

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act Project to
Design and Construct a Child Development Center at
Fort Carson, Colorado

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 21 DEC 2010		2. REPORT TYPE		3. DATES COVERED 00-00-2010 to 00-00-2010	
4. TITLE AND SUBTITLE American Recovery and Reinvestment Act Project to Design and Construct a Child Development Center at Fort Carson, Colorado				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Department of Defense Office of Inspector General, 400 Army Navy Drive, Arlington, VA, 22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 6	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
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 Project to Design and Construct
a Child Development Center at Fort Carson, Colorado
(Report No. D-2011-026)

The DoD Office of Inspector General is performing audits of DoD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009 (Recovery Act). We selected one Fort Carson Recovery Act project to review (see Audit Methodology section).

We reviewed project 62832, to construct a child development center with capacity for 232 children, age 6 weeks through 5 years. The DD 1391, "Military Construction Project Data," states that the facility will provide a consistent, safe, and nurturing environment; with age-appropriate indoor and outdoor activity spaces that meet DoD certification and National Accreditation standards. The U.S. Army Corps of Engineers Omaha District (USACE Omaha), provided contract and project management services to the Fort Carson Garrison. USACE received \$12.5 million in Recovery Act funds for this project.

Our objective in reviewing the project was to determine whether:

- it was 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); and
- the contract contained required Recovery Act Federal Acquisition Regulation (FAR) clauses (Initial Project Execution).

We determined that project 62832 was justified and met the Recovery Act goals regarding accountability and transparency. Personnel at Fort Carson and USACE Omaha justified, planned, funded, and contracted for the project in accordance with Recovery Act and Office of Management and Budget guidance.

PLANNING

We reviewed the DD 1391 and supporting documentation for construction of a standard-design child development center at Fort Carson, Colorado. The DD 1391 adequately explained the project justification, requirements, current situation, and impact of constructing the child development center. Specifically, Fort Carson personnel used a DD 1391 dated March 16, 2009

to justify building a standard-design child development center with capacity for 232 children, ages 6 weeks through 5 years, based on projected capacity needs and in accordance with the Army Standard for Child Development Center construction.

The DoD Office of Inspector General is assessing the Army's overall planning of Recovery Act-funded military construction (MILCON) projects of child development centers (Project No. D2009-D000AE-0268.000, "Recovery Act-Funded Military Construction of Army Child Development Centers"). In performing this assessment, we considered factors beyond the DD 1391 justifications, including whether the Army most equitably apportioned Recovery Act funds to base locations where the need for child care was greatest. We used data projections through FY 2015 to compare the child care needs of Fort Carson with the needs of the following six other Army installations receiving Recovery Act funding to build child development centers: Fort Belvoir, Virginia; Fort Bragg, North Carolina; Fort Drum, New York; Fort Eustis, Virginia; Hunter Army Airfield, Georgia; and Fort Hood, Texas. We found that while the Army had valid requirements for using Recovery Act funding to build child development centers at Fort Carson and the six other installations, the apportionment of resources among the installations needed improvement.

FUNDING

The DoD expenditure plan for the Recovery Act designated a MILCON project list that included project 62832, valued at \$12.5 million. On April 9, 2009, the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) issued a Funding Authorization Document (FAD) for \$12.5 million to the USACE Commander to fund the project. On September 21, 2009, the USACE Commander issued an FAD for \$11.9 million to USACE Omaha to fund the project. USACE Omaha awarded an \$8.7 million contract for construction of the child development center and set aside an additional \$1 million for contingencies, supervision and administration, and other expenses associated with managing the project. The remaining \$2.8 million became additional funds for the Army to use for other Recovery Act projects.

Under provisions of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C]/CFO) memorandum, "Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," May 7, 2009, the Army can use any additional funding (after project completion) to offset cost growth on the construction of other Recovery Act-funded child development centers. As of January 20, 2010, Headquarters USACE had recognized savings of \$11.7 million from seven Recovery Act-funded MILCON child development center projects, including the Fort Carson project. The Army nominated a project to construct an additional child development center using the combined savings. On April 29, 2010, the Army, through the USD(C)/CFO, notified Congress of its intent to fund the \$9 million construction of a child development center at Fort Polk, Louisiana, using the combined savings.

CONTRACTING

We reviewed the presolicitation and contract award for project 62832 and determined that USACE Omaha contracting personnel competed and awarded the contract with full transparency and that the contract contained the required FAR clauses. On July 1, 2009, USACE contracting personnel posted the presolicitation notice (W9128F-09-R0087) on the Federal Business Opportunities (FBO) Web site. The language in the presolicitation notice met the intent of the Recovery Act project. Specifically, the synopsis in the presolicitation notice clearly explained the nature of the work and informed the public that this was a Historically Underutilized Business Zone set-aside for small businesses.

USACE Omaha contracting personnel competitively solicited contract offers through an invitation for bid. On September 28, 2009, USACE contracting personnel awarded a firm-fixed-price contract (W9128F-09-C-0048) to Arviso Construction Company, Inc., for \$8.7 million. On September 29, 2009, the USACE contracting office posted the contract award on the FBO Web site.

REVIEW OF FORT CARSON AND USACE OMAHA INTERNAL CONTROLS

Fort Carson and USACE Omaha internal controls over the planning, funding, and contracting for the construction of a child development center at Fort Carson were effective as they applied to the audit objectives.

AUDIT STANDARDS

We conducted this audit from October 2009 through December 2009, and from May 2010 through November 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.

AUDIT METHODOLOGY

We visited Fort Carson and contacted USACE Omaha, to review one MILCON project. We interviewed Department of Public Works and childcare program personnel at Fort Carson and engineering and contracting personnel at USACE Omaha. We reviewed requirements, contracting, and financial documentation from both Fort Carson and USACE Omaha, dated from September 2004 to September 2009. We used this supporting documentation to determine whether Fort Carson and USACE personnel properly planned, funded, and contracted for the project in accordance with the Recovery Act and Office of Management and Budget guidance.

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 types of 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.fbo.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 Project 62832 will be included in a summary report to be issued 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.



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Inspector General Department of Defense

