

Inspector General

United States
Department of Defense



Dugway Proving Ground, Utah-American Recovery
and Reinvestment Act Project to Repair Power
Plant and Replace Failed Generators

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

DEC 20 2010

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

SUBJECT: Dugway Proving Ground, Utah-American Recovery and Reinvestment
Act Project to Repair Power Plant and Replace Failed Generators
(Report No. D-2011-025)

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 Recovery Act Project No. 76940 at Dugway Proving Ground (DPG), Utah, to repair the existing electric generation power plant and to replace failed generators (building 4224), which will function as a standby system to provide electricity in the event of a power outage.

Our audit objective in selecting this project 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 required Recovery Act Federal Acquisition Regulation (FAR) clauses (Initial Project Execution).

Project 76940 was adequately funded and initially executed and met the Recovery Act goals regarding accountability and transparency. However, DPG and the U.S. Corps of Engineers-Huntsville District (USACE-Huntsville) personnel did not adequately plan project costs. DPG and USACE-Huntsville personnel lacked supporting documentation for their initial \$7.5 million cost project estimate. Despite the inadequacies of the initial cost estimate, we believe the project should proceed as planned because contracting personnel obtained adequate competition, notified Congress of the increased cost, and allocated sufficient funds to complete the project.

PLANNING

DPG and USACE-Huntsville planning officials submitted a project that was a valid requirement; however, the project's initial \$7.5 million cost estimate was an unsupported rough estimate. After receiving multiple bids for the power plant renovations along with a design, USACE-Huntsville revised the estimate to \$11.4 million.

With the assistance of our Technical Assessment Division, we reviewed the DD Form 1391, "Military Construction Project Data," and supporting cost documentation for Project 76940. The DD Form 1391 adequately explained the project justification, requirements, current situation,

and impact if the project was not provided. Specifically, Item 11 of the DD Form 1391 noted that the installation's existing power station, constructed in 1943, contains six inoperative legacy generators, and DPG did not have sufficient back-up power to meet mission demands. Based on our site visit and review of peak electrical demand at DPG, we validated the power plant renovation project requirements and the procurement of three standby generators.

FUNDING

We verified that Recovery Act funding was properly transferred to Project 76940, and USACE-Huntsville personnel properly cited Recovery Act appropriation numbers. Headquarters-USACE, issued four Funding Allowance Documents to the U.S. Army Engineering Division Huntsville, Alabama, for the DPG Recovery Act Project: on July 14, 2009, for \$7.5 million; June 23, 2010, for \$3.9 million; July 13, 2010, decreasing funding by \$1 million; and August 11, 2010, decreasing funding by \$214,000. As of September 30, 2010, net Army Recovery Act Operation and Maintenance funding for Project 76940 totaled \$10.2 million. USACE-Huntsville contracting officials awarded five contract actions totaling approximately \$10 million. Each contract action cited Appropriation Code 21 2022, "Operation and Maintenance, Army." The approximate \$200,000 of remaining funding represents savings subject to Army reprogramming to other Recovery Act Operation and Maintenance projects.

CONTRACTING

USACE-Huntsville contracting personnel awarded five contract actions totaling approximately \$10 million for Project 76940. Two contract actions, valued at \$8 million, were delivery orders issued under previously competed firm-fixed priced (FFP) indefinite-delivery, indefinite-quantity and multiple award contracts, including a design build award, valued at \$7.5 million. One contract action, valued at \$9,478, for an environmental site survey was an 8(a) small business sole-source award. Two contract actions, valued at \$2 million, procured three generators from the General Services Administration (GSA) supply schedule. All five contract actions contained the required FAR Recovery Act clauses.

We reviewed the presolicitations and awards of the five Project 76940 contract actions. We concluded that USACE-Huntsville contracting personnel properly solicited and awarded the contract actions for the project. The language in the presolicitation notices met the intent of Recovery Act project requirements, and the synopses in the presolicitation notices clearly explained the nature of the work.

Four out of the five award notices were posted on the Federal Business Opportunities (FBO) Web site as mandated by Office of Management and Budget (OMB) Memorandum M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," April 3, 2009. However, an April 30, 2010, awards notice for delivery order W912DY-1-F-500 (from the GSA Federal Schedule) was not posted on the FBO Web site. On September 27, 2010, we notified the Energy Program Manager and contracting officer for USACE-Huntsville that the award notice had not been posted on the FBO Web site. In response, USACE-Huntsville personnel posted the award notification to FBO on November 3, 2010. The following table identifies the five contracts supporting Project No. 76940.

Contract Actions Supporting Project 76940

Contract Number/Type	Delivery Order	Award Amount	Award Date	Description	Competitively Awarded
W912DY-09-D-0003/FFP	4	\$549,988	10/02/09	A&E Services	YES
W912DY-09-D-0045/FFP	6	\$9,478	02/22/10	Site Survey	NO 8(a) Sole Source
GS-07F-5666R/FFP	W912DY-10-F-5000	\$1,320,983	04/30/10	Generators	YES GSA Schedule
W912DY-08-D-0027/FFP	15	\$7,458,089	06/25/10	Facility Repair	YES
GS-07F-5666R/FFP	W912DY-10-F-0401	\$660,492	06/30/10	Generator	YES GSA Schedule

REVIEW OF DPG AND USACE-HUNTSVILLE DISTRICT INTERNAL CONTROLS

DPG and USACE-Huntsville internal controls over the planning, funding, contracting, and initial project execution of the Dugway Recovery Act project reviewed were generally effective as they applied to the audit objectives.

AUDIT STANDARDS

We conducted this audit from October 2009 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.

SCOPE AND AUDIT METHODOLOGY

We visited DPG and USACE-Huntsville to review the selected project. We interviewed program personnel at DPG, and contracting personnel at USACE-Huntsville. At both locations, we reviewed requirements, contracting, and financial documentation dated from October 2009 to November 3, 2010. We used this supporting documentation to determine whether contract solicitations and awards met OMB 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. DPG Project 76940 was 1 of the 83 selected projects.

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.

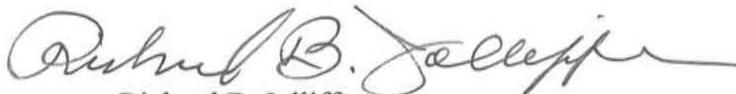
USE OF COMPUTER-PROCESSED DATA

We 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>.

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.



Richard B. Jolliffe
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