

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act -
U.S. Army Corps of Engineers Mobile District
Contractor Performance and Reporting Controls
Were Generally Effective

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 06 JAN 2012		2. REPORT TYPE		3. DATES COVERED 00-00-2012 to 00-00-2012	
4. TITLE AND SUBTITLE American Recovery and Reinvestment Act-U.S. Army Corps of Engineers Mobile District Contractor Performance and Reporting Controls Were Generally Effective				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,4800 Mark Center Drive,Alexandria,VA,22350				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	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Office of Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (571) 372-7469.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (571) 372-7469, or by mail:

Department of Defense Inspector General
Office of the Deputy Inspector General for Auditing
ATTN: Audit Suggestions/13F25-04
4800 Mark Center Drive
Alexandria, Virginia 22350-1550



Acronyms and Abbreviations

CEFMS	Corps of Engineers Financial Management System
COR	Contracting Officer's Representative
FAR	Federal Acquisition Regulation
QMD	Quantitative Methods Division
USACE	United States Army Corps of Engineers



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

January 6, 2011

MEMORANDUM FOR COMMANDING GENERAL, U.S. ARMY CORPS OF
ENGINEERS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act–U.S. Army Corps of Engineers
Mobile District Contractor Performance and Reporting Controls Were
Generally Effective (Report No. DODIG-2012-037)

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). Our objective was to determine whether DoD and its Components were implementing the Recovery Act. Specifically, we evaluated the effectiveness of Government controls over contractor performance and reporting on selected U.S. Army Corps of Engineers Mobile District (USACE Mobile) projects, including contracts awarded to qualified small businesses. We evaluated 11 of 153 contract actions¹ supporting 4 projects, totaling \$53.6 million, out of 124 projects, totaling \$419.5 million.

The USACE Mobile contractor performance and reporting controls were generally effective to ensure that the four projects were properly executed. Contracting personnel established adequate quality controls throughout the life of each contract to ensure that Recovery Act funds were used for contract requirements, monitored contracts to ensure intended outcomes were achieved, and ensured that the use of funds were reported in a clear and understandable manner. USACE Mobile personnel did not have written procedures for the timely review and return of contractor submittals. However, during our audit, they took corrective action by including the contractor submittal procedures in the Quality Assurance Surveillance Plan, including more timely reviews.

Recovery Act Projects at USACE Mobile

USACE Mobile provides services to the nation through its Civil Works and Military Programs. We reviewed four projects under the the two programs. The Civil Works Programs include water resource development activities, including flood control, navigation, recreation, and infrastructure and environmental stewardship. The USACE Civil Works projects we reviewed were in Alabama, Florida, Georgia, and Mississippi. The projects that the Mobile District managed include harbor and flood control works within the drainage basins of six major river systems.

The USACE Military Programs provide engineering and construction, real estate, and environmental management products and services. We reviewed projects in Oklahoma and Maryland that support the Army, Air Force, National Aeronautics and Space Administration, and other Federal agencies. The projects consisted of the design and

¹ A contract action consisted of fixed-price contracts as well as task orders or modifications to an existing contract.

construction management of such diverse facilities as medical centers, dormitories, aircraft facilities, sewage treatment plants, office complexes, and family housing.

We reviewed the following four projects at the USACE Mobile District:

- **Black Warrior and Tombigbee Rivers Project.** This project in Tuscaloosa, Alabama, consisted of the planning, supervision, administration, labor, equipment, materials, supplies, and replacement or repair parts required to maintain Government-owned facilities and equipment on the Black Warrior and Tombigbee River System and the Alabama River Locks and Dams. Figure 1 shows the Bankhead Spillway at the Bankhead Lock and Dam in Tuscaloosa, Alabama. USACE Mobile provided management and oversight of the electrical, mechanical, and general maintenance and repair at locks, spillways, and associated project structures. It also provided maintenance of lock control systems and dredge disposal areas. We reviewed four contract actions; two were closed out, one was complete but not closed out, and one was 54-percent complete as of May 2011.

Figure 1. Bankhead Spillway at the Bankhead Lock and Dam in Tuscaloosa, Alabama



- **Tennessee-Tombigbee Waterway Project.** This project was in Columbus, Mississippi, where USACE Mobile was providing management and oversight of the maintenance at various locks and dams and recreation areas along the Tennessee-Tombigbee Waterway, including navigation channel maintenance and slope repair and maintenance. The Tennessee-Tombigbee Waterway has 10 locks and dams and related navigation structures and features, such as spillways, flow structures, stabilization structures, levees, dikes, campgrounds, visitor centers, and day use areas for boating, fishing, picnicking, swimming, and other recreation activities. We reviewed five contract actions; three were closed out, and two were complete but not closed out as of May 2011.

Figure 2 shows the Supervisory Control and Data Acquisition and Hydromet Equipment at the Stennis Lock and Dam in Columbus.

Figure 2. Supervisory Control and Data Acquisition and Hydromet Equipment for the Waterway at the Stennis Lock and Dam



- **Tinker Air Force Base Project.** Tinker Air Force Base, Oklahoma, had a design-build² contract for a single-story child development building that included multipurpose rooms, isolation rooms, kitchen area and equipment, administrative space, authorized equipment, fire protection, and utilities. We reviewed one contract action, which was 24-percent complete at the time of the audit site visit in May 2011.
- **Walter Reed Army Institute of Research Project.** The purpose of this project at Forest Glen, Maryland, was to repair water leakage problems by replacing all below-grade waterproofing at the patio plaza area at Building 503 and its tunnel area in the basement. We reviewed one contract action, which was 51-percent complete at the time of the audit site visit in May 2011.

USACE Mobile Contractor Performance Controls Were Generally Effective

The USACE Mobile contractor performance and reporting controls were generally effective for the 11 contract actions totaling \$53.6 million. Specifically, contracting personnel:

- effectively managed quality controls over contractor performance for the 11 contract actions (see Attachment);
- ensured that Recovery Act funds were available and used to meet contract requirements, including timely and proper payments to contractors;
- monitored the 11 contract actions to ensure that contract requirements were met; and,

² Design-build is a method of project delivery in which one entity, the design-build team, works under a single contract with the project owner to provide design and construction services.

- ensured that contractors reported their use of Recovery Act funds in a clear and understandable manner.

In addition, USACE Mobile contracting personnel effectively validated contractors' small business (Section 8[a] Program) status. As a result, the Government accepted the contracted goods and services without unnecessary delays and cost overruns for eight completed and three ongoing contract actions, and as of May 31, 2011, made payments totaling \$39.5 million.

Contractor Performance and Reporting Controls

Generally, USACE Mobile contracting personnel properly executed Recovery Act projects, including managing contractor performance, administering contract funding, monitoring delivery of intended outcomes, and reporting the use of Recovery Act funds. We selected 4 of 124 projects at USACE Mobile based on project funding in excess of \$1 million, ongoing or completed contracts, and contracts awarded to Section 8(a) small businesses. The four projects had a total of 153 contract actions. We judgmentally selected 11 of the 153 contract actions totaling \$53.6 million based on high-dollar amount and type of contract.

For the 11 contract actions, USACE contracting personnel prepared inspection and technical reports and other supporting documentation that detailed the work performed by the contractor. They also obtained and reviewed pay estimates, pay requests, invoices, and other payment supporting documentation from the contractors before processing payments. They performed these reviews to ensure that the amounts paid were appropriate. In addition, USACE contracting personnel reviewed submissions to <https://www.FederalReporting.gov> to validate that the contractors complied with the Recovery Act recipient reporting requirements.

Contractor Performance Controls Were Effective

The USACE Mobile contracting personnel effectively managed quality controls over contractor performance for the 11 contract actions. Federal Acquisition Regulation (FAR) 46.2, "Contract Quality Requirements," states that the contracting officer should include in the solicitation and contract the appropriate quality requirements. The type and extent of the contract quality requirements needed depends on the particular acquisition and may range from inspection at time of acceptance to a contractor's implementation of a comprehensive quality control program. Each contract action reviewed had a Contractor Quality Control Plan or similar contract administration plan in place to check that all requirements of the contract were met.

The quality control plan identifies the personnel, procedures, controls, instructions, tests, records, and forms to be used by the contractor. It also establishes the contractor's responsibilities for maintaining an effective quality control system. FAR 46.202-3, "Standard Inspection Requirements," requires the contractor to keep complete, and make available to the Government, records of its inspection work. It also gives the Government the right to make inspections and tests while work is in process. For the 11

contract actions, each contractor performed inspections of materials, supplies, and work performed by subcontractors.

In addition, the Government performs inspections to ensure contractor compliance with specifications and regulations. Inspection activities must also include monitoring of subcontractor performance, inventory control, and procurement actions.

The 11 contract actions included a quality control plan or similar quality assurance plan within either the contract, statement of work, or contract administration plan. The plans included several forms to document the USACE Mobile inspections, including the daily Inspector Quality Assurance Reports and monthly Quality Control Reports. For two contract actions, USACE inspectors did not use these inspection reports; however, they provided us with a copy of a daily planner or e-mails they used to document their inspection of the work performed.

The inspection reports showed that USACE inspectors documented the date, location, and description of work performed and, if applicable, deficiencies found during their inspection. When they found deficiencies, the USACE inspector notified the contractor to take corrective action. For instance, in the Inspector Quality Assurance Report dated June 2, 2010, the USACE inspector informed the contractor that an operator was required for each piece of equipment. He further stated that USACE would enforce a penalty deduction for one dozer operator until another operator was in place.

Recovery Act Funds Were Available for Contract Requirements and Contractor Payments

Contracting personnel administered Recovery Act funds to meet contract requirements, including timely and proper payments to contractors. To fund Recovery Act projects, USACE Headquarters used funding authorization documents³ to transfer money to the USACE Mobile District. For Civil Works projects, USACE Headquarters also prepared work allowance letters⁴ authorizing the use of Recovery Act funds on individual projects. Resource Management personnel within the USACE Mobile District told us that for Military Program projects, they use a bulk Army Management Structure Code that gives USACE the authority to move funding within an appropriation for the individual projects.

Our review of 82 contractor pay estimates, contractor pay requests, and supporting invoices, totaling approximately \$39.5 million, showed that contractor pay requests matched payments USACE made for each of the 11 contract actions. USACE contracting personnel stated that when an invoice is received, it is reviewed and compared to supporting documents, such as invoices and receipts, to verify that the costs

³ The funding authorization document is a funds distribution document that allows money to transfer from USACE Headquarters to the district. It is prepared and issued by personnel in the Resource Management Directorate at USACE Headquarters.

⁴ The work allowance letter is a work authorization document that provides instructions from USACE Headquarters as to the allocation of the funds available under the funding authorization document, and it allows money to transfer from the district to the individual projects.

the contractor requested are accurate. After the contracting personnel compare the contractor pay requests and pay estimates to the supporting documentation, they enter the information into the Corps of Engineers Financial Management System (CEFMS). The contracting officer's representative (COR) performs a review of the information entered into CEFMS by the contracting personnel, which includes a review of the invoices and receipts submitted by the contractor to verify that the pay requests are accurate. After the COR's review, the approval is sent electronically to the USACE payment office in Millington, Tennessee, which prepares the disbursement.

For the payments made by USACE, we compared the contractor pay requests and contractor pay estimates to funding amounts within CEFMS. The "Obligation Line Item Status" showed the amount that was obligated and amount paid in CEFMS for each line item. The "Pay Estimate View Screen" in CEFMS showed the amount approved for payment to the contractor for the monthly invoice. The dollar amounts and invoice numbers in the contractor-supplied pay requests and pay estimates matched the USACE-prepared progress schedules or alternative documents, such as Form 497, "Report of Operations," and data in CEFMS "Obligation Line Item Status" and "Pay Estimate View Screens."

In addition, USACE contracting personnel ensured that contractor payments were approved in a timely manner. Title 31, United States Code, Section 3903, "Prompt Payment Act," states payments shall be made 30 days after a proper invoice is received. Section 5, Code of Federal Regulations, Part 1315, states that an agency should make payments no more than 7 days before the payment due date. FAR 52.232-25, "Prompt Payment," states that the due date for making invoice payments is the 30th day after the designated billing office receives a proper invoice from the contractor or the 30th day after Government acceptance of the work or services completed by the contractor. FAR 52.232-27, "Prompt Payment for Construction Contracts," also states that the due date for making payments for construction contracts is 14 days after the designated billing office receives a proper payment request.

USACE contracting personnel did not pay contractors more than the amount requested, and they made payments by the 14 or 30-day time frame for the 82 payments we reviewed.

USACE Mobile District Implemented and Monitored Recovery Act Projects

The USACE Mobile District contracting personnel implemented and monitored the 11 contract actions to ensure that contract requirements were met. Defense Federal Acquisition Regulation Supplement, "Career Development, Contracting Authority, and Responsibilities," states that a COR must be designated in writing, and a copy of the designation letters must be furnished to the contractor and the contract administration office. Our review of the contract files showed that contracting officers at USACE Mobile implemented controls by designating, in writing, the CORs for each of the 11 contract actions.

In addition, contracting personnel included the designation letters in the contract files with the required signatures. The CORs used appropriate quality assurance surveillance plans and contractor daily quality control reports to evaluate the quality and timeliness of work performed. For six of the eight completed contract actions, CORs prepared the final performance evaluations, in which the contractors received a rating of satisfactory or higher, before final acceptance. FAR 4.804-4, "Physically Completed Contracts," states that a contract is physically complete when the contractor has performed all services and the Government has accepted these services, or the contract period has expired. After the contract is complete, FAR 4.804-5, "Procedures for Closing Out Contract Files," states that the contracting officer administering the contract must ensure that a contract completion statement containing the following information is prepared:

- contract administration office name and address;
- contracting office name and address;
- contract number;
- last modification number;
- last call or order number;
- contractor name and address;
- dollar amount of excess funds, if any;
- voucher number and date, if final payment has been made;
- invoice number and date, if the final approved invoice has been forwarded to a disbursing office of another agency or activity and the status of the payment is unknown;
- a statement that all required contract administration actions have been fully and satisfactorily accomplished;
- name and signature of the contracting officer; and
- date.

FAR 42.1502, "Policy," states past performance evaluations are to be prepared at the time the work under the contract or order is completed. In addition, interim evaluations are to be prepared as specified by the agencies to provide current information for source selection purposes, for contracts or orders with a period of performance, including options, exceeding 1 year. For the eight contract actions completed, the contract files contained the closeout packages, letters, and contractor performance evaluation reports. The documentation showed that the contractor released the Government of all claims associated with the contract and verified that USACE contracting personnel documented their release of all excess funds associated with a particular contract action. In addition the contract completion statement contained the information required by the FAR.

For three of the eight completed contract actions, USACE contracting personnel started the contract closeout process; however, the entire contracts were not officially closed out by the contracting officer. The contract file included the past contractor performance evaluation required by the FAR and additional documents, such as a release of claims memo from the contractor or a letter from the COR stating that the contractor's work was complete. USACE contracting personnel's procedures for closeouts were adequate and complied with FAR 4.804 and 42.1502.

For the remaining five contract actions, two were complete but not closed out, and three were ongoing. For these, the daily and monthly quality control reports documented the inspector's daily results. The reports also documented weather-related issues that delayed the contractor's schedule. For instance, the October 12, 2009, Inspector Quality Assurance Report, showed that due to heavy rains, the dredge crew spent most of the night securing the dredge and plant. USACE inspectors properly monitored and documented the contractor's performance and communicated any issues to the contractor for corrective action. We noted no contractor-induced delays or significant quality control issues.

Recipients Adequately Reported the Use of Recovery Act Funds

Contracting officers complied with Recovery Act oversight requirements to ensure that recipients reported their use of Recovery Act funds in a clear and understandable manner. FAR 4.15, "American Recovery and Reinvestment Act-Reporting Requirements," requires contractors receiving Recovery Act funds to report on the use of those funds quarterly. In addition, FAR 52.204-11 outlines the contractors' reporting requirements, indicating they must report by the 10th day after the end of the quarter and the specific information they must report. Also, section 1512 of the Recovery Act requires recipients to provide quarterly data on the use of Recovery Act funding. The contractor must report information, including but not limited to:

- the dollar amount of contractor invoices,
- the supplies delivered and services performed,
- an assessment of the completion status of the work,
- an estimate of the number of jobs created and the number of jobs retained as a result of the Recovery Act funds,
- names and total compensation of each of the five most highly compensated officers for the calendar year in which the contract is awarded, and
- specific information on first-tier subcontractors.

USACE Mobile contracting personnel accessed www.FederalReporting.gov to verify that the contractors' reports were clear, understandable, and complete. Contracting personnel provided us with recipient reports as of January 2011 for the 11 contract actions. The reports contained the general purpose of the award as well as the nature of the activities being performed, location of the recipients, cost and status of the contracts, project outcomes, scope of the projects, and number of jobs created and retained. The contractor included the required information in the reports and complied with the Recovery Act requirements.

Contracting Personnel Confirmed Contractor's Small Business Status

Contracting personnel validated the contractor's small business status. Small businesses self-certify their status with the Small Business Administration, Central Contractor Registration, and the contractor's representations and certifications document. FAR 19.301-1, "Representation by the Offeror," directs contractors to make a good-faith

representation of their small business status, and contracting officers are to accept that representation unless they have reason to believe otherwise. To qualify as a small business, the company must meet the Small Business Administration's established size standards of the North American Industry Classification System for which they plan to claim small business status. Small businesses must also update their status every year.

We reviewed one contract designated for small business set-aside. The contract file included the notification letters to the offerors, the contractor's representations and certifications document, the Central Contractor Registration, and the small business coordination record. The documents verified that the USACE small business specialist designated the contract action for a small business set-aside using DD Form 2579, "Small Business Coordination Record," before beginning the solicitation activities. This meant that all small businesses could compete for the contract.

Small business set-asides do not use contractor certifications from the Small Business Administration. However, USACE small business specialists checked the Central Contractor Registration Web site as well as the contractor's representations and certifications document and verified that the contractor was self-registered as a small business. In addition, they sent out notification letters to all eligible offerors informing them of the contractor selected and providing them the opportunity to file a challenge for the small business representation made by the contractor. USACE contracting personnel stated that they did not receive any protest challenging the selected contractor.

The small business coordination record shows the contracting officer and small business specialist signatures and dates; the Central Contractor Registration document shows the contractor's small business status; and the contractor's representations and certifications document shows the contractor's self-certification, number of employees, North American Industry Classification System, and Dun and Bradstreet Data Universal Numbering System. USACE contracting personnel designated the contract action as a small business set-aside, and maintained the DD Form 2579, "Central Contractor Registration," the contractor's representations and certifications document, and the notification letters in the contract file. Contracting personnel validated the contractor's small business status as required by FAR 19.301-1 before awarding the contract.

Management Actions to Establish Procedures for the Timely Return of Contractor Submittals

Although contracting personnel generally met their contracting administrative responsibilities, they did not have procedures for the processing and the return of contractor submittals. A contract submittal is a document used by a contractor to request material, supplies, and other items to complete the project. USACE contracting personnel review the submittal and compare it to the requirements of the contract to determine whether the items requested by the contractor are needed to complete the project. In some cases, contractor submittals may require a response from a third party. For example, the project we reviewed at the Forest Glen Project Management Office required a response to contractor submittals from Fort Detrick and the Army Medical Command.

USACE Mobile did not have formal procedures for the timely review and return of contractor submittals. Contracting personnel told us that they have a verbal understanding and support from the Army Medical Command and Fort Detrick regarding the submittal process. The Army Medical Command and Fort Detrick personnel worked with USACE Mobile personnel on previous projects, and they were familiar with how USACE Mobile operates. USACE Mobile contracting personnel also told us that nontechnical submittals require a review and response within 30 days. However, of the 70 contractor submittals, 3 were not reviewed within 30 days. Not having procedures means the response times for submittals will be unknown, and third parties may cause a delay and create cost overruns for a specific project if they do not meet the deadline.

USACE Mobile personnel agreed with our conclusion, and revised their Quality Assurance Surveillance Plan to add standard language to document their contract submittal procedures. The USACE Mobile Chief of Contracting stated that these procedures will be included in all future contracts. On October 17, 2011, the USACE Mobile Chief of Contracting provided us with the USACE Mobile District Quality Assurance Surveillance Plan, which formalized the contractor submittal procedures, including additional emphasis on review requirements.

Summary

Contracting personnel effectively managed quality controls over the 11 contract actions, totaling \$53.6 million, to ensure that an adequate contractor quality control system was in place and that the contractor delivered the intended outcomes for the project. Contracting personnel ensured that Recovery Act funds met contract requirements and that projects were fully funded. Contracting personnel also effectively validated a contractor's small business status and ensured that contractors reported their use of Recovery Act funds. As of May 31, 2011, the Government accepted the contracted goods and services without unnecessary delays and cost overruns for eight completed and three ongoing contract actions totaling \$39.5 million.

Review of Internal Controls

We identified one internal control weakness having to do with procedures for processing the timely review and return of contractor submittals at the USACE Mobile District. Contracting personnel at the USACE Mobile District did not have written procedures for the timely review and return of contractor submittals have since published a Quality Assurance Surveillance Plan. We will provide a copy of the final report to the senior official in charge of internal controls for the USACE Mobile District.

Audit Scope and Methodology

We conducted this performance audit from January 2011 through December 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We made a judgmental selection of four Recovery Act projects at four locations for review of the USACE Mobile District. We selected 4 of the 124 projects at USACE Mobile based on project funding in excess of \$1 million, ongoing or completed contracts, and contracts awarded to Section 8(a) small businesses. The four projects had a total of 153 contract actions totaling \$96.6 million. We judgmentally selected 11 of the 153 contract actions based on high-dollar amount and type of contract. From these four projects, we reviewed a selection of 11 contract actions, including contracts, tasks orders, and contract modifications totaling \$53.6 million.

Specifically, we reviewed nine contract actions from two Civil Works projects at the Tennessee-Tombigbee Project Management Office and the Black Warrior and Tennessee-Tombigbee Project Management Office, totaling \$38.4 million. We also reviewed two contracts from two Military Program projects at the Tinker Air Force Base and the Walter Reed Army Institute, totaling \$15.2 million. We interviewed and obtained documentation from operations, contracting, and financial personnel at the USACE Mobile District Headquarters as well as each of the project offices.

Contractor Performance: We evaluated the contract administration process and the adequacy of quality assurance controls to ensure project outcomes were achieved. We reviewed the Contractor Quality Control Plan, which was included in either the contract, statement of work, or contract administration plan. The inspection reports we reviewed, showed that USACE inspectors documented the date, location, and description of work performed and, if applicable, deficiencies found during their inspection. We reviewed funding authorization documents and work allowance letters for consistency to determine that funds were transferred from USACE Headquarters to the district and distributed from the district to the individual projects. We reviewed the submittal registers containing the information for 70 contractor submittals related to the contracts we selected. Additionally, we visited and took pictures of three projects to illustrate the progress of the work performed at the project sites.

Recipient Reporting: We reviewed selected recipient reports filed by contractors on www.FederalReporting.gov. We reviewed the most current recipient reports to verify that the general purpose of the award was reported as well as the nature of the activities being performed, location of the recipients, cost and status of the contracts, project outcomes, scope of the projects, and the number of jobs created and retained. Although we determined that the contractor complied with FAR clause 52.204-11 and controls over the oversight of recipient reporting, we did not validate the number of jobs created that the contractor reported to the www.FederalReporting.gov Web site.

Small Business Oversight: We reviewed one contract action that involved small business set-asides. We reviewed the contract files to determine whether contracting officials reviewed each small business status by obtaining the online representations and certification application or contractor's representations and certifications and reviewing the small business coordination record. We also held discussions with contracting officials to determine their procedures for validating contractor small business status.

Use of Computer-Processed Data

We used computer-processed data to perform this audit. Specifically, we used the Federal Procurement Data System–Next Generation, Online Representations and Certifications Application, CEFMS, and the Web sites www.Recovery.gov and www.FederalReporting.gov in meeting our audit objective. We also used Excel spreadsheets created by USACE contracting personnel. We compared data generated by each system with the appropriate Civil Status of Funds reports, funding authorization documents, or project and contracting documentation to assess the reliability of the computer-processed data. From these procedures, we concluded that the data were sufficiently reliable for our audit purposes.

Use of Technical Assistance

Before selecting DoD Recovery Act projects for audit, the Office of Auditing, Quantitative Methods Division (QMD), analyzed all DoD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. QMD analysts selected most audit projects and locations using a modified Delphi technique, which allowed them to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. QMD analysts used information collected from all projects to update and improve the risk assessment model. Initially, QMD analysts selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations.

QMD analysts used additional predictive analytic techniques for special cases, such as public works projects funded directly through USACE. We factored in workload volume, proposed costs, geographic districts, and USACE districts and regions in evaluating the relative risk of problems with oversight and completion.

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 the types of public works projects managed by USACE.

Prior Audit Coverage

The Government Accountability Office, the DoD Office of 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>.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868 (DSN 329-5868).



Patricia A. Marsh, CPA
Assistant Inspector General
Financial Management and Reporting

Recovery Act Projects Reviewed at USACE Mobile

Contract Action	Purpose	Amount	Contract Type	Percent Complete**
Tinker Air Force Base, OK W91278-10-C-0070	Design/Build of a Child Development Center at Tinker Air Force Base	\$8,815,411	Fixed Price	24
Walter Reed Army Institute of Research, MD W91278-10-D-0045, Task Order 1	Waterproofing Repair of Walter Reed Army Institute of Research Building 503 Basement and Tunnel Area	6,417,176	Fixed Price	51
Black Warrior & Tombigbee Rivers, AL W91278-10-D-0021, Task Order 4	Dredging of the Navigation Channel on the Upper Black Warrior and Tombigbee River Systems	2,250,880	Fixed Price	100
Black Warrior & Tombigbee Rivers, AL W91278-09-D-0017, Task Order 14*	Maintenance Dredging of the Upper Black Warrior and Tombigbee River System	3,296,992	Fixed Price	100
Black Warrior & Tombigbee Rivers, AL W91278-06-C-0038 Modification P00093	Modification to add the Requirement to Paint the Superstructure and Machinery at the Bankhead Spillway	2,057,933	Cost-Plus	54
Black Warrior & Tombigbee Rivers, AL W91278-06-C-0038 Modifications P00072, P00084, P00090*	Modification to add the Requirement to Close, Dewater, Inspect, and Repair the Selden Lock	2,150,336	Cost-Plus	100
Tennessee-Tombigbee Waterway, AL & MS W91278-10-D-0070, Task Order 2*	Maintenance Dredging to Correct Bevill Cross Current Problem, Aliceville Lake, Pickens County, Alabama	16,784,688	Fixed Price	100
Tennessee-Tombigbee Waterway, AL & MS W91278-10-D-0070, Task Order 4*	Rental of Cutterhead Pipeline Dredges for Maintenance of the Black Warrior Tombigbee System and Other Mobile District Navigation Projects	3,000,000	Fixed Price	100
Tennessee-Tombigbee Waterway, AL & MS W91278-09-D-0047, Task Order 1*	Dredging Shoals Within the Navigation Channel on and Along the Waterway	5,412,824	Fixed Price	100
Tennessee-Tombigbee Waterway, AL & MS W91278-10-C-0051	Upgrade of Supervisory Control and Data Acquisition and Hydromet Equipment for the Waterway	1,197,594	Fixed Price	100
Tennessee-Tombigbee Waterway, AL & MS W91278-09-C-0020	Perform Slope Repair on the Divide Cut Area of the Tennessee-Tombigbee Waterway	2,256,813	Cost-Plus	100
Total		\$53,640,647		

* These contract actions are closed out.

** As of May 31, 2011.



Inspector General Department of Defense

