

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act Project-
"Hospital Replacement Phase I" at Fort Hood,
Texas, Was Properly Planned; However,
Transparency Could Be Improved

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (703) 604-8932, or by mail:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704



Acronyms and Abbreviations

AE	Architect and Engineering
CHCS	Composite Health Care System
CRDAMC	Carl R. Darnall Army Medical Center
CEFMS	Corps of Engineers Financial Management System
FAD	Funding Authorization Document
FAR	Federal Acquisition Regulation
FBO	Federal Business Opportunities
MCFAS	Managed Care Forecasting and Analysis System
MEDCOM	U.S. Army Medical Command
OMB	Office of Management and Budget
QMAD	Quantitative Methods and Analysis Division
TMA	TRICARE Management Activity
USACE	U.S. Army Corps of Engineers



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

June 6, 2011

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
COMMANDING GENERAL, U.S. ARMY CORPS OF
ENGINEERS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act Project—"Hospital Replacement
Phase I" at Fort Hood, Texas, Was Properly Planned; However, Transparency Could
Be Improved (Report No. D-2011-067)

We are providing this report for review and comment. Personnel at the TRICARE Management Activity and the Army Medical Command ensured that the Recovery Act hospital replacement project was properly planned and supported. Although TRICARE Management Activity personnel distributed Recovery Act funds in a timely manner, and the funding authorization documents identified a Recovery Act designation, personnel at the U.S. Army Corps of Engineers did not always correctly track Recovery Act planning and design funds or clearly define and report some planning and design contracting actions. We considered management comments on a draft of this report when preparing the final report.

DOD Directive 7650.3 requires that all recommendations be resolved promptly. The comments from the U.S. Army Corps of Engineers through the Deputy Chief, U.S. Army Corps of Engineers Headquarters Internal Review Office were partially responsive to the recommendations. However, we request supporting documentation on corrective actions to Recommendations 1.b., 2.a., and 2.c. by July 5, 2011.

If possible, please send a .pdf file containing your comments to audyorktown@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct any questions to me at (703) 604-8866 (DSN 664-8866).

A handwritten signature in black ink, reading "Alice F. Carey", is positioned above the typed name and title.

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



Results in Brief: American Recovery and Reinvestment Act Project—"Hospital Replacement Phase I" at Fort Hood, Texas, Was Properly Planned; However, Transparency Could Be Improved

What We Did

Our objective was to review the planning, funding, initial project execution, and tracking and reporting of the project "Hospital Replacement Phase I" at Fort Hood, Texas, to determine whether the efforts of the TRICARE Management Activity, the U.S. Army Medical Command, and the U.S. Army Corps of Engineers (USACE) complied with the Recovery Act requirements and subsequent related guidance.

What We Found

Personnel at the TRICARE Management Activity and U.S. Army Medical Command ensured that the Recovery Act hospital replacement project was properly planned and supported. Although personnel at the TRICARE Management Activity distributed Recovery Act funds in a timely manner, and the funding authorization documents identified a Recovery Act designation, personnel at the USACE did not always correctly track Recovery Act planning and design funds or clearly define and report some planning and design contracting actions. Additionally, design contractors reported recipient information as required by the Recovery Act, but one contractor reported incorrect project information. As a result, the use of Recovery Act funds was not always clear and transparent to the public.

What We Recommend

We recommend that the Commanding General, USACE-Headquarters correct the funding authorization document and adjust the Corps of Engineers Financial

Management System to charge a transaction to the Recovery Act hospital replacement project instead of a non-Recovery Act-funded project. We also recommend that the Commander, USACE-Savannah District clarify the scope of work in a task order, correct postings on www.fbo.gov to properly identify the project, post the pre-solicitation for task order 0012 on www.fbo.gov, and ensure the architectural contractor uses the appropriate project title and project location when reporting recipient information.

Management Comments and Our Response

The USACE (through the Deputy Chief, USACE Headquarters Internal Review Office) provided comments for each recommendation. Management comments were partially responsive to the recommendations; however, we request supporting documentation to show corrective actions. We request the Commanding General, USACE provide comments in response to this report by July 5, 2011. Please see the recommendations table on the back of this page.

Fort Hood Hospital – Concept Design



Photo Provided by: Balfour Beatty/McCarthy with HKS/Wingler and Sharp Architects

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commanding General, U.S. Army Corps of Engineers- Headquarters	1.b.	1.a.
Commander, U.S. Army Corps of Engineers-Savannah District	2.a., 2.c.	2.b.

Please provide comments by July 5, 2011.

Table of Contents

Introduction	1
Objective	1
Recovery Act Background	1
Project Background	2
Review of Internal Controls	3
Audit Results	4
Recovery Act Project Properly Planned	4
Distribution of Funds Timely, But Tracking Could Be Improved	5
Initial Project Execution Generally Adequate for Architect and Engineering Contracts; However, Some Contracting Actions Not Clearly Defined or Reported	7
Architect and Engineering Contractor Reported Required Recovery Act Information, But Task Order Information Was Incorrect	8
Conclusion	8
Recommendations, Management Comments, and Our Response	9
Appendix. Scope and Methodology	11
Use of Technical Assistance	12
Use of Computer-Processed Data	12
Prior Audit Coverage	13
Management Comments	
U.S. Army Corps of Engineers	14

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, funding, initial project execution, and tracking and reporting of the project "Hospital Replacement Phase I," at Fort Hood, Texas, to determine whether personnel at the TRICARE Management Activity (TMA), the U.S. Army Medical Command (MEDCOM), and the U.S. Army Corps of Engineers (USACE) complied with Recovery Act 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. See the appendix for a discussion of our scope and methodology.

Recovery Act 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 (Health Affairs) received \$1.33 billion of Recovery Act funds for Defense-wide hospital construction.

TMA allocated \$118.6 million to Project 74688 "Planning and Design," which funded the planning and design efforts for three Recovery Act hospital projects. Of the \$118.6 million, TMA allocated \$10.3 million to Project 74650 "Hospital Replacement Phase I," Fort Hood, Texas, to support its architect and engineering (AE) efforts. TMA planned to allocate the remaining funds to support the AE efforts for two other Recovery Act-funded hospital projects. We are also reviewing those projects and will address them in separate reports. Additionally, TMA allocated \$621 million in construction funds to Project 74650, the Recovery Act "Hospital Replacement Phase I," at Fort Hood.

¹ DoD originally received about \$7.42 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.

For the purposes of this audit, we considered AE efforts using funds from Project 74688 “Planning and Design” to support the planning efforts for Project 74650 “Hospital Replacement Phase I,” at Fort Hood. Because the projects are interrelated, we considered both projects as one effort, referred to in this report as the Recovery Act hospital replacement project. See additional information in the appendix.

Project Background

DoD constructed the Carl R. Darnall Army Medical Center (CRDAMC) at Fort Hood, Texas, in 1966. In FY 2009, CRDAMC supported an active duty population of about 49,000 soldiers and more than 5,300 deploying Army Reserve and National Guard soldiers. The mission of CRDAMC is to provide high quality, customer focused, accessible, and comprehensive health care in support of contingency operations and the Army Medical Action Plan.

The CRDAMC Facility Master Plan, updated in 2003, stated that DoD health care facilities typically provide an adequate environment for 50 years or more depending upon the level of maintenance and repair over the life of the facility. The master plan also stated that functional areas, such as Emergency Medicine, Psychiatry, and Physical Medicine/Physical Therapy, were already at—or near—capacity.

Because of the funding constraints involved with constructing a new hospital, personnel at TMA and MEDCOM planned for the Fort Hood hospital replacement to be built in two phases. Phase I is the \$621 million Recovery Act hospital replacement project and is designed to provide space for ambulatory and ancillary services. Phase II is Project 74728, a \$306 million inpatient facility and logistics warehouse, and was originally not a Recovery Act project, but instead, was funded by the Supplemental Appropriations Act for 2009, Public Law 111-032.

On October 16, 2009, the TMA Director, Portfolio Planning and Management Division, directed that the two phases of the Fort Hood hospital replacement be combined and awarded as a single construction effort; however, the two phases were still to be funded through different appropriations. On November 22, 2010, the DoD Comptroller notified Congress that because of savings realized from the project “Hospital Replacement Phase I,” at Fort Hood, Texas, and other Recovery Act-funded hospital projects, the funding for the Phase II project would be changed from the Supplemental Appropriations Act to the Recovery Act. The Phase II project is now known as Recovery Act project 74651. This report addresses only the planning, funding, initial project execution, and tracking and reporting of the Recovery Act hospital replacement project. The figure below shows the location of the existing hospital and those of the proposed Phase I and Phase II hospital replacement projects at Fort Hood.

Figure. Aerial View of Existing and Planned Replacement Hospitals



USACE personnel at the Fort Worth, Huntsville, Omaha, and Savannah Districts supported TMA and MEDCOM personnel by providing contracting and project management services. These services included awarding the contracts associated with the Recovery Act hospital replacement project and assigning project managers to oversee the contracted work.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance programs are operating as intended and to evaluate the effectiveness of the controls. Generally, controls over the Recovery Act hospital replacement project were adequate; however, we identified internal control weaknesses in the administration of the Recovery Act hospital replacement project as defined by DoD Instruction 5010.40. USACE personnel did not provide adequate internal controls over the funding, contract execution, and tracking and reporting efforts for the Recovery Act project. We discuss these issues in detail in the Audit Results section of this report. We will provide a copy of the report to the senior official responsible for internal controls in TMA and the Army.

Audit Results

Personnel at TMA and MEDCOM ensured that the Recovery Act hospital replacement project was properly planned and supported. Although TMA personnel distributed Recovery Act funds in a timely manner and the funding authorization documents (FADs) identified a Recovery Act designation, personnel at USACE did not always correctly track Recovery Act planning and design funds or clearly define and report some planning and design contracting actions. Although contractors reported recipient information as required by the Recovery Act, one contractor reported incorrect project information. As a result, the use of Recovery Act funds was not transparent to the public.

Recovery Act Project Properly Planned

Personnel at TMA and MEDCOM properly planned the \$621 million Recovery Act hospital replacement project. They developed a health care requirements analysis using reasonable beneficiary population, workload, and staffing data to identify space requirements consistent with the Unified Facilities Criteria 4-510-01, “Unified Facilities Criteria – Design: Medical Military Facilities,” July 8, 2009. The Unified Facilities Criteria 4-510-01 provides general guidance and procedures for design and construction of military treatment facilities.

Personnel at TMA and MEDCOM properly planned the \$621 million Recovery Act hospital replacement project.

We verified the population projections in the health care requirements analysis with information provided by the Army Patient Administration Systems and Biostatistics Activity, the Army Stationing and Installation Program, the TMA Managed Care Forecasting and Analysis System (MCFAS), and the Texas State Demographer.

In their workload projections, TMA and MEDCOM personnel properly included historical rates of specialty care referrals to local networks or other military treatment facilities as well as the number of beneficiaries not currently enrolled. CRDAMC facility planners intend to increase Fort Hood’s capability and capacity in primary care, pediatrics, general orthopedics, physical therapy, behavioral health, and other medical areas. An increased enrollment goal was reasonable and supported by the project documentation. TMA and MEDCOM personnel adequately supported the requirement for the 606,000 gross square feet planned for the Recovery Act hospital replacement project by taking into account the projections for eligible population, workload, and staffing.

When determining solutions for CRDAMC’s hospital needs, MEDCOM completed an economic analysis that considered the status quo, renovation, renovation/new construction, new construction, leasing, and relocation to other facilities at Fort Hood. TMA and MEDCOM personnel recommended new construction as the best solution based on the economic analysis, CRDAMC’s age, lack of adequate space, and lack of opportunities for specialty care to beneficiaries.

Distribution of Funds Timely, But Tracking Could Be Improved

TMA personnel distributed Recovery Act funds in a timely manner, and the FADs identified a Recovery Act designation; however, USACE personnel did not always correctly track Recovery Act planning and design funds. TMA personnel transferred \$10 million in Recovery Act planning and design funds to personnel at the USACE on April 1, 2009, and an additional \$300,000 on November 12, 2009, for AE efforts supporting the Recovery Act hospital replacement project. TMA personnel also distributed \$621 million to personnel at the USACE on April 22, 2009, for the construction of the Recovery Act hospital replacement project.

When personnel at the USACE-Headquarters level transferred \$300,000 on November 19, 2009, to personnel at the USACE-Savannah District, the narrative on the FAD incorrectly identified the funds as associated with the Phase II inpatient facility project instead of the Recovery Act hospital replacement project. Because the FAD was incorrectly coded, USACE personnel also incorrectly coded the Corps of Engineers Financial Management System (CEFMS) to allocate about \$143,000 of the original \$300,000 to the Phase II project. As a result, USACE personnel were unable to track all Recovery Act funds allocated to the Recovery Act hospital replacement project. Although, the narrative on the FAD was incorrect, all FADs properly cited Treasury Appropriation Fund Symbol 97 0501, “Military Construction-Recovery Act, Defense-Wide” appropriation.

Contracting personnel at the USACE-Fort Worth and Savannah Districts used planning and design funds to award three task orders in June, August, and September of 2009 and one task order in January 2010. Additionally, contracting personnel at the USACE-Fort Worth, Huntsville, and Omaha Districts used Recovery Act planning and design funds to fund in-house services to support the Recovery Act hospital replacement project. See Table 1 for a listing of the planning and design activities associated with accomplishing the project.

Table 1. Separate Planning and Design Activities Supporting the Recovery Act Hospital Replacement Project

Planning and Design Activities	Amount (millions)
Task Order 0046 for Planning Charrette Study	\$ 1.57
Task Order 0047 for Developing Replacement Athletic Complex Request for Proposal	.34
Task Order 0051 for Developing Hospital Replacement Project Request for Proposal	2.30
Task Order 0012 for Updating Guidelines for Space Planning Criteria for Hospital Replacement Project	.14
USACE In-house Soil Boring Study for Hospital Replacement Project	.11
USACE In-house Contract Preparation (Athletic Complex Demolition)	.46
USACE In-house Labor	3.40
Total	\$ 8.32

USACE received \$10.3 million, which allowed for approximately \$2 million (\$10.30 million minus \$8.32 million) in potential bid savings. We will continue to monitor the use of these funds as our review of Recovery Act Project 74688 “Planning and Design” continues.

Because of the complexity of the Recovery Act hospital replacement project and to accelerate project execution, personnel at the USACE-Fort Worth District allocated the \$621 million in Recovery Act construction funds to six separate projects. Table 2 provides the actual amounts awarded to each of the six projects.

Table 2. Recovery Act Projects Awarded for the Construction of Project 74650

Projects	Amount (millions)
Construction of Recovery Act Hospital Replacement Project	\$ 368.8
Construction of Replacement Athletic Complex	13.5
Infrastructure – Sanitary Sewer	10.2
Infrastructure – Electrical and Telecommunications	6.3
Demolition of Athletic Complex	1.0
Utility Relocation	.3
Total	\$ 400.1

Although TMA and MEDCOM personnel allocated \$621 million in Recovery Act funds for the Recovery Act hospital replacement project, the actual amount awarded to date is about \$221 million less than the original programmed amount. We will revisit the six projects when construction efforts are further along, and we can validate the contracting

and tracking and reporting actions. We will also continue to monitor the use of Recovery Act funds for the six projects and the Recovery Act funds reprogrammed to the Phase II project.

Initial Project Execution Generally Adequate for Architect and Engineering Contracts; However, Some Contracting Actions Not Clearly Defined or Reported

Contracting personnel at the USACE-Fort Worth and Savannah Districts awarded task orders against previously competed contracts, included Federal Acquisition Regulation (FAR) clauses required by the Recovery Act, and generally performed initial project execution adequately. However, some contracting actions for planning and design were not clearly defined or reported.

Architect and Engineering Contracts Competed

Contracting personnel at the USACE-Fort Worth District awarded task orders 0046, 0047, and 0051 on contract W9126G-07-D-0028 on a firm-fixed-price basis. They awarded three task orders against an existing Indefinite Delivery/Architect Engineer contract to Parsons Infrastructure and Technology Group Incorporated. Contracting personnel at USACE-Fort Worth District competed the original contract in 2007. Contracting personnel at the USACE-Savannah District awarded task order 0012 against contract W912HN-06-D-0063 on a firm-fixed-price basis. They awarded the task order against an existing Indefinite Delivery/Architect Engineer contract to HDR Architecture. Contracting personnel competed the original contract in 2006. Contracting personnel from USACE-Fort Worth and Savannah Districts included the FAR clauses required by the Recovery Act.

Some Architect and Engineering Contracting Actions Not Defined or Reported Correctly

Contracting personnel at the USACE-Fort Worth District failed to post an award notice to the Federal Business Opportunities (FBO) Web site for one of the four AE task orders. Additionally, contracting personnel at the USACE-Savannah District did not clearly define the scope of work that supported the update of guidelines for space planning criteria in a different task order and failed to post the related pre-solicitation to the FBO Web site.

Contracting personnel at the USACE-Fort Worth District did not post an award notice for task order 0051 to the FBO Web site in accordance with the FAR and DoD Acquisition, Technology, and Logistics Memorandum, "Revised Posting and Reporting Requirements for the American Recovery and Reinvestment Act of 2009," August 19, 2009. Without the necessary posting, USACE-Fort Worth District did not ensure that the use of Recovery Act funds was clear and transparent to the public. During our review, contracting personnel at USACE-Fort Worth District corrected the oversight by posting the award notice to the Web site.

Contracting personnel at the USACE-Savannah District posted the award notice for task order 0012; however, they failed to post the pre-solicitation notice to the FBO Web site. Additionally, contracting personnel incorrectly listed the project as supporting Travis Air Force Base instead of the Recovery Act hospital replacement project at Fort Hood, Texas. Furthermore, contracting personnel did not clearly define the scope of work in task order 0012 “updating guidelines for space planning criteria.” Although the task order supported the Recovery Act project, contracting personnel at the USACE-Savannah District incorrectly defined the project as “... of military medical facilities and environments, Travis AFB, CA,” rather than Fort Hood, Texas. As a result, by using the wrong location, personnel at USACE-Savannah District did not ensure that the use of Recovery Act funds was clear and transparent to the public.

Architect and Engineering Contractor Reported Required Recovery Act Information, But Task Order Information Was Incorrect

Both contractors reported recipient information required by the Recovery Act. The contractors reported the number of jobs, a description of quarterly project activities, and the total dollar value for the task order award to www.recovery.gov as required by FAR 52.204-11. However, HDR Architecture incorrectly described the project as support for Travis Air Force Base instead of the Recovery Act hospital replacement project at Fort Hood, Texas, because contracting personnel at the USACE-Savannah District used the wrong location on task order 0012. HDR Architecture also incorrectly reported the project location as Fairfield, California, instead of Killeen, Texas. As a result of the incorrect information, personnel at the USACE-Savannah District did not ensure that the use of Recovery Act funds for task order 0012 was clear and transparent to the public.

Conclusion

Personnel at TMA and MEDCOM ensured that the Recovery Act hospital replacement project was properly planned and supported. TMA personnel distributed planning and design funds in a timely manner, the FADs identified the correct Recovery Act designation, and contracting actions were generally adequate. However, USACE personnel did not always correctly track Recovery Act planning and design funds or clearly define and report some planning and design contracting actions. Furthermore, although contractors reported recipient information as required by the Recovery Act, one of the contractors reported incorrect project information. As a result, DoD does not have reasonable assurance that the use of Recovery Act planning and design funds were completely transparent to the public.

Recommendations, Management Comments, and Our Response

1. We recommend that the Commanding General, U.S. Army Corps of Engineers-Headquarters:

- a. Correct Recovery Act funding authorization document 10-0012-01601 to reflect Project 74650 instead of Project 74728.**
- b. Adjust Corps of Engineers Financial Management System to charge task order 0012 “updating guidelines for space planning criteria” to Project 74650 instead of Project 74728.**

U.S. Army Corps of Engineers Comments

The USACE (through the Deputy Chief, U.S. Army Corps of Engineers Headquarters Internal Review Office) agreed with Recommendation 1.a. to reflect the correct project number on the funding authorization document. The USACE also agreed with Recommendation 1.b., and stated that personnel at USACE, Savannah District made the recommended corrections to the project number, title, and location in CEFMS.

Our Response

We consider comments from the USACE for Recommendation 1.a. as fully responsive and comments for recommendation 1.b. as partially responsive. After providing the management comments, USACE provided a copy of the funding authorization document that showed the corrected project number. Although the USACE’s response met the intent of Recommendation 1.b., we request that the Commanding General, USACE provide us with a copy of the updated CEFMS report that shows the correct project number for the Recovery Act hospital replacement project.

2. We recommend that the Commander, U.S. Army Corps of Engineers-Savannah District:

- a. Clarify the scope of work in task order 0012, contract W912HN-06-D-0063 to specify Project 74650 at Fort Hood, Texas, instead of medical facilities at Travis Air Force Base, California.**
- b. Correct postings related to contract W912HN-06-D-0063, task order 0012, on www.fbo.gov to properly identify the project as Project 74650 and post the pre-solicitation for task order 0012 on www.fbo.gov.**
- c. Oversee contractor reporting to ensure the contractor, HDR Architecture, uses the appropriate project title and project location when reporting recipient information required by the Recovery Act.**

U.S. Army Corps of Engineers Comments

The USACE agreed with all parts of the recommendation. For Recommendation 2.a., USACE stated that contract modification 01 modified the contracting language to state “Recovery Act” and that contract modification 02 corrected the project number, title, and location in task order 0012. In response to Recommendation 2.b., the USACE stated that they corrected award postings on www.fbo.gov related to the Recovery Act hospital replacement project. The USACE also stated that because the contract work was completed, re-publishing the pre-solicitation on www.fbo.gov would confuse contractors. The USACE also agreed with Recommendation 2.c. and stated that the project title and location error was noted as a material omission in the March 31, 2011, report to DoD and that the USACE submitted a request to correct the project title and location information for HDR Architecture to the OMB.

Our Response

We consider the comments from the USACE regarding Recommendation 2.a. and 2.c. as partially responsive. The USACE modified task order 0012 for contract W912HN-06-D-0063 by correcting the project number and location; however, contract line item no. 0004 still read Travis Air Force Base instead of Fort Hood as the project location. We request that the Commanding General, USACE modify task order 0012 and cite Fort Hood as the correct project location in line item no. 0004. Although the USACE’s response met the intent of Recommendation 2.c., we request that the Commanding General, USACE provide a copy of the March 31, 2011, omission report to DoD and a copy of the USACE’s change request to the OMB.

After receiving management comments, USACE provided a copy of the revised award posting from www.fbo.gov. Even though the USACE did not post the pre-solicitation for contract W912HN-06-D-0063, task order 0012, we consider comments from USACE responsive to the intent of Recommendation 2.b. We require no further comments.

Appendix. Scope and Methodology

We conducted this audit from August 2009 through March 2011. We generally complied with government auditing standards. We followed the audit planning and most fieldwork standards for this audit. However, due to the scope of our audit, we did not fully comply with standards for computer-processed data. 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 the standard on computer-processed data did not limit our ability to conclude accurately on our audit objectives. See the “Use of Computer-Processed Data” section below for further discussion.

The overall objective is to evaluate DoD’s implementation of plans for the Recovery Act. To accomplish our objective, we audited the planning, funding, initial project execution, and tracking and reporting of the Recovery Act hospital replacement project. 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 (Initial Project Execution); and
- recipients’ use of funds was transparent to the public; and the benefits of the funds were clearly, accurately, and timely reported (Tracking and Reporting).

Because of the status of the AE contracts, we reviewed all of the phases for planning and design related to the justification and sizing of the Recovery Act replacement hospital. We did not review the justification for related efforts such as the replacement athletic complex. Because of the status of the contracts at the time of our visit to Fort Hood, we limited our review of the construction contracts to the planning and funding phases.

We contacted or met with personnel from TMA; MEDCOM; the Great Plains Regional Medical Command; the Patient Administration Systems and Biostatistics Activity; the Army Health Facility Planning Agency; the Army Joint Medical Facilities Office; III Corps; CRDAMC; USACE-Headquarters, and Fort Worth, Savannah, and Huntsville Districts; and The Innova Group, Austin, TX. We obtained pertinent information from DD Form 1391 “Military Construction Project Data” May 2009; CRDAMC pre-planning documentation; “Charrette Report” August 2009; environmental assessment; Fort Hood active duty and other beneficiary demographics; CRDAMC program for design and the health care requirements analysis; CRDAMC relative value units from the Composite Health Care System (CHCS); FY2003 to FY2015 population data from the Army Stationing and Installation Program; FBO Web site for pre-solicitation, modification, and award postings; FADs; and Defense Enrollment Eligibility Reporting System data. We

also reviewed laws, policies, and guidance relating to medical military construction and implementation of the Recovery Act. Although we determined whether the contractor reported in accordance with FAR 52.204-11 and reviewed the data for reasonableness, we did not validate the data reported by the contractor to the www.recovery.gov Web site at this time. We plan to address the adequacy of recipient reporting in a future DoD OIG report.

Use of Technical Assistance

Before selecting DoD Recovery Act projects for audit, 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 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. 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 relied on computer-processed data from Army Stationing and Installation Program, MCFAS, CHCS, Defense Eligibility Enrollment Reporting System, FBO Web site, CEFMS, and DD Form 1391 Processor System.

The Army Stationing and Installation Program, through its Common Operating Picture, provides the official Headquarters, Department of the Army authorized planning populations for permanently assigned unit personnel and official students, by location and fiscal year. MCFAS projects the number and location of people eligible for medical benefits within the Department of Defense Military Health System. We noted variations in the demographic information; however, we deemed none of the variations significant because hospital space characteristics are generally unaffected by small to moderate changes in the population. CHCS is an integrated health care information system used to automate and integrate the functions performed by the hospital staff and to facilitate the delivery of health care and military treatment facility administration. Relative value units, as reported by CRDAMC, were derived from CHCS patient-level Standard Ambulatory Data Records. The Defense Eligibility Enrollment Reporting System serves as the database of record for beneficiary eligibility, provides a common medical enrollment platform, and provides primary care manager assignments. Because this was the best information available at the time of the audit and the use of resources required to

validate the information would not be prudent, we did not test the reliability or accuracy of these systems.

FBO is a single, government-wide point-of-entry for Federal Government procurement opportunities. CEFMS, the USACE financial management system, records financial transactions related to contracting actions. The DD Form 1391 Processor is a Web-enabled system permitting access and various password-protected capabilities, including preparation, certification, and review associated with the preparation of DD Forms 1391. We tested the accuracy of the computer-processed data by comparing data generated by each system with the DoD expenditure plans, FADs, and contracting documentation to support the audit conclusions. We also interviewed program officials responsible for reporting on Recovery Act contract actions and for managing Recovery Act funding. We determined that the 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>.

U.S. Army Corps of Engineers Comments



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
WASHINGTON, D.C. 20314-1000

CEIR

15 April 2011

MEMORANDUM FOR U.S. Department of Defense, Office of the Inspector General
400 Army Navy Drive,
Arlington, Virginia 22202-4704

SUBJECT: U.S. Army Corps of Engineers Revised Draft Report Response to DODIG
Audit on American Recovery and Reinvestment Act Project—"Hospital Replacement
Phase I" at Fort Hood, Texas, Was Properly Planned; However, Transparency Could be
Improved, Project No. D2009-D000LF-0245.001, dated 14 March 2011

1. Reference DODIG report, subject as above.
2. USACE comments are attached.
3. If you have additional questions, please contact the undersigned or my point of contact,
Ms. Terri Jackson, at [REDACTED] or via email at [REDACTED]

Encl

Terri Jackson for
BRENDA L. MAYES
Deputy Chief
HQ Internal Review Office

SUBJECT: U.S. Army Corps of Engineers Revised Draft Report Response to DODIG Audit on American Recovery and Reinvestment Act Project—"Hospital Replacement Phase I" at Fort Hood, Texas, Was Properly Planned; However, Transparency Could be Improved, Project No. D2009-D000LF-0245.001, dated 14 March 2011

Finding: Contracting personnel at the USACE-Savannah District posted the award notice for task order 0012; however, they failed to post the pre-solicitation notice to the FBO Web site. Additionally, contracting personnel incorrectly listed the project as supporting Travis Air Force Base instead of the Recovery Act hospital replacement project at Fort Hood, Texas. Furthermore, contracting personnel did not clearly define the scope of work in task order 0012 "updating guidelines for space planning criteria." Although the task order supported the Recovery Act project, contracting personnel at the USACE-Savannah District incorrectly defined the project as "... of military medical facilities and environments, Travis AFB, CA," rather than Fort Hood, Texas. As a result, by using the wrong location, personnel at USACE-Savannah District did not ensure that the use of Recovery Act funds was clear and transparent to the public. HDR Architecture incorrectly described the project as support for Travis Air Force Base instead of the Recovery Act hospital replacement project at Fort Hood, Texas, because contracting personnel at the USACE-Savannah District used the wrong location on task order 0012. As a result of the incorrect information, personnel at the USACE-Savannah District did not ensure that the use of Recovery Act funds for task order 0012 was clear and transparent to the public.

1a. Recommendation: Correct Recovery Act funding authorization document 10-0012-01601 to reflect Project 74650 instead of Project 74728.

Command Response: Concur.

1b. Recommendation: Adjust Corps of Engineers Financial Management System to charge task order 0012 "updating guidelines for space planning criteria" to Project 74650 instead of Project 74728.

Command Response: Concur. Per Savannah District (see command response 2a.), MOD #2 dated 14 Dec 2010 corrected the project number, title, and location to reflect Project 74650 instead of 74728, which then was updated in CEFMS.

2a. Recommendation: Clarify the scope of work in task order 0012, contract W912HN-06-D-0063 to specify Project 74650 at Fort Hood, Texas instead of medical facilities at Travis Air Force Base, California.

Command Response: Concur. Modification#01 dated 19 Jan 2010 changed the funding to say ARRA and MOD#02 dated 14 Dec 2010 corrected the PN, Title, and Location. Corrective action completed see modification#2 enclosed.

SUBJECT: U.S. Army Corps of Engineers Revised Draft Report Response to DODIG Audit on American Recovery and Reinvestment Act Project—"Hospital Replacement Phase I" at Fort Hood, Texas, Was Properly Planned; However, Transparency Could be Improved, Project No. D2009-D000LF-0245.001, dated 14 March 2011

2b. Recommendation: Correct postings related to contract W912HN-06-D-0063, task order 0012, on www.fbo.gov to properly identify the project as Project 74650 and post the pre-solicitation for task order 0012 on www.fbo.gov.

Command Response. Concur. The project title and number were corrected on the posting located on fbo.gov to properly identify the project. However, the contract work is completed and to republish the pre-solicitation on fbo.gov would confuse contractors. Corrective action completed, correction enclosed.

2c. Recommendation. Oversee contractor reporting to ensure the contractor, HDR Architecture, uses the appropriate project title and project location when reporting recipient information required by the Recovery Act.

Command Response. Concur. A request to change the information was submitted to OMB by HQ USACE ARRA and is currently pending approval. Since the record is marked as final, OMB will have to change the information. HQ-USACE Contracting Office is coordinating the response with OMB. We have no timeline when the updates will be accepted by OMB and/or corrected on the Recovery.gov site.

HQ, Contracting Office representatives stated that the error to the Place of Performance section of the W912HN-06-D-0063-0012 vendor report was noted in the Material Omission section of the Corps Q-4 2010 report to DOD, submitted 31 March 2011. A request was made to OMB to change the PoP information on the Q-4 report to reflect the changes requested by the IG. The change request is still pending and we do not have a timeline when it may be accepted.

3. Coordination. Responses to the recommendations were provided by [REDACTED], Chief of Contracting, SAS and coordinated with SAS Project Management Office, Senior Program Manager, [REDACTED], SWD and [REDACTED], Deputy Chief, Military Programs, Southwestern Division Regional Integration Team Directorate of Military Programs.



Inspector General Department of Defense

