

Inspector General

United States
Department of Defense



Child Development Center at Fort Eustis, Virginia -
Recovery Act Project 7

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

May 28, 2010

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
COMMANDER, U.S. ARMY CORPS OF ENGINEERS,
NORFOLK DISTRICT

SUBJECT: Child Development Center at Fort Eustis, Virginia, Recovery Act Project 7
(Memorandum No. D-2010-RAM-007)

We are providing this report for your information and use. We conducted this audit in response to the requirements of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 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. Michael A. Joseph at (757) 872-4801.

A handwritten signature in blue ink that reads "Alice F. Carey".

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



Child Development Center at Fort Eustis, Virginia Recovery Act Project 7

(Memorandum No. D-2010-RAM-007)

May 28, 2010



Results in Brief

What We Did

We determined whether DOD appropriately planned and implemented Public Law 111-5, American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009 by meeting the requirements in the Recovery Act, Office of Management and Budget (OMB), Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, February 18, 2009, and subsequent related guidance. Specifically, we reviewed the planning, funding, initial execution, and reporting for the Ft. Eustis Child Development Center (CDC) to determine whether the efforts of the U.S. Army Corps of Engineers (USACE)-Norfolk District complied with Recovery Act requirements, OMB guidance, the Federal Acquisition Regulation (FAR), and DOD guidance.

What We Found

USACE-Norfolk District personnel properly planned and supported the construction of a medium-sized CDC at Fort Eustis, Virginia, which ensured appropriate use of Recovery Act funds. USACE-Norfolk District personnel

received Recovery Act funds consistent with OMB guidance, and competed and awarded the task order on a firm fixed-price basis. As a result of our review, USACE-Norfolk District personnel modified the request for proposal and task order to include all required Recovery Act FAR clauses, and posted pre-solicitation and award notices. Additionally, USACE-Norfolk District personnel ensured that the contractor met the Recovery Act reporting requirements. As a result, DOD had reasonable assurance that use of Recovery Act funds were clear and transparent to the public.

What We Recommend

USACE-Norfolk District personnel corrected all identified deficiencies during the course of our review. Therefore, this report contains no recommendations.

Management Comments

The Commander, USACE-Norfolk District, agreed with our results and conclusions in the discussion draft report. We do not require any additional comments.



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Objective

- The primary objective of the audit was to determine whether DOD and its Components were planning and implementing the Recovery Act by meeting the requirements in the Recovery Act, OMB Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009, and subsequent related guidance.
- The Recovery Act and OMB guidance require projects to be monitored and reviewed. We grouped these requirements in the following four phases: (1) planning, (2) funding, (3) execution, and (4) tracking and reporting. For this audit, we reviewed the planning, funding, initial execution, and tracking and reporting of the CDC Recovery Act project at Fort Eustis, Virginia, to determine whether the efforts of the USACE-Norfolk District complied with Recovery Act requirements, OMB guidance, the FAR, and DOD implementing guidance. See page 14 for a discussion of our scope and methodology.



Recovery Act Background

The President signed the Recovery Act into law on February 17, 2009. It is an unprecedented effort to jump-start the economy and create or save jobs.

The purposes of the Recovery Act include the following:

- 1) To preserve and create jobs and promote economic recovery.
- 2) To assist those most impacted by the recession.
- 3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- 4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- 5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

“ . . . the heads of Federal departments and agencies shall manage and expend the funds made available in this Act so as to achieve the purposes specified . . . including commencing expenditures and activities as quickly as possible consistent with prudent management.”



Project Background

- This report addresses military construction (MILCON) Project 7, “Child Development Center,” valued at \$9.6 million.
- The team is also reviewing two other Recovery Act projects at Ft. Eustis, VA, and will address the project’s results in a separate DOD Office of Inspector General (DOD OIG) report.
- DOD OIG is also performing an audit (Project No. D2009-D000AE-0268.000, “Recovery Act-Funded Military Construction of Army Child Development Centers,”), to assess the Army's planning of Recovery Act-funded MILCON CDCs at six Army installations. These installations include Fort Bragg, North Carolina; Hunter Army Airfield, Georgia; Fort Hood, Texas; Fort Belvoir, Virginia; Fort Carson, Colorado; and Fort Drum, New York.
- The U.S. Army Audit Agency is also reviewing three Recovery Act projects at Ft. Eustis, VA, and will issue a report when results are finalized.



Results - Planning

USACE-Norfolk District personnel properly planned and supported the construction of a medium-sized CDC at Fort Eustis, Virginia, which ensured appropriate use of Recovery Act funds.

DD Form 1391 “Military Construction Project Data” - Requirements

- USACE-Norfolk District personnel provided support for the medium-sized CDC to support 2,928 families requiring housing and a civilian population of 3,038 personnel.
- USACE-Norfolk District personnel calculated CDC requirements from the Army Real Property Planning and Analysis System (RPLANS) algorithm, which is based on the first method identified below.
 - ✓ USACE Technical Instruction 800-01 and the Army Criteria Tracking System requires the capacity of a facility to be based on either one of the following methods:
 - The number of married military families receiving direct installation support, multiplied by 20 percent, plus the number of children of single parent military families receiving direct installation support; and 2.5 percent of the number of civilian employees assigned, **OR**
 - A needs assessment that includes a survey of the installation military and civilian population and an examination of the installation demographics, to include historical data as well as waiting lists and the unmet demand; projected installation population; changes in mission; and an extrapolation of eligible target users.



Results - Planning (continued)

- ✓ Using the RPLANS algorithm, USACE-Norfolk District personnel calculated a deficit of 212 spaces, which will be met through the construction of a medium-sized CDC. According to Army standards for CDCs with children that range in age from 6 weeks to 5 years, capacity levels consist of:
 - Small (126 child capacity),
 - Medium (232 child capacity), and
 - Large (338 child capacity).
- ✓ In January 2008, the project planner used data produced from the RPLANS algorithm for families requiring housing and civilian personnel. FY 2011 data was the furthest out year projection at the time the DD Form 1391 was developed. According to Army Regulation 608-10, “Child Development Services,” July 15, 1997, data required to determine child development construction requirements should be reassessed at a minimum of every two years to validate the installation demand for services even if construction is not anticipated.
- ✓ We determined that the planner was not required to revalidate the project until January 9, 2010. Therefore, the construction of a medium-sized CDC was valid.



Results – Planning (continued)

Economic Analysis

- Based on the results of the economic analysis, the construction of new CDC was a viable option that met the project's objective. The economic analysis considered alternative methods including renovating the existing building, using other facilities on Fort Eustis, using off-site resources, and leasing other facilities.

Project Cost

- Standard square footage and unit prices for the CDC and the outdoor activity area with equipment complied with the Instruction for Parametric Design (Code 3) by the Army Corps of Engineer, October 1, 2008; and Programming Administration and Execution System Newsletter No. 3.2.2, March 20, 2009. Huntsville Center of Standardization personnel reviewed ENG Form 3086, "Current Working Estimates for Budget Purposes." However, the ENG Form 3086 was not approved or certified per guidance from the Assistant Chief of Staff for Installation Management and USACE headquarters.

National Environmental Policy Act Study

- USACE personnel provided a Categorical Exclusion. The Environmental Officer and the Directorate of Public Works at Fort Eustis completed the study on July 27, 2009.



Results - Funding

USACE-Norfolk District personnel received Recovery Act funds consistent with OMB guidance.

- USACE headquarters distributed Recovery Act funds to USACE-Norfolk District on October 30, 2009.
- USACE awarded \$7.45 million for the CDC on November 5, 2009. The award amount did not include contingency costs; supervision, inspection and overhead costs; and design costs.
- Funding authorization documents indicated that a net amount of \$8.53 million was distributed for the CDC, which included the contract award (\$7.45 million), and an estimated \$1.1 million in contingency costs; supervision, inspection and overhead costs; and design costs.
- The Recovery Act DOD Military Construction Program plan initially listed the project at \$9.6 million, which allows for an estimated \$1.1 million (\$9.6 million - \$8.53 million) in potential bid savings. The DOD OIG is also performing an audit (Project D2009-D000AE-0268.000, "Recovery Act-Funded Military Construction of Army Child Development Centers"), to assess the Army's overall planning of Recovery Act-funded MILCON of CDCs. The resulting report will discuss the appropriate use of potential bid savings realized from Recovery Act-funded CDC projects; therefore, this report does not include a recommendation on this issue.



Results – Project Execution

USACE-Norfolk District personnel properly competed the CDC project; however, they did not include any of the required Recovery Act FAR clauses in the pre-solicitation or the task order.

- USACE headquarters personnel provided USACE-Norfolk District contracting personnel with a Recovery Act checklist that included specific items to include in their contracting process. The checklist identified the Recovery Act FAR clauses necessary for solicitations and awards.
- The original request for proposal did not include the required Recovery Act FAR clauses. As a result of our review, USACE-Norfolk District personnel issued an amendment to the request for proposal on August 18, 2009, which included all of the required clauses.



Results – Project Execution (continued)

- USACE-Norfolk District personnel competed the CDC project among small business contractors that included three bidders. On November 5, 2009, the USACE-Norfolk District contracting office awarded the winning bidder a firm fixed-price basis task order for \$7.45 million on a multiple award task order contract.
- USACE-Norfolk District personnel issued task order 0004 on November 5, 2009, against contract W9123608D0070 for construction of the Fort Eustis CDC.
- Despite the modification to the request for proposal, the task order did not include any of the required Recovery Act FAR clauses.

As a result, the contractor was not required to comply with Recovery Act specific requirements.

Management corrective action:

- As a result of discussion draft briefings, USACE-Norfolk District personnel modified the task order to include the required Recovery Act FAR clauses.



Results – Project Execution (continued)

USACE-Norfolk District personnel did not ensure that the use of Recovery Act funds were clear and transparent to the public.

- USACE-Norfolk District personnel did not post a pre-solicitation or award notice to the Federal Business Opportunities (FBO) Web site in accordance with the FAR and DOD Acquisition, Technology, and Logistics (AT&L) Memorandum, “Revised Posting and Reporting Requirements for the American Recovery and Reinvestment Act of 2009,” August 19, 2009. The Recovery Act checklist from USACE headquarters also identified the requirement to include pre-solicitation and award announcements on FBO.
- DOD AT&L Memorandum provides additional instruction on posting sources sought, pre-solicitation, and award notices as well as guidance regarding contract action reports.
- Contracting personnel stated that multiple award task order contract solicitations are not posted on FBO because they received numerous proposals from ineligible contractors. This is not consistent with the FAR and AT&L memorandum.

As a result, DOD did not have reasonable assurance that the use of Recovery Act funds was clear and transparent to the public.



Results –Project Execution (continued)

Management corrective action:

- As a result of discussion draft briefings:
 - ✓ USACE-Norfolk District personnel publicized the pre-solicitation contract action in FBO for the CDC in accordance with the FAR and AT&L Memorandum.
 - ✓ The USACE-Norfolk District personnel publicized an award notice in FBO; however, the award notice was not in full compliance with the FAR and the AT&L Memorandum. Although the USACE-Norfolk District personnel posted the award notice to include a verbatim synopsis as required by the AT&L Memorandum, they did not identify the project as “Recovery” in the title section of the posting.
 - ✓ Since the synopsis identifies the project as a Recovery Act project, we believe the management action meets the intent of the memorandum; due to the immateriality of this deficiency, we are not recommending further corrective action.



Results – Tracking and Reporting

USACE-Norfolk District personnel ensured that the contractor met the Recovery Act reporting requirements.

- The contractor, Homeland Contracting Corporation, reported the number of jobs and the total value for the project in the fourth quarter of 2009 in <https://www.federalreporting.gov/>.



Conclusions

- USACE-Norfolk District personnel properly planned and supported the construction of a medium-sized CDC at Fort Eustis, Virginia, which ensured appropriate use of Recovery Act funds.
- USACE-Norfolk District personnel received Recovery Act funds consistent with OMB guidance.
- USACE-Norfolk District personnel properly competed the CDC project; however, they did not include any of the required Recovery Act FAR clauses in the pre-solicitation or task order. As a result of our review, USACE-Norfolk District personnel took corrective action and modified the pre-solicitation and task order to include all required Recovery Act FAR clauses.
- USACE-Norfolk District personnel did not ensure that the use of Recovery Act funds were clear and transparent to the public. As a result of discussion draft report briefings, USACE-Norfolk District personnel took corrective action and publicized the pre-solicitation contract action in FBO for the CDC in accordance with the FAR and AT&L Memorandum and publicized an award notice in FBO.
- USACE-Norfolk District personnel ensured that the contractor met the Recovery Act reporting requirements.
- As a result of management action during the audit, this report makes no recommendations.



Scope and Methodology

We conducted this audit from June 2009 through March 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 Methodology (continued)

To review DOD's implementation of the Plans and implementation of the Recovery Act, we audited the planning, funding, and initial project execution and reporting of Recovery Act projects to ensure USACE-Norfolk District personnel efforts complied with the Recovery Act requirements, OMB guidance, the FAR, and DOD implementing guidance. Specifically, we determined whether:

- the selected projects were 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);
- contracts awarded were transparent, competed, and contained required Recovery Act FAR clauses (Project Execution); and
- recipients' use of funds was transparent to the public and the benefits of the funds were clearly, accurately, and timely reported (Reporting).



Scope and Methodology (continued)

- Congress appropriated approximately \$12 billion of Recovery Act funds to DOD. The DOD manages \$7.4 billion in the following programs: Energy Conservation Investment; Facilities Sustainment, Restoration, and Modernization; Homeowners Assistance; MILCON; and Near-Term Energy-Efficient Technologies. The U.S. Army Corps of Engineers manages \$4.6 billion for civil and water projects.
- The Recovery Act divides the approximately \$12 billion among 32 DOD and USACE line items of appropriations. OMB Memorandum M-09-10 requires the DOD to develop program plans for each of the six programs listed above. Each plan identifies the projects funded by the Recovery Act within that program.
- The Army received \$80 million in MILCON funding to build CDCs.
- This report addresses MILCON Project 7, “Child Development Center,” valued at \$9.6 million.



Scope and Methodology (continued)

- Locations contacted or visited:
 - ✓ Directorate of Public Works Fort Eustis, Virginia
 - ✓ USACE-Norfolk District, Virginia
- Documents/records reviewed:
 - ✓ DOD AT&L Memorandum, “Revised Posting and Reporting Requirements for the American Recovery and Reinvestment Act of 2009,” August 19, 2009
 - ✓ Federal Acquisition Regulation Subpart 5.7, “Publicizing Requirements Under ARRA”
 - ✓ Unified Facilities Criteria (UFC) 4-470-14, “Design: Child Development Centers,” August 1, 2002
 - ✓ Army Regulation 608-10, “Child Development Services,” July 15, 1997
 - ✓ Assistant Chief of Staff for Installation Management (ACSIM) Memorandum, “Army Standard for Child Development Centers,” March 12, 2008
 - ✓ USACE Technical Instructions Design Criteria (TI 800-01), Appendix G, “Child Development Centers,” July 20, 1998
 - ✓ Summary Report of the Planning Charrette for the CDC Fort Eustis, Virginia by USACE-Norfolk District, March 24, 2008
 - ✓ DD Form 1391, “Military Construction Project Data”
 - ✓ DD Form 1155, “Order for Supplies or Services”
 - ✓ Cost Estimates
 - ✓ Funding Authorization Documents
 - ✓ RPLANS CDC Allowances
 - ✓ Project files for requirements, justifications, and funding documentation
 - ✓ Contracting documentation for contract W9123608D0070 delivery order 0004



Scope and Methodology (continued)

Use of Technical Assistance

- 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 USACE.



Scope and Methodology (continued)

Use of Computer-Processed Data

- We relied on computer-processed data from the FBO Web site, the Programming Administration and Execution System, and the RPLANS. FBO is a single, government-wide point-of-entry for Federal government procurement opportunities. The Programming Administration and Execution System is designed to help engineers prepare and recall DD Forms 1391, and it includes a module for the ENG Form 3086. RPLANS allows users at the installation, Installation Management Command Region, Army Commands and Department of the Army level to correlate data about real property assets, installation force structure and populations, and facility allowances and requirements. We compared data generated by each system with the DOD Program Plans, information from USACE-Norfolk District personnel, and various Army and construction guidance to support the audit conclusions. We determined that the data were sufficiently reliable for the purposes of our report.

Prior 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>.



Criteria

Criteria for planning and implementing the Recovery Act continue to change as OMB issues additional guidance, and DOD and the Components issue their implementation guidance.

- U.S. House of Representatives Conference Committee Report 111-16, “Making Supplemental Appropriations for Job Preservation and Creation, Infrastructure Investment, Energy Efficiency and Science, Assistance to the Unemployed, and State and Local Fiscal Stabilization, for the Fiscal Year Ending September 30, 2009, and for Other Purposes,” February 12, 2009
- Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009
- OMB Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009
- OMB Bulletin No. 09-02, “Budget Execution of the American Recovery and Investment Act of 2009 Appropriations,” February 25, 2009
- White House Memorandum, “Government Contracting,” March 4, 2009



Criteria (continued)

- White House Memorandum, “Ensuring Responsible Spending of Recovery Act Funds,” March 20, 2009
- Federal Acquisition Circular 2005-32, March 31, 2009
- OMB Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009 ¹
- OMB Memorandum M-09-16, “Interim Guidance Regarding Communications With Registered Lobbyists About Recovery Act Funds,” April 7, 2009
- OMB Memorandum M-09-19, “Guidance on Data Submission under the Federal Funding Accountability and Transparency Act (FFATA),” June 1, 2009
- OMB Memorandum M-09-21, “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009,” June 22, 2009 ²

¹ Document provides Government-wide guidance for carrying out programs and activities enacted in the Recovery Act. The guidance states that the President’s commitment is to ensure that public funds are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Recovery Act.

² Document provides Government-wide guidance for carrying out the reporting requirements included in section 1512 of the Recovery Act. The reports will be submitted by recipients beginning in October 2009 and will contain detailed information on the projects and activities funded by the Recovery Act.



Criteria (continued)

- OMB Memorandum M-09-24, “Updated Guidance Regarding Communications with Registered Lobbyists About Recovery Act Funds,” July 24, 2009
- OMB Memorandum M-09-30, “Improving Recovery Act Recipient Reporting,” September 11, 2009
- OMB Office of Federal Procurement Policy, “Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204-11,” September 30, 2009 ²
- OMB Memorandum M-10-08, “Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, Reporting of Job Estimates,” December 18, 2009 ²
- OMB Memorandum M-10-14, “Updated Guidance on the American Recovery and Reinvestment Act,” March 22, 2010 ²

² Document provides Government-wide guidance for carrying out the reporting requirements included in section 1512 of the Recovery Act. The reports will be submitted by recipients beginning in October 2009 and will contain detailed information on the projects and activities funded by the Recovery Act.



Acronyms

AT&L	Acquisition, Technology & Logistics
CDC	Child Development Center
FAR	Federal Acquisition Regulation
FBO	Federal Business Opportunities
MILCON	Military Construction
OMB	Office of Management and Budget
Recovery Act	American Reinvestment and Recovery Act of 2009
RPLANS	Real Property Planning and Analysis System
USACE	U.S. Army Corps of Engineers



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