

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act Projects to
Renovate Barracks Buildings 816, 817, 818, and 1028
at Fort Leonard Wood, Missouri

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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-4704

December 21, 2010

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

SUBJECT: American Recovery and Reinvestment Act Projects to Renovate Barracks
Buildings 816, 817, 818, and 1028 at Fort Leonard Wood, Missouri
(Report No. D-2011-027)

The DoD Office of Inspector General is performing various audits of DoD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009 (Recovery Act). We selected four Army Recovery Act Projects located at Fort Leonard Wood, Missouri, to review (see the Audit Methodology section).

We reviewed Projects 31134, 31135, 31136, and 31143, to renovate existing barracks buildings so that the buildings would meet Army standards for training barracks. The U.S. Army Corps of Engineers, Kansas City District (USACE Kansas City), provided contracting and project management services to the Fort Leonard Wood Garrison. USACE Kansas City received a total of \$40.7 million in Recovery Act funds for these projects.

Projects 31134, 31135, 31136, and 31143 will replace and restore components in barracks buildings 816, 817, 818, and 1028, respectively, to meet the Army Basic Combat Training and Advanced Individual Training Standards and thereby correct life, health, and safety issues. Specifically, the projects will include major exterior and interior renovations, replacement of building utility systems, and addition of square footage for administrative and storage space in buildings 816, 817, 818, and 1028.

Our audit objective in selecting the four projects was to determine whether:

- the projects were adequately planned to ensure the appropriate use of Recovery Act funds (Planning);
- the project funds were awarded and distributed in a prompt, fair, and reasonable manner (Funding); and
- the project contracts contained the required Recovery Act Federal Acquisition Regulation (FAR) clauses (Initial Project Execution).

We determined that Projects 31134, 31135, 31136, and 31143 were justified and met the Recovery Act goals regarding accountability and transparency. Personnel at Fort Leonard Wood and USACE Kansas City properly planned, funded, and contracted for the four projects in accordance with Recovery Act and Office of Management and Budget guidance.

PLANNING

We reviewed DD Form 1391, "Military Construction Project Data," and supporting cost documentation for Projects 31134, 31135, 31136, and 31143 at Fort Leonard Wood and determined that the projects were properly planned. The DD 1391s adequately explained the project justification, requirements, current state, and impact of renovating the trainee barracks buildings. The economic analyses included discussions of alternatives, which concluded that renovation of the barracks was the best and most economical solution. On December 15, 2009, in support of the economic analysis, USACE Kansas City personnel certified the independent government cost estimates for \$23.7 million on Projects 31134, 31135, and 31136 and for \$8.3 million on Project 31143.

FUNDING

The DoD Expenditure Plan for the American Recovery and Reinvestment Act of 2009 designated a project list for active Army projects that included four projects funded at \$40.7 million to repair and upgrade training barracks buildings at Fort Leonard Wood, Missouri.

Fort Leonard Wood Recovery Act Projects

Project	Amount (in thousands)
31134 (Building 816)	\$10,168
31135 (Building 817)	\$10,168
31136 (Building 818)	\$10,168
31143 (Building 1028)	\$10,168
Total	\$40,672

On May 20, 2009, the USACE Commander issued Defense Finance Accounting Service Form 1323, "Funding Allowance Document," for \$40.7 million in Operation and Maintenance Recovery Act funds to USACE Kansas City. In December 2009, USACE Kansas City awarded a \$16.5 million contract for training barracks repair and upgrade on Buildings 816, 817, and 818 and an \$8.5 million contract for training barracks repair and upgrade on Building 1028.

Under provisions of the Under Secretary of Defense (Comptroller)/Chief Financial Officer memorandum, "Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," May 7, 2009, the Army can use savings to offset cost growth on other Recovery Act-funded projects. As of January 28, 2010, USACE Kansas City set aside \$4.1 million for contingencies, supervision and administration, and other expenses related to the projects and recognized savings of \$11.6 million from the four projects at Fort Leonard Wood.

CONTRACTING

We reviewed the presolicitation and award for Recovery Act Projects 31134, 31135, 31136, and 31143 at Fort Leonard Wood and determined that USACE Kansas City contracting personnel properly solicited and awarded the contracts.

Projects 31134, 31135, and 31136 - On October 5, 2009, USACE Kansas City contracting personnel posted the presolicitation notice (W912DQ-10-R-4002) on the Federal Business Opportunities (FBO) Web site. The language in the presolicitation notice met the intent of Recovery Act project requirements. The synopsis in the presolicitation notice clearly explained the nature of the work. USACE Kansas City contracting personnel competitively solicited offers through a request for proposal and received 10 offers. On January 6, 2010, USACE Kansas City contracting personnel posted the award of a firm-fixed-price contract (W912DQ-10-C-4002) to KCI Construction Company on the FBO Web site. The contract included \$16.5 million for the three projects.

Project 31143 - On October 29, 2009, USACE Kansas City contracting personnel posted the presolicitation notice (W912DQ-10-R-4008) on the FBO Web site. The language in the presolicitation notice met the intent of Recovery Act project requirements. The synopsis in the presolicitation notice clearly explained the nature of the work. USACE Kansas City contracting personnel competitively solicited offers through a request for proposal and received seven offers. On December 30, 2009, USACE Kansas City contracting personnel posted the award of an \$8.5 million firm-fixed-price contract (W912DQ-10-C-4003) to Greenleaf Construction Co., Inc., on the FBO Web site.

USACE Kansas City contracting personnel evaluated the contractors' price proposals against the independent government cost estimates and determined that the prices were fair and reasonable. In addition, we determined the contracts contained the required Recovery Act clauses.

REVIEW OF FORT LEONARD WOOD AND USACE KANSAS CITY INTERNAL CONTROLS

Fort Leonard Wood and USACE Kansas City internal controls over the planning, funding, and initial execution of the four Fort Leonard Wood Recovery Act projects reviewed were effective as they applied to the audit objectives.

AUDIT STANDARDS

We conducted this audit from January 2010 through March 2010, and from September 2010 through December 2010, in accordance with generally accepted government auditing standards. Generally accepted government auditing 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.

AUDIT METHODOLOGY

We visited Fort Leonard Wood and contacted USACE Kansas City to review the four selected projects. We interviewed Directorate of Public Works personnel at Fort Leonard Wood and engineering and contracting personnel at USACE Kansas City. At both locations, we reviewed requirements, contracting, and financial documentation dated from April 2009 through January 2010. We used the supporting documentation to determine whether contract solicitations and awards met Office of Management and Budget guidance and DoD Recovery Act implementation and transparency requirements.

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.

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 locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by U.S. Army Corps of Engineers.

USE OF COMPUTER-PROCESSED DATA

We used computer-processed data to perform this audit. Specifically, we used posted notices on the FBO Web site (<http://www.fedbizopps.gov>) in meeting our audit objectives. We tested the accuracy of the data by comparing the project data reported on the FBO Web site with documents in the contract file. Our audit focused on the reporting of contract actions on specific Army projects. From these procedures, we concluded that the DoD data were sufficiently reliable for our audit 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>.

Our review of Projects 31134, 31135, 31136, and 31143 will be included in a summary report that we will issue later. We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201 (DSN 664-9201). If you desire, we will provide a formal briefing on the results.

A handwritten signature in black ink, appearing to read "Richard B. Jolliffe", with a long horizontal flourish extending to the right.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Inspector General Department of Defense