

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act Project to
Design and Build a Child Development Center at Hill
Air Force Base, Utah

February 8, 2011

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act Project to Design and Build
a Child Development Center at Hill Air Force Base, Utah (Report
No. D-2011-038)

The DoD Office of Inspector General (DoD OIG) 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 one Air Force project to review at Hill Air Force Base (Hill AFB), Utah: project KRSM083003, to design and build a child development center (CDC).

Our objective in selecting this project was to determine whether:

- it 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); and
- its contract was competed and awarded with full transparency and contained required Recovery Act Federal Acquisition Regulation clauses (Initial Project Execution).

We determined that project KRSM083003 was justified and met Recovery Act goals regarding accountability and transparency. Hill AFB and the U.S. Army Corps of Engineers, Sacramento District (USACE Sacramento) personnel properly planned, funded, and contracted for the project in accordance with Recovery Act and Office of Management and Budget guidance.

PLANNING

We reviewed the DD 1391, "Military Construction Project Data," and supporting cost documentation for project KRSM083003 and determined that it was properly planned. The DD 1391 adequately explained the project justification, requirements, capacity shortfall, and impact of designing and building a CDC at Hill AFB. The Base Civil Engineers at Hill AFB used Unified Facilities Criteria 4-740-14, "Design: Child Development Centers," August 2002, to determine the CDC requirements, and stated that they used a parametric cost-estimating system to prepare the cost estimates. The DD 1391, prepared by Hill AFB personnel on May 27,

2008, estimated the project's cost at \$15 million. On July 22, 2009, USACE Sacramento personnel reviewed and certified a support service contractor-prepared independent Government cost estimate of approximately \$14.9 million.

FUNDING

The March 20, 2009, "DoD Expenditure Plan for the American Recovery and Reinvestment Act of 2009," designated a list of Air Force MILCON projects, which included project KRSM083003. Project KRSM083003 was funded through appropriation code 57-3307, "Air Force Recovery, Military Construction," for a total of \$15 million.

On August 3, 2009, the Office of the Air Force Assistant Secretary (Air Force Financial Management and Comptroller), issued a Budget Authorization/Allocation document for \$15 million to the USACE Commander to fund the Hill AFB CDC project. On August 19, 2009, USACE Sacramento personnel awarded a contract for approximately \$10.2 million to design and build the CDC. After deducting funds for design costs, contingencies, and administration, USACE Sacramento personnel returned approximately \$3.8 million to USACE Headquarters on August 25, 2009. Office of the Air Force Civil Engineer personnel told us that they were planning to use those funds for additional Recovery Act Air Force MILCON projects.

INITIAL PROJECT EXECUTION

We reviewed the presolicitation and award for Recovery Act Project KRSM083003 at Hill AFB and determined that USACE Sacramento contracting personnel properly solicited and awarded the contract.

On May 22, 2009, USACE Sacramento contracting personnel posted presolicitation notice W91238-09-R-0044 on the Federal Business Opportunities (FBO) Web site as a Small Business Set-Aside. The presolicitation notice language met the intent of Recovery Act project requirements, and the synopsis clearly explained the nature of the work. USACE Sacramento contracting personnel competitively solicited proposals and received eight. On August 19, 2009, USACE Sacramento contracting office personnel posted contract award W91238-09-C-0022 on the FBO Web site. The contract contained the required Recovery Act clauses. USACE Sacramento personnel awarded a firm-fixed-price contract to HHI Corporation of Farmington, Utah, a small business, for approximately \$10.2 million. A USACE Sacramento contracting officer and Source Selection Authority Board members used three factors—experience and capability, past performance, and management approach—to evaluate and select the contractor. The contracting officer and members of the Source Selection Authority Board used a price analysis to evaluate the contractor's price proposal and determined that it was fair and reasonable. This contract requirement was competitively solicited and eight proposals were received.

REVIEW OF HILL AFB AND USACE SACRAMENTO INTERNAL CONTROLS

Hill AFB and USACE Sacramento internal controls over the planning, funding, and contracting of the construction of a CDC at Hill AFB were effective as they applied to the audit objectives.

AUDIT STANDARDS

We conducted this audit from July 2010 through January 2011 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.

AUDIT METHODOLOGY

We visited Hill AFB and USACE Sacramento to review the selected project. We interviewed program personnel at Hill AFB and cost engineering and contracting personnel at USACE Sacramento. At both locations, we reviewed requirements, contracting, and financial documentation from September 1996 to December 2010. We used this supporting documentation to determine whether contract solicitations and awards met OMB and DoD Recovery Act guidance.

Before selecting DoD Recovery Act projects for audit, the DoD OIG Quantitative Methods and Analysis Division 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. Initially, 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 expended Recovery Act dollars 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>), the data reported in FPDS, EPLS, CCR, and contract documentation from the Electronic Document Access System, posted from May 2009

through June 2010. We tested contracting data accuracy and consistency by comparing the data produced in the aforementioned systems. We concluded that the data were sufficiently reliable for our audit purposes.

PRIOR AUDIT COVERAGE

The Government Accountability Office, the DoD 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.

A handwritten signature in black ink, appearing to read "Richard B. Jolliffe". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Inspector General Department of Defense

