contracting personnel did not post presolicitation notices on FBO for four of the five FSRM contract delivery orders reviewed. This occurred because the Fort McCoy contracting specialist believed that presolicitation notices for previously competed contracts were unnecessary. As a result, the transparency requirements established for the posting of Recovery Act actions were not met, which was a primary objective of the Recovery Act.

### **Family Housing and FSRM Projects Were Properly Planned**

We reviewed DD Form 1391, “Military Construction Project Data,” and supporting documentation for the Family Housing Construction Project. DOD Regulation 7000.14-R, “Financial Management Regulation,” requires DOD Components to use a DD Form 1391 to support the request for authorization of both new construction and urgent unforeseen projects using emergency or contingency authorization. Two sections of the form specify the requirement and describe the impact if not provided. Specifically, item 10, “Description of Proposed Construction,” requires a clear and concise description of the proposed construction including a complete outline of all principal features of the work. Item 11, “Requirement,” requires a detailed, informative statement of why the project is needed, how and under what conditions the requirement is presently being met, and the manner and extent to which mission accomplishment would be affected if the project were not approved. For the five FSRM projects, we reviewed documents, including records of environmental consideration and an economic analysis, and performed a visual inspection to verify that the facilities were in need of repair.

### ***Family Housing Requirements Determination***

The DD Form 1391 for the Family Housing Construction project to construct 23 family housing units relied on a 2003 family housing market analysis to justify Fort McCoy family housing requirements. The purpose of the market analysis was to evaluate the availability of housing in the Fort McCoy area that could meet Army standards for affordability, location, quality, and number of bedrooms. The market analysis projected a family housing requirement of 136 units in 2007 for active-duty military personnel stationed at Fort McCoy or in the Fort McCoy area. In June 1992, USACE signed a 20-year lease with a developer for 80 family housing units located off-base. This lease

will expire on June 30, 2012. With only 25 family housing units available on base, we considered the proposed construction of 23 additional units valid and necessary because the lease for the 80 units will expire in 2012.

### ***FSRM Project Requirements Determinations***

We reviewed five FSRM projects, including renovations of barracks, dining facilities, and a recreation center; and construction of a maintenance facility and arms vaults. Fort McCoy Public Works personnel provided supporting documentation for the projects to renovate barracks and dining facilities, which validated the poor condition of those structures. Supporting documentation included the following reports:

- A June 6, 2007, record of environmental consideration, which stated the dining facility buildings 1716 and 1717 had asbestos-containing materials and lead-based paint.
- A June 16, 2009, record of environmental consideration, which stated the barrack buildings 1602 and 1603 had asbestos-containing materials and lead-based paint.
- A May 28, 2009, economic analysis, which estimated savings totalling \$1.2 million for the renovations versus replacement construction.

The audit team visually inspected the deteriorated barracks and dining facilities in need of renovation and found lead based paint peeling from both the barracks and dining facilities. Fort McCoy officials provided the following pictures to the audit team.

**Figure 1. Deteriorated Barracks**



**Figure 2. Deteriorated Dining Facilities**



Source: Fort McCoy Department of Public Works

## Proper Funding of Family Housing and FSRM Projects

For the selected Family Housing Construction and FSRM projects, we verified that Recovery Act funding was properly transferred to the projects, and USACE–Omaha and Fort McCoy officials properly cited Recovery Act appropriation numbers.

### ***Family Housing Construction Project***

On April 16, 2009, the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) issued a funding authorization document for \$14 million of Family Housing Construction Recovery Act funding to USACE to fund the Fort McCoy Family Housing Construction Recovery Act project. The contract award was \$5.3 million less than the original Army estimate. Under provisions of the DOD Comptroller memorandum, “Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments,” May 7, 2009, the Army can use the actual savings (the amount approved on the DOD expenditure plan minus the contract award) to offset cost growth on other Recovery Act-funded projects.

### ***FSRM Projects***

The funding authorization documentation that we reviewed showed that officials at the U.S. Army Installation Management Command properly transferred Recovery Act funding for the FSRM projects to Fort McCoy. On April 30, 2009, the U.S. Army Installation Management Command provided FSRM Recovery Act funding to Fort McCoy. Fort McCoy Public Works initially estimated the five FSRM projects would cost \$4.04 million. Subsequently, between June and September 2009, the Army awarded the delivery orders for approximately \$3.17 million. As provided in the DOD Comptroller memorandum, the Army can use the \$870, 291 savings on this project to fund other Recovery Act projects. The following table provides a breakdown of Fort McCoy FSRM Recovery Act savings available for other uses.

**Table 2. Summary of FSRM Projects Reviewed**

<b>Project Name</b>	<b>Contract Number</b>	<b>Delivery Order</b>	<b>Funded Amount</b>	<b>Award Amount</b>	<b>Available for Other Uses</b>
Barrack rehabilitation	W911SA-07-D-0006	16	\$ 667,508	\$ 623,400	\$ 44,108
Dining facilities renovation	W911SA-07-D-0010	7	1,473,984	1,339,983	134,001
Maintenance building construction	W911SA-09-D-0009	2	627,270	405,398	221,872
Arms vault construction	W911SA-09-D-0015	2	605,600	350,468	255,132
Recreation center renovation	W911SA-09-C-0022	N/A	664,000	448,822	215,178

## **Project Execution of Family Housing and FSRM Projects**

The USACE–Omaha District contracting personnel properly solicited and awarded the contract for the Fort McCoy Family Housing Construction Recovery Act project. However, Fort McCoy contracting personnel did not post presolicitation notices on FBO for four of the five FSRM delivery orders reviewed. Our evaluation of the initial project execution for the Family Housing project and FSRM projects included determining whether the delivery orders and contract were competitively solicited and awarded in accordance with Recovery Act guidance, and whether they contained the clauses the FAR requires for Recovery Act contract actions.

### ***USACE-Omaha District Personnel Ensured Transparency on FBO***

USACE–Omaha District contracting personnel posted a presolicitation notice on FBO to ensure posting requirements for transactions related to this Family Housing Recovery Act project were met. The presolicitation notice contained the required Recovery Act language. The synopsis in the presolicitation notice clearly explained the nature of the project. The USACE–Omaha District contracting personnel competed the project using a design-build, best value request for proposals set aside for small business and received 10 proposals. The USACE–Omaha contracting office awarded a firm-fixed-price contract on September 16, 2009, in the amount \$8,677,675, for the Family Housing Construction Recovery Act project. The contract award was posted on FBO.

### ***Fort McCoy Planning Officials Did Not Ensure Transparency on FBO***

The Fort McCoy contracting office awarded delivery orders on existing firm-fixed-priced, indefinite-delivery, indefinite-quantity (IDIQ) contracts for four of the five FSRM projects reviewed. The Fort McCoy contracting office had previously competed the contracts. The remaining project was contracted through a new competitively awarded contract. The Fort McCoy contracting office did not post on the FBO Web site presolicitation notices for the four delivery orders as required by OMB Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009. Such notices would have disclosed the intent of the Army to identify and justify the use of existing IDIQ delivery order contracts to accomplish the individual Recovery Act project. The Fort McCoy contracting specialist acknowledged the posting errors. Fort McCoy contracting personnel believed that posting presolicitation notices for previously competed contracts was unnecessary. The Fort McCoy contracting officer noted that he planned to issue reminders to all contract specialists to notify them of the Recovery Act transparency requirements. The Fort McCoy contracting officer issued award notifications on the FBO Web site for each delivery order and on the competitively awarded contract as required.

### ***Inclusion of Required Federal Acquisition Regulation Clauses***

For the selected Army Family Housing Construction and FSRM projects, we determined that the USACE–Omaha and Fort McCoy contracting officials properly included the required FAR clauses for each contract action. The Family Housing Construction contract and FSRM contractual actions contained the required FAR contract clauses for Recovery Act-funded contract actions. Specifically, the contracts included the clauses

required by FAR 52.203-15, “Whistleblower Protections Under the American Recovery and Reinvestment Act of 2009”; FAR 52.204-11 and FAR 52.204-11(d), “American Recovery and Reinvestment Act-Reporting Requirements”; and FAR 52.225-23, “Required Use of American Iron, Steel, and Other Manufactured Goods-Buy American Act-Construction Materials under Trade Agreements.”

## **Tracking and Reporting of Family Housing and FSRM Projects**

For the selected Family Housing Construction project, we determined that the USACE–Omaha personnel complied with Recovery Act tracking and reporting requirements. OMB Memorandum M-10-08, “Updated Guidance on the American Recovery and Reinvestment Act-Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates,” December 18, 2009, established quarterly reporting requirements for recipients of Recovery Act funding and assigned responsibilities to Federal agencies to review the reports. Required information includes amounts obligated, amounts invoiced, number of people employed on the contract, and amount subcontracted. The contractor for this project followed applicable Recovery Act guidelines and reported the project information on [www.Recovery.gov](http://www.Recovery.gov) with details about the project. We did not review tracking and contractor reporting of the Fort McCoy FSRM contracts because at the time of our Fort McCoy on-site review, the OMB recipient reporting requirements of the Recovery Act actions were not in effect. We will review recipient reporting of selected Army Recovery Act actions in future reports.

## **Cost and Schedule Status of Family Housing and FSRM Projects**

At the time of our review, USACE had not begun the family housing construction. Therefore, no cost or schedule data were available for our review. Fort McCoy Department of Public Works officials had not identified any cost overruns or schedule delays for the FSRM projects reviewed as of May 27, 2010.

## **Recommendation**

In order to meet Recovery Act and Office of Management and Budget requirements that the use of Recovery Act funds are publicly available and transparent, we recommend that the Director of Contracting, Mission and Installation Contracting Command, United States Army Reserve–North, direct contracting officers to post presolicitation notices and solicitation announcements of Recovery Act projects on public Web sites.

## **Management Comments Required**

The Director of Contracting, Mission and Installation Contracting Command, United States Army Reserve–North, did not respond to the draft report. Therefore, we request that the Director of Contracting provide comments by November 1, 2010.

## **Appendix A. Scope and Methodology**

We conducted this audit from August 2009 through August 2010 in accordance with generally accepted government standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

### **Scope**

We selected one Army Family Housing Construction project with a total estimated cost of \$14 million. This project consisted of constructing 23 single-family homes at the South Post location. Our review included interviewing Army staff at the Fort McCoy Department of Public Works and USACE–Omaha District. We also reviewed requirements, contracting, and financial documentation dated from September 2007 through February 2010 at Fort McCoy and the USACE–Omaha District. We also selected five FSRM projects at Fort McCoy with a total estimated cost of \$4.04 million. These projects included construction of arms vaults and a maintenance facility and renovations of barracks, dining facilities, and a recreation center. The \$4.04 million estimated cost includes \$1.47 million for the dining facilities renovation portion of a larger \$14.1 million Army Reserve FSRM project for whole facility renovation of Fort McCoy Barracks Block 1700.

### **Methodology**

To accomplish our objective, we audited the planning, funding, initial execution, and tracking and reporting of Recovery Act projects to determine whether Army efforts complied with Recovery Act requirements, OMB guidance, the FAR, and DOD implementing guidance. Specifically, we determined whether:

- the selected projects were adequately planned to ensure the appropriate use of Recovery Act funds (Planning);
- funds were awarded and distributed in a prompt, fair, and reasonable manner (Funding);
- contracts contained required Recovery Act FAR clauses (Project Execution);
- projects avoided unnecessary delays and cost overruns (Project Execution); and
- recipients' use of funds was transparent to the public and the benefits of the funds were clearly, accurately, and timely reported (Reporting).

Before selecting DOD Recovery Act projects for audit, the Quantitative Methods and Analysis Division of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. We selected most audit projects and locations using a modified Delphi technique, which allowed us to quantify the risk based on expert auditor judgment, and other quantitatively developed risk indicators. We used information collected from all projects to update and improve the risk assessment model.

We selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations. The \$14 million Fort McCoy Family Housing Construction project and a \$14.1 million Fort McCoy Army Reserve FSRM project for “Whole Facility Renovation, Block 1700,” were included among the 83 projects selected.

We did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by USACE.

## **Use of Computer Processed Data**

We relied on computer-processed data from the FBO Web site, [www.fbo.gov](http://www.fbo.gov), in meeting our audit objectives. Specifically, we relied on the FBO Web site to determine whether the Army had met the requirements for transparently reporting Recovery Act-funded contract actions. We tested the accuracy of the computer-processed data by obtaining copies of contract documentation. We also interviewed program officials responsible for reporting on Recovery Act actions. From these procedures, we concluded that the DOD data were sufficiently reliable for our purposes.

## **Prior Audit Coverage**

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.

## Appendix B. Recovery Act Criteria and Guidance

The following list includes the primary Recovery Act criteria documents (notes appear at the end of the list):

- U.S. House of Representatives Conference Committee Report 111–16, “Making Supplemental Appropriations for Job Preservation and Creation, Infrastructure Investment, Energy Efficiency and Science, Assistance to the Unemployed, and State and Local Fiscal Stabilization, for the Fiscal Year Ending September 30, 2009, and for Other Purposes,” February 12, 2009
- Public Law 111–5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009
- OMB Memorandum M–09–10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009
- OMB Bulletin No. 09–02, “Budget Execution of the American Recovery and Reinvestment Act of 2009 Appropriations,” February 25, 2009
- White House Memorandum, “Government Contracting,” March 4, 2009
- White House Memorandum, “Ensuring Responsible Spending of Recovery Act Funds,” March 20, 2009
- OMB Memorandum M–09–15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009<sup>1</sup>
- OMB Memorandum M–09–16, “Interim Guidance Regarding Communications With Registered Lobbyists About Recovery Act Funds,” April 7, 2009
- OMB Memorandum M–09–19, “Guidance on Data Submission under the Federal Funding Accountability and Transparency Act (FFATA),” June 1, 2009
- OMB Memorandum M–09–21, “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009,” June 22, 2009<sup>2</sup>
- OMB Memorandum M–09–24, “Updated Guidance Regarding Communications with Registered Lobbyists About Recovery Act Funds,” July 24, 2009
- OMB Memorandum M–09–30, “Improving Recovery Act Recipient Reporting,” September 11, 2009

- OMB Office of Federal Procurement Policy, “Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204–11,” September 30, 2009
- OMB Memorandum M–10–08, “Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non–Reporting Recipients, Reporting of Job Estimates,” December 18, 2009
- OMB Memorandum M–10–14, “Updated Guidance on the American Recovery and Reinvestment Act,” March 22, 2010
- OMB Memorandum M–10–17, “Holding Recipients Accountable for Reporting Compliance under the American Recovery and Reinvestment Act,” May 4, 2010

## Notes

<sup>1</sup> Document provides Government–wide guidance for carrying out programs and activities enacted in the American Recovery and Reinvestment Act of 2009. The guidance states that the President’s commitment is to ensure that public funds are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Recovery Act.

<sup>2</sup> Document provides Government–wide guidance for carrying out the reporting requirements included in section 1512 of the Recovery Act. The reports will be submitted by recipients beginning in October 2009 and will contain detailed information on the projects and activities funded by the Recovery Act.



# Inspector General Department of Defense

