

# Inspector General

United States  
Department of Defense



Performance and Reporting Controls Over American  
Recovery and Reinvestment Act Projects at Fort  
Wainwright, Alaska, and Fort Huachuca, Arizona,  
Were Generally Effective

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## Acronyms and Abbreviations

ANC	Alaska Native Corporation
COR	Contracting Officer's Representative
DPAP	Defense Procurement and Acquisition Policy
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System
FSRM	Facilities Sustainment, Restoration, and Modernization
NAICS	North American Industry Classification System
OMB	Office of Management and Budget
ORCA	Online Representations and Certifications Application
SBA	Small Business Administration
USACE	U.S. Army Corps of Engineers



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

January 30, 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/  
CHIEF FINANCIAL OFFICER  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

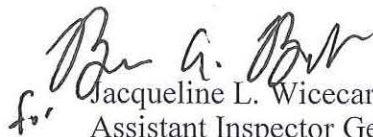
SUBJECT: Performance and Reporting Controls Over American Recovery and Reinvestment Act Projects at Fort Wainwright, Alaska, and Fort Huachuca, Arizona, Were Generally Effective (Report No. DODIG-2012-046)

We are providing this report for review and comment. Fort Wainwright and Fort Huachuca contractor performance and reporting controls were generally effective to ensure the 11 projects, valued at \$14.8 million, were properly executed.

DoD Directive 7650.3 requires that recommendations be resolved promptly. We received comments from the Commander, U.S. Army Installation Management Command too late to be included in the final report. However, those comments were consistent with informal comments previously received from the Army Materiel Command. Based on the Army comments, we redirected Recommendations A and B to the Executive Director, Army Contracting Command. Please provide comments by February 29, 2012.

If possible, send a Microsoft Word (.doc) and portable document format (.pdf) file containing your comments to [audacm@dodig.mil](mailto:audacm@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 questions to me at (703) 604-9077 (DSN 664-9077). If you desire, we will provide a formal briefing on the results.

  
Jacqueline L. Wicecarver  
Assistant Inspector General  
Acquisition and Contract Management

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# **Results in Brief: Performance and Reporting Controls Over American Recovery and Reinvestment Act Projects at Fort Wainwright, Alaska, and Fort Huachuca, Arizona, Were Generally Effective**

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## **What We Did**

Our objective was to evaluate the effectiveness of Government controls over contractor performance and reporting on selected American Recovery and Reinvestment Act projects, including contracts awarded to qualified small businesses. We reviewed 11 projects valued at \$14.8 million. As of August 26, 2011, 9 of the 11 projects had been completed.

## **What We Found**

Fort Wainwright and Fort Huachuca controls over contractor performance were generally effective and properly executed for the 11 selected Facilities Sustainment, Restoration, and Modernization services projects. In addition, Fort Wainwright and Fort Huachuca contracting personnel effectively validated contractors' small business status. However, contractor recipient reporting narrative descriptions for 11 projects we reviewed lacked a complete description of the overall project and expected outcomes. The narrative descriptions were incomplete because initial Office of Management and Budget (OMB) and DoD guidance did not require detailed project descriptions. As a result, the Army received the services it had contracted for in nine completed projects, valued at \$9.6 million. However, there is no assurance that contractor-reported data provided transparency to the public on how Recovery Act funds were spent. Fort Wainwright contracting officials did not ensure that Alaska Native Corporation (ANC) contractors performed at least 15 percent of the cost of the contract with its own employees for construction contracts and 50 percent for service

contracts, as required by the Federal Acquisition Regulation. Fort Wainwright contracting officials did not ensure ANC contractors performed the requisite amount of work because they were unaware of the requirement to track the percentage of work performed by ANC prime contractors and subcontractors. As a result, there was no assurance that Fort Wainwright ANCs passed the benefits of their contracts to an Alaska Native workforce.

## **Recommendations**

We recommend that the Executive Director, Army Contracting Command, direct contracting officials at Forts Wainwright and Huachuca to fully implement OMB Memorandum M-10-34 and the associated April 20, 2011, Defense Procurement and Acquisition Policy recipient-reporting guidance to require detailed project descriptions and that Fort Wainwright contracting officials track ANC contract personnel costs in accordance with Federal Acquisition Regulation requirements.

## **Management Comments and Our Response**

We received the formal comments from the Army too late to include in the final report. However, the comments were consistent with informal Army comments previously received. As a result of the comments we redirected Recommendations A and B to the Executive Director, Army Contracting Command. Therefore, we request that the Army provide comments in response to this report by February 29, 2012. Please see the recommendations table on the back of this page.

## Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Executive Director, Army Contracting Command	A and B	

**Please provide comments by February 29, 2012.**

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# Introduction

## Objective

The primary objective of this audit was to determine whether DoD and its Components are implementing Public Law 111-5, “The American Recovery and Reinvestment Act of 2009,” (Recovery Act). Specifically, we evaluated the effectiveness of Government controls at Fort Wainwright and Fort Huachuca over contractor performance and reporting on selected projects, including contracts awarded to qualified small businesses. See Appendix A for a discussion of our scope and methodology as well as the prior audit coverage.

## Recovery Act Background

The President signed the Recovery Act into law on February 17, 2009.

The purposes of this 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.

## ***Office of Management and Budget, Federal Acquisition Regulation, and DoD Recovery Act Guidance***

Criteria for planning and implementing the Recovery Act changed during 2009 through 2011 as the Office of Management and Budget (OMB) issued 11 memoranda and 1 bulletin to address the implementation of the Recovery Act. In addition, the Federal Acquisition Regulation (FAR), DoD, and its Components issued accompanying implementation guidance. See Appendix B for a list of Federal Government-level Recovery Act criteria and guidance. OMB, FAR, and DoD guidance related to recipient reporting are also discussed in Finding B.

## ***DoD Recovery Act Program Plans***

Under the Recovery Act, Congress appropriated approximately \$12 billion to DoD for the following programs: Energy Conservation Investment; Facilities Sustainment, Restoration, and Modernization (FSRM);<sup>1</sup> Homeowners Assistance; Military Construction; Near Term Energy-Efficient Technologies; and U.S. Army Corps of Engineers (USACE) Civil Works. The Recovery Act divides the approximately \$12 billion among 32 DoD and USACE line items of appropriation. The values of the six Recovery Act programs are shown in Table 1.

**Table 1. DoD Agency-Wide and Program-Specific Recovery Act Programs**

<b>Program</b>	<b>Amount (in millions)</b>
Energy Conservation Investment	\$120
Facilities Sustainment, Restoration, and Modernization	4,260*
Homeowners Assistance	555
Military Construction	2,185
Near Term Energy-Efficient Technologies	300
U.S. Army Corps of Engineers Civil Works	4,600
<b>Total</b>	<b>\$12,020*</b>

\*On August 10, 2010, Public Law 111-226, Title III, "Rescissions," rescinded \$260.5 million of funds from DoD Operations and Maintenance Accounts supporting the Recovery Act. This reduced the DoD Recovery Act FSRM amounts to approximately \$4 billion, and total DoD agency-wide and program-specific Recovery Act funding to approximately \$11.76 billion.

## ***Recovery Act Projects at Fort Wainwright***

Fort Wainwright is a military base near Fairbanks, Alaska. Its missions are to deploy combat-ready forces to support joint military operations worldwide and serve as the Joint Force Land Component Command to support Joint Task Force Alaska. Fort Wainwright had 37 Army FSRM Small Business Recovery Act projects, valued at \$43.6 million. Two Alaska Native Corporation (ANC) prime contractors acting in an 8(a) (Disadvantaged Business Enterprise Program) capacity performed the projects.

We reviewed six FSRM projects, valued at \$9.8 million. All six of the Fort Wainwright Recovery contract actions that we reviewed were under two noncompetitive indefinite-delivery, indefinite-quantity contracts to two ANCs. Appendix C shows details of each Fort Wainwright project we reviewed. At the time of our review, four projects, valued at approximately \$4.6 million, were completed and accepted by the Government. As of August 26, 2011, two of the projects were still in process: a \$1,674,983 project to

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<sup>1</sup> The DoD FSRM program helps to ensure that Department facilities are maintained; meet national security standards; and provide, operate, and sustain suitable housing, medical, and base facilities for warfighters and their families in a cost-effective manner.

repair base administrative offices and a \$3,528,540 project to repair and upgrade heating and air-conditioning at the base Welcome Center. The four completed projects comprised:

- repairing and renovating the interior of an on-base warehouse (\$2,170,614);
- repairing barracks (\$632,364);
- repairing and renovating the visual aesthetics, including electrical/lighting, in building 3717 (\$873,187); and
- replacing the traffic control facility at the intersection of Meridian and Montgomery Roads (\$958,876).

### ***Recovery Act Projects at Fort Huachuca***

The U.S. Army Garrison, Fort Huachuca, Arizona, provides resources, services, and infrastructure to support expeditionary operations for the Army. Fort Huachuca had 33 Army FSRM Recovery Act projects, valued at \$18.5 million. Of those 33 projects, 17 were Small Business 8(a) Recovery Act projects.

We reviewed five FSRM projects, valued at \$5 million. Three of the five Fort Huachuca contract actions that we reviewed were noncompetitive contracts awarded to three small businesses. Appendix D shows details of each Fort Huachuca project we reviewed. At the time of our review, all five projects had been completed and accepted by the Government. The projects comprised:

- reconstructing Squire Avenue (\$1,180,265);
- replacing evaporative cooling with air-conditioning in building 70525 (\$1,874,065);
- replacing inefficient light fixtures in buildings 50010, 55328, 55330, and 74914 (\$237,948);
- repairing H Avenue drainage (\$1,333,977); and
- repairing the roof at Davis Hall (\$384,175).

### **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. We identified internal control weaknesses in the administration of ANC contracts at Fort Wainwright and recipient reporting of Recovery Act projects at Fort Wainwright and Fort Huachuca. Specifically, Fort Wainwright and Fort Huachuca 2009 and 2010 quarterly recipient-reporting

narrative descriptions were incomplete regarding the overall projects and expected outcomes. In addition, Fort Wainwright contracting officials did not ensure that ANC prime contractors incurred at least 15 percent of the costs of the contract with its own employees for construction contracts and 50 percent for service contracts, as required by FAR 52.219-14. We will provide a copy of the report to the senior official responsible for internal controls at Fort Wainwright and at Fort Huachuca.

## **Finding A. Fort Wainwright and Fort Huachuca Contractor Performance Controls Were Generally Effective**

Fort Wainwright and Fort Huachuca controls over contractor performance were generally effective and properly executed for the 11 selected FSRM projects.<sup>2</sup> In addition, Fort Wainwright and Fort Huachuca contracting personnel effectively validated contractors' small business status. However, contractor recipient- reporting narrative descriptions for 11 projects we reviewed lacked a complete description of the overall project and expected outcomes. The lack of detailed descriptions occurred because initial OMB and DoD guidance did not require detailed project descriptions. As a result, the Army received the services it had contracted for in nine completed projects, valued at \$9.6 million. However, there is no assurance that contractor-reported data provided transparency to the public on how Recovery Act funds were spent.

### **Recovery Act Recipient-Reporting Guidance**

FAR Subpart 4.15, "American Recovery and Reinvestment Act-Reporting Requirements," requires contractors receiving Recovery Act funds to report on the use of those funds quarterly. Section 1512 of the Recovery Act also requires recipients to provide quarterly data on the use of Recovery Act funding. In addition, FAR Clause 52.204-11, "American Recovery and Reinvestment Act-Reporting Requirements," outlines the contractors' reporting requirements, indicating that they must report by the 10th day after the end of the quarter (October 10, January 10, April 10, and July 10) and the specific information they must report.

#### ***Initial OMB and DoD Guidance***

On September 30, 2009, Office of Federal Procurement Policy Memorandum, "Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance With FAR Clause 52.204-11," described the reporting process and the requirements for agencies to review reports for consistency with award information, significant errors, and material omissions in reporting. However, the interim guidance did not provide detailed guidance on the extent and content of narrative descriptions submitted by recipients.

On December 16, 2009, a DoD memorandum, "Guidance on Reviewing Contractor Reports Required by the American Recovery and Reinvestment Act of 2009," provided additional guidance for contracting officials when reviewing quarterly recipient reports.

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<sup>2</sup> Two of the 11 projects, valued at \$5 million, were ongoing as of August 26, 2011; both were at Fort Wainwright.

## ***Revised Presidential, OMB, and DoD Guidance***

An April 6, 2010, Presidential memorandum, “Combating Noncompliance with Recovery Act Reporting Requirements,” mandated aggressive action by Federal agencies in addressing recipient-reporting noncompliance. OMB Memorandum M-10-34 provided additional information to Federal agencies and recipients regarding detailed reporting procedures, including the need to improve narrative descriptions in recipient reporting in [www.FederalReporting.gov](http://www.FederalReporting.gov). On April 20, 2011, the Director, Defense Procurement and Acquisition Policy (DPAP) issued a memorandum, “Quality Reviews of Contract, Grant and Cooperative Agreement Recipient Reports Required by the American Reinvestment and Recovery Act,” to provide further guidance.

## **Fort Wainwright and Fort Huachuca Personnel Properly Managed Contractor Performance**

Generally, Fort Wainwright and Fort Huachuca personnel properly executed Recovery Act projects, including contractor performance management and contract funding administration. Contracting officials designated contracting officer’s representatives (CORs) from the Fort Wainwright and Fort Huachuca Departments of Public Works to monitor, evaluate, and document contractors’ performance. CORs used various quality assurance documents to evaluate the quality and timeliness of work performed, including quality assurance plans, daily surveillance plans, and contractor daily quality control reports. For completed projects, CORs conducted final inspections and noted deficiencies that needed correction before final acceptance. We also verified through inspection the status of completed and ongoing projects at Fort Wainwright and Fort Huachuca. We noted no contractor-induced delays or significant quality control issues.

In addition, Fort Wainwright and Fort Huachuca personnel effectively administered contract funding. Our review of 37 Fort Wainwright invoices, valued at approximately \$5 million, and 28 Fort Huachuca invoices, valued at approximately \$5 million, showed that payments were consistent with work performed and that CORs reviewed invoices to ensure that payments were commensurate with work performed.<sup>3</sup> This validation and verification of work completed helped ensure that contractors were paid appropriately under the terms of the FSRM contracts.

## ***Projects at Fort Wainwright***

Fort Wainwright contractor performance controls were sufficient to ensure that the Army received the services it contracted for. CORs from the Fort Wainwright Department of Public Works used daily quality control reports to evaluate contractor performance regarding labor hours, equipment used, onsite supervision, and inspections and tests performed to evaluate quality of work. In addition, CORs reviewed invoices and performed final inspections for completed projects. We visually inspected all six projects and obtained feedback from Fort Wainwright Public Works personnel on the quality and

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<sup>3</sup> We reviewed all available invoices connected to the selected projects during our onsite reviews.



timeliness of contractor performance. Similar Public Works oversight was performed on the two ongoing projects. Public Works personnel were satisfied with contractor performance and the project outcomes. We concluded that contractor performance on the projects complied with all contract requirements. As Table 2 shows, contractors completed the four projects within the scheduled time frame and allotted Recovery Act costs.

**Table 2. Fort Wainwright Project Outcomes**

<b>Project No.</b>	<b>Government Received and Accepted Contracted FSRM Services</b>	<b>Project Completed on Time</b>	<b>Project Completed Within Recovery Act Allocated Costs</b>	<b>Government Oversight Controls</b>
21942	√	Ongoing	Ongoing	√
22119	√	√	√	√
32320	√	√	√	√
32329	√	√	√	√
35615	√	√	√	√
38278	√	Ongoing	Ongoing	√

### ***Projects at Fort Huachuca***

Fort Huachuca contractor performance controls were sufficient for all five projects to ensure that the Government received the FSRM services it contracted for. CORs from the Fort Huachuca Department of Public Works used daily quality control reports to evaluate contractor performance regarding labor hours, equipment used, onsite supervision, and inspections and test performed to evaluate quality of work. In addition, CORs reviewed invoices and performed final inspection of completed projects. We visually inspected the five projects and obtained feedback from Public Works personnel on the quality and timeliness of the contractors' performance. Public Works personnel were satisfied with contractor performance and the project outcomes. We concluded that contractor performance on the projects complied with contract requirements. As Table 3 shows, contractors delivered all five projects within approved timelines and costs.

**Table 3. Fort Huachuca Project Outcomes**

<b>Project No.</b>	<b>Government Received and Accepted Contracted FSRM Services</b>	<b>Project Completed on Time</b>	<b>Project Completed Within Recovery Act Allocated Costs</b>	<b>Government Oversight Controls</b>
25204	√	√	√	√
25206	√	√	√	√
35756	√	√	√	√
38785	√	√	√	√
38803	√	√	√	√

## **Small Business Contracting Representations and Certifications**

Fort Wainwright and Fort Huachuca contracting personnel effectively validated contractors' small business status. Small businesses self-certify with the Small Business Administration (SBA), Central Contractor Registration, and Online Representations and Certifications Application (ORCA) systems. The FAR directs contractors to make a good faith representation of their small business status, and contracting officers then accept that representation unless they have reason to believe otherwise. To qualify as a small business, the company must meet the SBA-established size standards for the North American Industry Classification System (NAICS) for which they plan to claim small business status. Small businesses must also update their status every year. ANC's are permitted to participate under SBA's 8(a) business program and are eligible to receive sole-source contracts for any dollar amount.

Fort Wainwright and Fort Huachuca contracting officials validated each contractor's small business status by obtaining a copy of the ORCA certification. We confirmed the contractors' small business status by verifying their certification through their postings to the Central Contractor Registration database and ORCA Web site.

## **Some Project Tracking and Reporting Controls Were Adequate**

Fort Wainwright and Fort Huachuca generally complied with Recovery Act reporting requirements. Specifically, Fort Wainwright and Fort Huachuca procedures were

generally effective to ensure that contractors for all 11 projects reported recipient information required by the Recovery Act.

According to Fort Wainwright and Fort Huachuca contracting personnel, they provided contractors written notice of the reporting requirement and reminded contractors of the applicable suspense date before each quarterly reporting period. Fort Wainwright and Fort Huachuca contracting personnel also reviewed contractor reports and notified contractors of discrepancies needing correction. In addition, contracting personnel monitored the reporting process. Our review of 2009 and 2010 recipient (contractor)-reported information showed the information was accurate with the information contained in the contract files and supported Recovery Act requirements regarding the total dollar value for the project, project status, general purpose of the award, and location of work being performed.

## **Narrative Recipient-Reporting Controls Could Have Been Improved**

Fort Wainwright and Fort Huachuca 2009 and 2010 quarterly recipient-reporting narrative descriptions were incomplete regarding the overall projects and expected outcomes.

### ***Fort Wainwright***

Contractor narrative descriptions for the six Fort Wainwright projects reviewed lacked a complete description of the overall project and expected outcomes. For example, the narrative description for project 32329 in [www.recovery.gov](http://www.recovery.gov) for the quarter ending September 30, 2010, stated only, “25ID 1BCT Battalion OPS BLDG 3717 Repair Finishing, HVAC, and ELEC.” In addition, the quarterly activities description stated only, “Repair Barracks.” Contractors could have drawn a fuller description from the project’s statement of work, available to both the contractor and the Government in contract W912CZ-07-D-0007-0082, which stated in part:

This project is intended to renovate the existing offices and finishes in the building. The objective of this project is to upgrade and improve the visual aesthetics of portions of Building 3717. Slight upgrades will also include electrical/lighting replacement and reconfiguring existing electrical layouts to better suit occupants and aesthetic issues. Install rubber tile flooring in specified areas, flooring shall be resilient and meet ADA requirements. Install cherry wood style luxury vinyl tile (LVT) in specified areas, flooring shall be resilient and non-slip. Eliminate the installation of vinyl composition tile (VCT) in specified areas. Eliminate work in room 135 and arms room and eliminate exterior painting. For the HVAC system, replace existing pneumatic controls with electronic controls and thermostats. To include but not limited to installation of zone control valves, controls for existing heating coils for air handlers, thermostats, dampers, controls for existing heat exchanger, wiring, conduit, and piping.

## ***Fort Huachuca***

Contractor narrative descriptions for the five projects we reviewed lacked a complete description of the overall project and expected outcomes. For example, the project 25206 description reported in [www.recovery.gov](http://www.recovery.gov) for the quarter ending March 31, 2010, stated only “REPLACE EVAP COOLING WITH A/C TMAC BUILDING 70525, MWR PROJECT NO 25206.” However, more detailed descriptions of work to be performed were available to both the Government and the contractor in the statement of work included in contract W9124A-09-C-0012:

To replace the evaporating cooling system in building 70525 for a new air conditioning unit. Remove and replace with new the existing 120V power and lighting circuits, conduit, wire, whips, and J-boxes in the existing above ceiling grid on the Main Dining (Rm.132), Bar No. 2 (Rm.131), Ballroom (Rm.130), Storage (Rm.129), Boots and Saddle Senior Lounge (Rm.122), Cashier Office (Rm.121), Barber (Rm.120), Lobby (Rm.118), Main Office (Rm.117), Office Comp (Rm.115), Locker Room (Rm.114A), Locker Lounge (Rm.114), Liquid Room (Rm.114B), Bar (Rm.113), Fox Hole Lounge l East (Rm.112), and Fox Hole Lounge/West (Rm.106). Replace several light switches in the above rooms. Replace missing cover on lighting control box in Ballroom ceiling. Relocate the Thunder Mountain sign that is on the East side of the building to the center of the new canopy facade on adjacent to its current location.

## ***Reason for Vague Narrative Descriptions***

Vague narrative descriptions occurred because initial OMB and DoD guidance did not require detailed project descriptions. We apprised contracting personnel of the revised OMB reporting requirement included in OMB Memorandum M-10-34, as it applied to the reporting quarters that ended on September 30, 2010, and December 31, 2010. Because the narrative descriptions were incomplete and vague, the reported data for the 11 projects did not provide sufficient details to provide transparency to the public on how Recovery Act funds were spent. On April 20, 2011, the Director, DPAP, issued supplementary guidance to assist contracting offices in determining the sufficiency of contractor-reported information. U.S. Army Garrison Commanders at Fort Wainwright and Fort Huachuca should fully implement OMB Memorandum M-10-34 and the associated DPAP supplementary guidance for any remaining Recovery Act projects with active recipient reporting. If implemented, the OMB and DPAP guidance will correct the recipient reporting internal control weakness.

## **Recommendation**

### ***Redirected Recommendation***

As a result of informal management comments from the Army Materiel Command, we redirected Recommendation A from the Commander, U.S. Army Garrison, Fort Wainwright, and the Commander, U.S Army Garrison, Fort Huachuca, to the Executive Director, Army Contracting Command. Subsequently, we received written comments from the Commander, U.S. Army Installation Management Command too late to include them in the final report. Those comments were consistent with the informal comments previously received.

**A. We recommend that the Executive Director, Army Contracting Command, direct contracting officials at Fort Wainwright and Fort Huachuca to fully implement Office of Management and Budget Memorandum M-10-34 and the associated April 20, 2011, Defense Procurement and Acquisition Policy recipient-reporting guidance to require detailed project descriptions.**

### **Management Comments Required**

We request that Army provide comments in response to the final report by February 29, 2012.

## **Finding B. Fort Wainwright Could Have Improved Alaska Native Corporation Contract Oversight**

Fort Wainwright contracting officials did not ensure that ANC contractors performed at least 15 percent of the cost of the contract with its own employees for construction contracts and 50 percent for service contracts, as required by FAR Clause 52.219-14, “Limitations on Subcontracting.” Specifically, contracting officials could not determine whether prime contractors incurred the requisite percentage of personnel cost because they were unaware of the requirement to do so. As a result, there is no assurance that Fort Wainwright ANCs passed the benefits of their contracts to an Alaska Native workforce.

### **Guidance on Amount of ANC Prime Contractor Work**

Congress established ANCs in 1971 to settle land and financial claims made by Aboriginal Alaskans and to spur regional economic development. Under the SBA’s 8(a) Program, ANCs are eligible to receive sole-source contracts for any dollar amount. (All other 8[a] contractors are limited to awards not exceeding \$6.5 million for manufacturing contracts and \$4 million for all other contracts.) FAR clause 52.219-14 requires that 8(a) prime contractors perform at least 15 percent of the cost of the contract, not including the cost of materials, with its own employees for construction contracts and 50 percent of the cost of the contract for service contracts.

### **Contracting Officials Did Not Track ANC Subcontracting Percentages**

Although both Fort Wainwright ANC prime contracts contained FAR clause 52.219-14, Fort Wainwright contracting personnel did not track the percentage of work subcontracted by ANC small business prime contractors.

Contracting officials did not track subcontracting because they were unaware of the requirement to track the percentage of work performed by ANCs. The contracting officials noted that no ANC work at Fort Wainwright was tracked in this manner. After we notified Fort Wainwright contracting officials of the FAR requirement, the officials stated that they were attempting to implement procedures with their ANC contractors to track personnel costs for construction and service work performed by both ANC prime contractors and ANC subcontractors, as required by FAR clause 52.219-14. The contracting officials noted that there was not a specific reporting format available to track the percentage of personnel costs for construction or service work conducted by ANC prime contractors and that each contractor tracked the requirement differently.



## Recommendation

### ***Redirected Recommendation***

As a result of informal management comments from the Army Materiel Command, we redirected Recommendation B from the Commander, U.S. Army Garrison, Fort Wainwright, to the Executive Director, Army Contracting Command. Subsequently, we received written comments from the Commander, U.S. Army Installation Management Command too late to include them in the final report. Those comments were consistent with the informal comments previously received.

**B. We recommend that the Executive Director, Army Contracting Command, issue guidance to Fort Wainwright contracting officials to ensure that Alaska Native Corporation prime contractor services incur at least 15 percent of personnel costs for construction contracts and 50 percent of personnel costs for service contracts, as required by Federal Acquisition Regulation Clause 52.219-14, “Limitations on Subcontracting.”**

### **Management Comments Required**

We request that Army provide comments in response to the final report by February 29, 2012.

## **Appendix A. Scope and Methodology**

We conducted this performance audit from January 2011 through November 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We selected five Recovery Act FSRM projects at Fort Huachuca, valued at \$5 million, and six Recovery Act FSRM projects at Fort Wainwright, valued at \$9.8 million, to determine whether Army efforts complied with Recovery Act requirements, Office of Management and Budget guidance, the Federal Acquisition Regulation, and DoD implementing guidance. We interviewed Army personnel at Fort Wainwright and Fort Huachuca contracting offices and Departments of Public Works. For each small business award, we validated that contracting officials reviewed the awardee's small business status by reviewing the ORCA certifications contained in the contract files. We also verified that the contractors registered in ORCA, self-certifying their small business status. In addition, we validated contractor-reported North American Industry Classification System (NAICS) size standards by comparing information contained in the Federal Procurement Data System (FPDS).

### ***Recipient Reporting***

We reviewed selected recipient reports filed by contractors on [www.federalreporting.gov](http://www.federalreporting.gov). We verified contractor-reporting elements in [www.recovery.gov](http://www.recovery.gov) for 2009 and 2010 and compared the information with contract files and the FPDS.

### ***Project Execution***

We determined whether the quality assurance surveillance plans for the selected projects specified work requiring surveillance and the method of surveillance. We ensured contractor(s) met agreed-to contractor schedules and identified and addressed nonconformance. In addition, we inspected all 11 ongoing and completed Recovery Act projects.

### ***Small Business Oversight***

We determined that contracting personnel properly validated contractor 8(a) status by identifying small business 8(a) actions at each site from the FPDS. We reviewed contract files to determine whether contracting officials reviewed each small business status by obtaining reports from the ORCA Web site and the NAICS. We also held discussions with contracting officials to determine their procedures for validating contractor 8(a) business status. In addition, we held discussions with contracting officials at Fort Wainwright to determine their procedures for validating contractor Alaska Native Corporation's special 8(a) provisions.

## **Use of Computer-Processed Data**

We used computer-processed data to perform this audit. Specifically, we used project data posted on the Recovery Act Web site ([www.recovery.gov](http://www.recovery.gov)) in meeting our audit objectives. We tested the accuracy of the data by comparing the project data reported on the Recovery Act Web site with documents in the contract file. Our audit focused on the reporting of contract actions on specific Army projects. From these procedures, we concluded that the DoD data were sufficiently reliable for our audit purposes.

## **Use of Technical Assistance**

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 used 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.

## **Prior Coverage**

The Government Accountability Office (GAO), the DoD Inspector General (DoD IG), 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>.

Furthermore, GAO and the DoD IG have issued three reports specifically discussing Recovery Act issues pertaining to this report. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

### **GAO**

GAO Report No. GAO-10-581, “Increasing the Public’s Understanding of What Funds are Being Spent on and What Outcomes Are Expected,” May 27, 2010

### **DoD IG**

DoD IG Report No. D-2011-052, “American Recovery and Reinvestment Act–DoD Data Quality Review Processes for the Period Ending December 31, 2009, Were Not Fully Implemented,” March 23, 2011

DoD IG Report No. D-2011-048, “American Recovery and Reinvestment Act Projects–‘Facility Energy Improvements’ and ‘Wind Turbine and Photovoltaic Panels’ at Fort Wainwright, Alaska,” March 7, 2011

## Appendix B. Recovery Act Criteria and Guidance

The following list includes the primary Recovery Act criteria documents (notes appear at the end of the list):

- 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 Reinvestment Act of 2009 Appropriations,” February 25, 2009
- White House Memorandum, “Government Contracting,” March 4, 2009
- White House Memorandum, “Ensuring Responsible Spending of Recovery Act Funds,” March 20, 2009
- OMB Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009<sup>1</sup>
- 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<sup>2</sup>
- 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
- 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
- OMB Memorandum M-10-14, “Updated Guidance on the American Recovery and Reinvestment Act,” March 22, 2010
- Presidential Memorandum “Combating Noncompliance with Recovery Act Reporting Requirements,” April 6, 2010
- OMB Memorandum M-10-17, “Holding Recipients Accountable for Reporting Compliance under the American Recovery and Reinvestment Act,” May 4, 2010
- OMB Memorandum M-10-34, “Updated Guidance on the American Recovery and Reinvestment Act,” September 24, 2010<sup>2</sup>

<sup>1</sup>Document provides Government-wide guidance for carrying out programs and activities enacted in the American Recovery and Reinvestment Act of 2009. 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.

<sup>2</sup> 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.

## Appendix C. Recovery Act Projects Reviewed at Fort Wainwright

Project No.	Project Description	Delivery Order	Award Date	Award Amount	Project Status
21942	Repair administrative offices	W912CZ-08-D-0002-0124	Dec. 29, 2009	\$1,674,983	< 50% complete as of Aug. 26, 2011
22119	Renovate and repair interior of warehouse	W912CZ-07-D-0007-0083	Sept. 30, 2009	2,170,614	Completed July 30, 2010 <sup>1</sup>
32320	Repair barracks	W912CZ-08-D-0002-0055	May 29, 2009	632,364	Completed May 4, 2010 <sup>1</sup>
32329	Renovate and repair building 3717	W912CZ-07-D-0007-0082	Sept. 29, 2009	873,187	Completed June 17, 2010 <sup>1</sup>
35615	Replace traffic control facility at Meridian and Montgomery Roads intersection	W912CZ-07-D-0007-0076	Sept. 10, 2009	958,876	Completed Aug. 11, 2010 <sup>1</sup>
38278	Repair and upgrade HVAC <sup>2</sup> at the Welcome Center	W912CZ-08-D-0002-0116	Sept. 30, 2009	3,528,540	> 50% complete as of Aug. 26, 2011
<b>Total</b>				<b>\$9,838,564</b>	

<sup>1</sup>Final inspection date.

<sup>2</sup>Heating, ventilation, and air-conditioning.



## Appendix D. Recovery Act Projects Reviewed at Fort Huachuca

Project No.	Project Description	Contract No./Delivery Order	Award Date	Award Amount	Project Status <sup>1</sup>
25204	Reconstruct Squire Avenue	W9124A-05-D-0004-0081 <sup>2</sup>	May 15, 2009	\$1,180,265	Completed May 31, 2010
25206	Replace evaporative cooling with air-conditioning (8a)	W9124A-09-C-0012 <sup>3</sup>	July 15, 2009	1,874,065	Completed Feb. 8, 2010
35756	Retrofit all existing T-12 lights to T-8	W9124A-09-D-0003-0001 <sup>2</sup>	Dec. 23, 2009	237,948	Completed Aug. 3, 2010
38785	Repair H Avenue drainage (8a)	W9124A-09-C-0009 <sup>3</sup>	June 26, 2009	1,333,977	Completed Feb. 1, 2010
38803	Repair Davis Hall roof (8a)	W9124A-09-C-0052 <sup>3</sup>	Sept. 30, 2009	384,175	Completed Jan. 11, 2010
<b>Total</b>				<b>\$5,010,430</b>	

<sup>1</sup>Final inspection date.

<sup>2</sup>Delivery order.

<sup>3</sup>Contract number.

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