

# Inspector General

United States  
Department of Defense



American Recovery and Reinvestment Act  
Project—Construct a Child Development  
Center, Marine Corps Base Camp  
Pendleton, California

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## Acronyms and Abbreviations

CDC	Child Development Center
FAR	Federal Acquisition Regulation
NAVFAC	Naval Facilities Engineering Command
OMB	Office of Management and Budget
PWD	Public Works Department
QMAD	Quantitative Methods and Analysis Division
USMC	United States Marine Corps



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MAY 26 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL,  
MARINE CORPS INSPECTOR GENERAL,  
COMMANDING OFFICER, NAVAL FACILITIES  
ENGINEERING COMMAND, SOUTHWEST  
COMMANDING OFFICER, MARINE CORPS BASE CAMP  
PENDLETON PUBLIC WORKS DEPARTMENT

SUBJECT: American Recovery and Reinvestment Act Project—Construct a Child  
Development Center at Marine Corps Base Camp Pendleton, California  
(Memorandum No. D2010-RAM-005)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, The American Recovery and Reinvestment Act of 2009. We considered management comments on a discussion draft of the report when preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Wimette at (703) 604-8876 (DSN 664-8876).

A handwritten signature in cursive script, reading "Alice F. Carey", is positioned above the typed name.

Alice F. Carey  
Assistant Inspector General (Acting)  
Readiness, Operations, and Support





# Results in Brief: American Recovery and Reinvestment Act Project—Construct a Child Development Center at Marine Corps Base Camp Pendleton, California

## What We Did

Our overall objective was to evaluate DOD's implementation of the American Recovery and Reinvestment Act of 2009, February 17, 2009. Specifically, we determined whether Navy and Marine Corps personnel adequately planned, funded, executed, tracked, and reported Project P601, to build a Child Development Center at Marine Corps Base Camp Pendleton, to ensure the appropriate use of Recovery Act funds.

## What We Found

We determined that Project P601 was justified and met the Recovery Act goals regarding accountability and transparency. Personnel at the Naval Facilities Engineering Command Southwest, the Marine Corps Public Works Department, and the Resident Officer in Charge of Construction Office planned, funded, executed, and had procedures in place to track and report the project as required by the Recovery Act and implementation guidance.

Although the contract initially omitted three required Federal Acquisition Regulation clauses, contracting personnel subsequently issued contract modifications to include the clauses.

## What We Recommend

This report contains no recommendations.

## Management Comments

Although no comments were required, Naval Facilities Engineering Command Southwest commented on the discussion draft. We incorporated these comments into the final report.



**Current modular Child Development Center at Marine Corps Base Camp Pendleton, CA**



**Site for new Child Development Center at Marine Corps Base Camp Pendleton, CA**



# Introduction

## Objective

Our overall objective was to evaluate DOD’s implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009. We reviewed the implementation of the DOD Recovery Act plans at the Service and installation levels to determine whether individual projects were managed to achieve the accountability and transparency goals of the Recovery Act. Specifically, we determined whether personnel at Naval Facilities Engineering Command (NAVFAC) Southwest, the Public Works Department at Marine Corps Base, Camp Pendleton (PWD), and the Resident Officer in Charge of Construction Office adequately planned, funded, executed, tracked, and reported Project P601, to build a Child Development Center (CDC) at Marine Corps Base Camp Pendleton, to ensure the appropriate use of Recovery Act funds. See the appendix for a discussion of the audit scope and methodology related to the audit objective.

## Background

In passing the Recovery Act, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments to increase economic efficiency by spurring technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public of how, when, and where tax dollars were being spent. Further, the Recovery Act states that the President and heads of the Federal departments and agencies were to expend these funds as quickly as possible, consistent with prudent management.

DOD received approximately \$6.8 billion<sup>1</sup> in Recovery Act funds to be used for projects that support the Act’s purposes. In March 2009, DOD released expenditure plans for the Recovery Act, which list DOD projects that will receive Recovery Act funds. The Department of the Navy received \$1.928 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Table 1 provides specific funds allocated to each appropriation.

**Table 1. Department of the Navy Program-Specific Recovery Act Appropriations**

<b>Appropriations</b>	<b>Amount (millions)</b>
Operations and Maintenance	\$916
Military Construction	937
Research, Development, Test and Evaluation	75
<b>Total</b>	<b>\$1,928</b>

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<sup>1</sup> The \$6.8 billion does not include \$4.6 billion for the U.S. Army Corps of Engineers or \$555 million for the Homeowners Assistance Fund

Of the \$1.928 billion appropriated, the Department of the Navy allocated approximately \$10.5 million of Military Construction money to support the construction of a CDC at Marine Corps Base Camp Pendleton. According to PWD officials, they originally planned the project for construction in FY13. However, the PWD identified the project for Recovery Act funding at this time because it met the requirements of the Recovery Act and was in the current backlog of projects. NAVFAC Southwest awarded Project P601 as a task order under a competitive indefinite-delivery, indefinite-quantity multiple award construction contract for \$10,538,675.

Marine Corps Base Camp Pendleton, which covers over 125,000 acres and approximately 200 square miles of terrain, provides training facilities for many active-duty and reserve Marine Corps units; Army and Navy units; and national, state, and local agencies. Marine Corps Base Camp Pendleton is the home of I Marine Expeditionary Force, 1st Marine Division, 1st Marine Logistics Group, and many tenant units.

## **Audit Results**

We determined that Project P601 met the goals regarding accountability and transparency as provided in the Recovery Act. The project was justified, and personnel at NAVFAC Southwest, the PWD, and the Resident Officer in Charge of Construction Office planned, funded, and executed the project in order to achieve the goals of the Recovery Act. In addition, we determined that personnel at NAVFAC Southwest, the PWD, and the Resident Officer in Charge of Construction Office had procedures in place to track and report the project as required by the Recovery Act. Although the contract initially omitted three Federal Acquisition Regulation (FAR) clauses required by the Recovery Act, contracting personnel subsequently issued contract modifications to include the clauses.

### **Planning**

PWD personnel appropriately planned the project, which we determined to be justified. According to project planning documents, the new CDC will replace a temporary modular structure currently being used for that purpose. The planning documents stated that although the current modular structure provides a temporary facility for child care, it is economically unsound to upgrade this structure because it is not properly constructed for long-term use. In addition, the planning documents explained that if the base does not build the new CDC, significant investments will be required to maintain the inadequate and substandard structure. As conditions continue to deteriorate, they will adversely affect the institution's efficiency and the quality of life for military families and facility personnel. At this time, Marine Corps Base Camp Pendleton needs to accommodate 1,690 children in addition to the children currently receiving child care services in order to meet DOD's goal of accommodating 80 percent of the child care demand. The new CDC to be built under Project P601 will accommodate 260 children, which will help significantly to meet the current need. Therefore, based on the current situation, building the new CDC will fill a justified need.

PWD personnel appropriately planned the project by completing a detailed cost estimate and economic analysis. PWD personnel based the cost estimate on facility planning documents that stated the number of children currently needing child care and the amount of square feet needed to accommodate those children. The contracting personnel at NAVFAC Southwest also obtained an Independent Government Estimate approved by its Chief of Cost Engineering. The economic analysis considered possible alternatives to providing childcare facilities, such as status quo, renovation, lease, and new construction, and determined new construction the best option for satisfying childcare requirements because it would last longer and have lower maintenance costs than modernizing the temporary modular CDC structure.

## **Funding**

The Navy distributed Recovery Act funds to the CDC project in a timely manner and the funding documents properly identified a Recovery Act designation. Funding documents showed the approval of funds for the project on September 25, 2009, which was the same date that the contract was awarded. NAVFAC Southwest personnel awarded the contract for \$4.98 million less than prior estimates, and Headquarters, United States Marine Corps (USMC) has a plan in place for the bid savings, which is in accordance with May 2009 guidance from the Office of the Under Secretary of Defense (Comptroller).

## **Execution**

NAVFAC Southwest personnel adequately performed the initial execution of the project. In our evaluation of initial project execution, we determined whether the contract was competitively solicited and awarded with full transparency, and whether it contained the required FAR clauses for Recovery Act contract actions.

NAVFAC Southwest contracting personnel competitively awarded the contract at a firm fixed price of approximately \$10.5 million on September 25, 2009, which met the milestone for timeliness from DOD's Recovery Act expenditure plan. NAVFAC Southwest contracting personnel issued the request for proposal competitively, and six contractors responded. A NAVFAC Southwest source selection board evaluated the offerors on technical approach, schedule, and price. The source selection board selected Harper Construction Company based on its overall "Excellent" technical rating, demonstration of multiple strengths and no weaknesses, and a proposed schedule that would complete construction 71 days ahead of the planned completion date. Harper Construction Company also had the third lowest price. The NAVFAC Southwest source selection board determined that Harper Construction Company's technical and price proposal provided the best value to the Government. Harper Construction Company also had a subcontracting plan that included goals for using small businesses. In addition, Harper Construction Company registered on the Central Contractor Registration Web page, and the Excluded Parties List System did not show Harper Construction Company as a debarred contractor.

In addition, contracting personnel properly recorded contract actions to facilitate full transparency. 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, describes requirements for reporting Recovery Act-funded actions in the Federal Procurement Data System and publicizing actions on Federal Business Opportunities. Contracting personnel properly reported the contract award in the Federal Procurement Data System and announced the solicitation and contract award on the Federal Business Opportunities Web site.

The contract originally omitted three FAR clauses; however, NAVFAC Southwest personnel modified the contract to include these clauses. NAVFAC Southwest contracting personnel included most of the FAR clauses required by Recovery Act implementation guidance, including those for whistleblower protection, reporting, the

Davis-Bacon Act, and the Buy American Act. However, we identified one missing subcontracting clause 52.244-6, “Subcontracts for Commercial Items” and two clauses required by FAR Part 23, “Environment, Energy, and Water Efficiency, Renewable Energy Technologies, Occupational Safety, and Drug-free Workplace.” FAR part 23 prescribes policies and procedures for protecting and improving the quality of the environment. According to OMB Memorandum M-09-15, agencies must comply with the requirements of FAR part 23 when acquiring supplies and services<sup>2</sup> using Recovery Act funds. The contract was missing the following clauses required by FAR part 23:

- FAR 52.223-2, “Affirmative Procurement of Biobased Products Under Service and Construction Contracts;” and
- FAR 52.223-17, “Affirmative Procurement of EPA-designated Items in Service and Construction Contracts.”

Without these clauses, Navy officials could not hold contractors accountable for all Recovery Act requirements, and the project’s completion may not protect and improve the environment. Since we identified this issue, NAVFAC Southwest contracting personnel modified the contract to include the three missing clauses.

## **Tracking and Reporting**

Although construction on the new CDC had not commenced at the time of our review, the Resident Officer in Charge of Construction Office had adequate personnel and procedures in place to track and report the project. The engineering technician and a construction manager assigned to the project will monitor project schedules, address nonconformances, and ensure the contractor meets contract requirements.

In addition, two contract specialists stated that they planned to monitor and ensure the contractor reports required Recovery Act information. FAR clause 52.204-11, “American Recovery and Reinvestment Act – Reporting Requirements,” requires contractors for Recovery Act projects to report project information at <http://www.FederalReporting.gov>. Harper Construction Company reported the number of jobs and total dollar value for the project as required.

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<sup>2</sup> According to the definition of an acquisition in FAR Subpart 2.101, construction is a service.

## **Conclusion**

We concluded that construction of the new CDC filled a justified need. Personnel at NAVFAC Southwest and the PWD at Marine Corps Base Camp Pendleton adequately planned, funded, and executed the project in accordance with the accountability and transparency goals of the Recovery Act. In addition, personnel at the Resident Officer in Charge of Construction Office had procedures in place to track and report Project P601 as required by the Recovery Act. Although the contract originally omitted three FAR clauses, NAVFAC Southwest personnel subsequently modified it to include these clauses. Therefore, this report contains no recommendations.

## **Appendix. Scope and Methodology**

We conducted this performance audit from October 2009 through May 2010. We interviewed personnel from Headquarters USMC, NAVFAC Southwest, the PWD at Marine Corps Base Camp Pendleton, and the Resident Officer in Charge of Construction Office. We reviewed documentation including the official contract file, DD Form 1391 and associated support, the project design schedule, and the contractor's Recovery Act reports. We also viewed the current modular CDC and the location for the new CDC. We reviewed Federal, DOD, Navy, and Marine Corps Base Camp Pendleton guidance, and compared this guidance to our audit results.

We generally complied with government auditing standards. We followed the audit documentation and fieldwork standards for this audit. However, due to the unique requirements of the Recovery Act, along with time limitations for executing this audit, we did not fully comply with some planning and reporting standards. Specifically, we did not fully comply with planning standards on the assessment and reduction of fraud risk, and reporting standards on internal control deficiencies. 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 omitting some aspects of these standards did not limit our ability to conclude accurately on our audit objectives.

### **Use of Technical Assistance**

Before selecting DOD Recovery Act projects for audit, personnel in the Quantitative Methods and Analysis Division (QMAD) 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. QMAD personnel 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. Initially, QMAD personnel selected 83 projects with the highest risk rankings. Auditors chose some additional projects at the selected locations.

QMAD personnel 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.

## **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>.





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