

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act-
Modernization of Third Floor Utilities - Center for Health
Promotion and Preventative Medicine,
Aberdeen Proving Ground, Maryland

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Acronyms and Abbreviations

APG	Aberdeen Proving Ground
CHPPM	Center for Health Promotion and Preventative Medicine
DHP	Defense Health Program
DPW	Directorate of Public Works
MEDCOM	U. S. Army Medical Command
OMB	Office of Management and Budget
TMA	TRICARE Management Activity
USACE	U.S. Army Corps of Engineers



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

November 22, 2010

MEMORANDUM FOR THE ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act—Modernization of Third Floor
Utilities—Center for Health Promotion and Preventative Medicine, Aberdeen
Proving Ground, Maryland (Audit Report No. D-2011-RAM-003)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009 (Recovery Act.) TRICARE Management Activity and U.S. Army Medical Command personnel did not properly plan and support the cost or scope of the Recovery Act project to ensure appropriate use of Recovery Act funds. However, by cancelling the Recovery Act project, TRICARE Management Activity officials made \$15.7 million in Recovery Act funds available for other projects. No written response to the draft report was required, and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Michael A. Joseph at (757) 872-4698.

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

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



Results in Brief: American Recovery and Reinvestment Act—Modernization of Third Floor Utilities—Center for Health Promotion and Preventative Medicine, Aberdeen Proving Ground, Maryland

What We Did

Our overall objective was to determine whether DoD appropriately planned and implemented Public Law 111-5, “American Recovery and Reinvestment Act of 2009 (Recovery Act),” February 17, 2009. Specifically, we reviewed the planning and funding for the Recovery Act project, “Modernization of Third Floor Utilities—Center for Health Promotion and Preventive Medicine,” at Aberdeen Proving Ground, Maryland, to determine whether the efforts of TRICARE Management Activity (TMA) and U. S. Army Medical Command (MEDCOM) personnel complied with the Recovery Act’s requirements, 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.

What We Found

TMA personnel distributed Recovery Act funds in a timely manner and consistent with OMB guidance, but TMA and MEDCOM personnel did not properly plan and support the cost or scope of the Recovery Act project to ensure appropriate use of Recovery Act funds. However, by cancelling the Recovery Act project, TMA officials made \$15.7 million in Recovery Act funds available for other projects.

What We Recommend

Because the Recovery Act project was cancelled during the audit, this report contains no recommendations.

Management Comments

We provided a draft of this report on September 28, 2010. No written response to the draft report was required, and none was received. Therefore, we are publishing this report in final form.

Figure 1: Piping at the Center for Health Promotion and Preventive Medicine



Source: Directorate of Public Works, Aberdeen Proving Ground, Maryland

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Introduction

Objective

Our overall objective was to evaluate DoD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009 (Recovery Act). Specifically, we reviewed the planning and funding phases for Recovery Act Project 53, "Modernize Third Floor Utilities—Center for Health Promotion and Preventative Medicine (CHPPM)," (the Recovery Act project) at Aberdeen Proving Ground (APG), Maryland, to determine whether TRICARE Management Activity (TMA) and U.S. Army Medical Command (MEDCOM) personnel complied with the Act's requirements, 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.

The Recovery Act and OMB guidance require projects to be monitored and reviewed. We grouped these requirements into the following four phases: (1) planning, (2) funding, (3) execution, and (4) tracking and reporting. We did not review the project execution and tracking and reporting phases because the project did not progress beyond the planning and funding phases. See the appendix for a discussion of our scope and methodology.

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 \$7.16 billion¹ in Recovery Act funds for projects that support the Act's purposes. In March 2009, DoD released expenditure plans for the Recovery Act, which listed DoD projects that will receive Recovery Act funds. The Assistant Secretary of Defense for Health Affairs received \$400 million of Recovery Act funds for Defense Health Program (DHP) Operations and Maintenance projects. Of the \$400 million, DoD allocated \$220 million for Army projects; TMA personnel allocated \$15.7 million to the Recovery Act project.

¹ DOD originally received about \$7.4 billion; however, Public Law 111-226, Title III, "Rescissions," rescinded \$260.5 million on August 10, 2010. The \$7.16 billion does not include \$4.6 billion for U.S. Army Corps of Engineers civil works projects.

CHPPM is a research facility that includes mechanical and electrical spaces, a laboratory, laboratory support, animal housing, animal support, and storage and administrative spaces. According to the DD Form 1391, "Military Construction Project Data," August 2007, the electrical, mechanical, ventilation, plumbing, and control systems were originally installed in 1967, and these systems were deteriorating or had deteriorated.

APG Directorate of Public Works (DPW) personnel originally planned to renovate CHPPM using a phased approach. In July 2007, APG DPW personnel submitted a DA Form 4283, "Facilities Engineering Work Request," to renovate CHPPM. In September 2008, U.S. Army Corps of Engineers-Mobile District personnel issued a delivery order for electrical, mechanical, ventilation, plumbing, and control repairs. With the availability of Recovery Act funding, TMA personnel funded the Recovery Act project, a modernization of only the third floor utilities.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness in the administration of the Recovery Act project as defined by DoD Instruction 5010.40. Specifically, TMA and MEDCOM personnel did not implement adequate internal controls over planning the Recovery Act project. We discuss these issues in the Audit Results section. Because TMA cancelled the Recovery Act project, no recommendation is necessary to correct this weakness. We will provide a copy of the report to the senior officials responsible for internal controls at TMA and MEDCOM.

Audit Results

TMA and MEDCOM personnel did not properly plan and support the cost or scope of the Recovery Act project. MEDCOM personnel originally provided a DD Form 1391 and other historical studies that did not support the Recovery Act project's scope or its cost of \$15.7 million. As a result, TMA and MEDCOM personnel did not ensure that Recovery Act funds would be appropriately used. However, by cancelling the Recovery Act project, TMA officials made \$15.7 million in Recovery Act funds available for other projects. Additionally, TMA personnel distributed Recovery Act funds consistent with OMB guidance.

Planning: TMA and MEDCOM Did Not Properly Plan the Project; However TMA Later Cancelled It

TMA and MEDCOM personnel did not properly plan and support the Recovery Act project to ensure appropriate use of Recovery Act funds because they failed to clearly define and limit the scope to the Recovery Act project in documents used to justify the project.

Documentation Provided Did Not Clearly Define Cost and Space Requirements Specific to the Recovery Act Project

APG DPW personnel provided a November 2008 site survey report as justification for the modernization of CHPPM. The survey report provided in-depth details on the condition of the CHPPM building, revealed the building's deficiencies, and projected safety and health hazards. APG DPW personnel also provided historical studies that included cost and space requirements for the entire CHPPM renovation. The studies included a facilities engineering work request prepared in 2007; the "USACHPPM/U.S. Army Medical Research Institute for Chemical Defense Synergy Master Plan," September 2006; the "Master Facility Plan," April 2002; and an "Electrical Feasibility Study," July 2007. Although these studies supported the need for renovations, they did not clearly define the costs or space requirements specific to the limited scope of the Recovery Act project.

DD Form 1391 Lacked Support for the Recovery Act Project's Scope and Cost

In July 2009, MEDCOM personnel provided a DD Form 1391, August 2007, that did not support the Recovery Act project's scope or cost of \$15.7 million. Also, the August 2007 DD Form 1391 valued at \$17.5 million, included 67,136 square feet of renovations for the entire CHPPM building, not the portion of the building covered by the Recovery Act project. MEDCOM personnel did not prepare a DD Form 1391 to specifically support the scope of work to the third floor utilities as indicated in the Recovery Act Facilities Sustainment, Restoration, and Modernization Program Plan. In September 2009, DoD Office of the Inspector General personnel discussed the lack of supporting documentation and the scope of the August 2007 DD Form 1391 with TMA and MEDCOM personnel. Following our discussion, in December 2009, MEDCOM personnel provided an updated

DD Form 1391 that cited 22,400 square feet of renovations attributable to the third floor at a cost of \$15.7 million. Although MEDCOM personnel updated the DD Form 1391 for the Recovery Act project's requirements, it did not include an evaluation of costs or a methodology used to generate costs, benefits, and risks of any viable alternatives. As a result, MEDCOM personnel were unable to support the Recovery Act project's cost of \$15.7 million.

TRICARE Management Activity Personnel Cancelled the Recovery Act Project

On April 21, 2010, TMA personnel initiated cancellation of the Recovery Act project due to excessive cost escalation. The reprogramming action further stated that project costs were approaching 90 percent of the facility's present replacement value, and the investment was not considered a prudent use of Recovery Act funds. Escalating costs were attributable to mechanical and electrical upgrades and structural repairs on the first and second floors. The first and second floor repairs are integral to the completion of the third floor modernization. As part of their reprogramming action, TMA officials identified additional projects eligible for Recovery Act funding. The reprogramming action was consistent with Office of the Secretary of Defense (Comptroller), "Project Cost Variations during Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," May 7, 2009, and "Revision to Policy Regarding Project Cost Variations during Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," January 11, 2010.

Funding: TMA Distributed Recovery Act Funds in a Timely Manner

TMA personnel distributed Recovery Act funds for the Recovery Act project in a timely manner, and the funding documents properly identified a Recovery Act designation. Funding documents showed that the TMA personnel transferred funds to U.S. Army Corps of Engineers (USACE) personnel on April 30, 2009, and May 12, 2009. As part of the May 12, 2009, funding authorization document, TMA personnel provided a list of projects that USACE personnel would execute, including the Recovery Act project. The funding authorization documents agreed with the project's estimates reported in the Recovery Act DoD expenditure plans.

Appendix. Scope and Methodology

We conducted this audit from June 2009 through September 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.

To review DoD's implementation of plans for the Recovery Act, we audited the planning and funding of the \$15.7 million Recovery Act project at Aberdeen Proving Ground, Maryland, to ensure TMA and MEDCOM personnel's efforts complied with Recovery Act requirements, OMB guidance, the Federal Acquisition Regulation, and DoD implementing guidance. Specifically, we determined whether:

- the selected project was adequately planned to ensure the appropriate use of Recovery Act funds (Planning);
- funds were awarded and distributed in a prompt, fair, and reasonable manner (Funding);
- contracts awarded were transparent, competed, and contained required Recovery Act clauses identified in the Federal Acquisition Regulation (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).

We did not review the project execution and tracking and reporting phases because the project did not progress beyond the planning and funding phases.

We interviewed personnel from TMA, MEDCOM, USACE-Mobile District, and APG. We reviewed documentation including the DD 1391s, the draft scope of work, and the "Master Facility Plan." We also made observations during visits to the CHPPM building. We reviewed project files for requirements, justifications, and funding documents. We also reviewed Federal, DoD, and Army guidance, and compared this guidance with our audit results.

DoD Office of the Inspector General is also reviewing two other Recovery Act projects at APG. The results of these projects will appear in a separate report. U. S. Army Audit Agency also reviewed three Recovery Act projects at APG and issued report A-2010-0127-FFE, "American Recovery and Reinvestment Act of 2009, Aberdeen Proving Ground, Maryland," July 1, 2010.

Use of Technical Assistance

Before selecting DoD Recovery Act projects for audit, the Quantitative Methods and Analysis Division (QMAD) of the DoD Office of the 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 selected most audit projects and locations using a modified Delphi technique, which allowed QMAD to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. QMAD used information collected from all projects to update and improve the risk assessment model. QMAD selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations.

QMAD 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 did not rely on any computer processed data as a basis for our conclusions on this project.

Prior Audit Coverage

The Government Accountability Office, the DoD Office of the 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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