

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act
Project—Construct a Child Development
Center at Marine Corps Base Hawaii

Report Documentation Page

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Acronyms and Abbreviations

| | |
|--------|--|
| CDC | Child Development Center |
| FAR | Federal Acquisition Regulation |
| NAVFAC | Naval Facilities Engineering Command |
| OMB | Office of Management and Budget |
| PWD | Public Works Department |
| QMAD | Quantitative Methods and Analysis Division |
| ROICC | Resident Officer in Charge of Construction |



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

JUL 15 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL,
MARINE CORPS INSPECTOR GENERAL,
COMMANDING OFFICER, NAVAL FACILITIES
ENGINEERING COMMAND, PACIFIC
COMMANDING OFFICER, MARINE CORPS BASE
HAWAII PUBLIC WORKS DEPARTMENT

SUBJECT: American Recovery and Reinvestment Act Project—Construct a Child
Development Center at Marine Corps Base Hawaii
(Memorandum No. D2010-RAM-015)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, The American Recovery and Reinvestment Act of 2009. No written response to this report was required and none was received. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Wimette at (703) 604-8876 (DSN 664-8876).

A handwritten signature in black ink, appearing to read "Alice F. Carey", is positioned above the typed name.

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



Results in Brief: American Recovery and Reinvestment Act Project—Construct a Child Development Center at Marine Corps Base Hawaii

What We Did

Our overall objective was to evaluate DOD’s implementation of the American Recovery and Reinvestment Act of 2009, February 17, 2009. Specifically, we determined whether Navy and Marine Corps personnel adequately planned, funded, executed, tracked, and reported Project P835, to build a Child Development Center at Marine Corps Base Hawaii, to ensure the appropriate use of Recovery Act funds.

What We Found

We determined that Project P835 was justified and met the Recovery Act goals regarding accountability and transparency. Personnel at Naval Facilities Engineering Command Pacific and the Marine Corps Base Hawaii Public Works Department, and the Resident Officer in Charge of Construction Office planned, funded, executed, and had procedures in place to track and report the project as required by the Recovery Act and implementation guidance.

What We Recommend

This report contains no recommendations.

Management Comments

We provided a discussion draft of this report on June 11, 2010. We required no written response to this report, and received none. Therefore, we are publishing this report in final form.



The site above for the new Child Development Center at Marine Corps Base Hawaii will accommodate 122 children.



The project site above is located next to base housing.



The project site above is located next to another Child Development Center.

Introduction

Objective

Our overall objective was to evaluate DOD's implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009. We reviewed the implementation of the DOD Recovery Act plans at the Service and installation levels to determine whether Navy and Marine Corps personnel managed individual projects to achieve the accountability and transparency goals of the Recovery Act. Specifically, we determined whether personnel at Naval Facilities Engineering Command (NAVFAC) Pacific, the Public Works Department at Marine Corps Base, Hawaii (the PWD), and the Resident Officer in Charge of Construction (ROICC) Office adequately planned, funded, executed, tracked, and reported Project P835, to build a Child Development Center (CDC) at Marine Corps Base Hawaii, to ensure the appropriate use of Recovery Act funds. See the appendix for a discussion of the audit scope and methodology related to the audit objective.

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 \$6.8 billion¹ in Recovery Act funds to be used for projects that support the Act's purposes. In March 2009, DOD released expenditure plans for the Recovery Act, which list DOD projects that will receive Recovery Act funds. The Department of the Navy received \$1.928 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Table 1 provides specific amounts allocated to each appropriation.

¹ The \$6.8 billion does not include \$4.6 billion for the U.S. Army Corps of Engineers or \$555 million for the Homeowners Assistance Fund

Table 1. Department of the Navy Program-Specific Recovery Act Appropriations

| Appropriations | Amount (millions) |
|--|--------------------------|
| Operations and Maintenance | \$916 |
| Military Construction | 937 |
| Research, Development, Test and Evaluation | 75 |
| Total | \$1,928 |

Of the \$1.928 billion appropriated, the U.S. Marine Corps allocated approximately \$9.6 million (Military Construction) for the construction of a CDC at Marine Corps Base Hawaii. PWD personnel originally identified and prepared planning documents for the CDC project in 2006. The ROICC Office identified this project for Recovery Act funding because it met the requirements of the Recovery Act and was in the current backlog of projects. NAVFAC Pacific contracting personnel awarded Project P835 as the first task order under a competitive indefinite-delivery, indefinite-quantity, global multiple award construction contract for \$9,643,900.

Marine Corps Base Hawaii covers approximately 4,500 acres and maintains key operations, training, and support facilities. Marine Corps Base Hawaii provides services to support readiness and global deployment of ground combat forces and aviation units as well as the morale and safety of military personnel, their families, and the civilian workforce.

Audit Results

We determined that Project P835 met the goals regarding accountability and transparency as provided in the Recovery Act. The project was justified, and personnel at NAVFAC Pacific and the PWD planned, funded, and initially executed the project in order to achieve the goals of the Recovery Act. In addition, personnel in the ROICC Office had adequate procedures in place to track and report the project as required by the Recovery Act.

Planning

PWD personnel appropriately planned the project, which we determined to be justified. According to planning documents, the existing CDC at Marine Corps Base Hawaii is at full capacity, and the new CDC will provide additional spaces for child care. The planning documents also stated that if the new CDC is not built, Marine Corps Base Hawaii will fail to meet the childcare goals for the Headquarters U.S. Marine Corps and the needs of military families, both of which could adversely impact the morale, welfare, and retention of military families at Marine Corps Base Hawaii.

The DOD goal for childcare accommodation is to meet at least 80 percent of the Service's projected need.² To meet this requirement, Marine Corps Base Hawaii must plan to accommodate 202 children. Personnel in Family Services at Marine Corps Base Hawaii stated that their plan to accommodate all 202 children uses a combination of childcare options, not just CDCs. Specifically, the new CDC to be built under Project P835 alone will accommodate 122 children. To make up the difference, personnel in the Family Services at Marine Corps Base Hawaii stated that they plan to accommodate the remaining 80 children by enhancing current family childcare programs and networking with the surrounding communities. The new CDC will significantly help to decrease the current need for child care and will assist the Marine Corps in meeting the DOD goal for childcare accommodation.

PWD personnel appropriately planned the project by obtaining a detailed cost estimate and economic analysis. PWD personnel based the cost estimate on facility planning documents that stated the number of children currently needing child care and the amount of square feet needed to accommodate those children. Contracting personnel at NAVFAC Pacific also obtained an independent government estimate approved by a certified cost engineer. The economic analysis identified possible alternatives to providing childcare facilities, such as status quo, modification, leasing, and construction. It showed construction as the best alternative for satisfying childcare requirements because it was the least expensive.

² DOD Instruction 6060.2, "Child Development Programs," January 19, 1993, requires the installation commander, Defense Agency Director, or Commander to take appropriate action, as necessary, to expand the availability of day care if the unmet need for child care for active duty military and DOD civilian personnel exceeds 20 percent of the available space.

Funding

The Navy distributed Recovery Act funds to the CDC project in a timely manner, and the funding documents properly identified a Recovery Act designation. Funding documents showed the approval of funds for the project on July 30, 2009, the day before contracting personnel awarded the contract. NAVFAC Pacific contracting personnel awarded the contract for \$9.7 million less than prior estimates. According to U.S. Marine Corps officials, there is a plan in place to utilize the savings on the bid, which is in accordance with May 2009 guidance from the Office of the Under Secretary of Defense (Comptroller), Headquarters, and which states that the Components should apply their management discretion to use bid savings for offsetting the cost growth in other projects, regardless of location.

Execution

NAVFAC Pacific contracting personnel adequately performed the initial execution of the project. In our evaluation of initial project execution, we determined whether the contract was competitively solicited and awarded with full transparency, and whether it contained the required Federal Acquisition Regulation (FAR) clauses for Recovery Act contract actions.

NAVFAC Pacific contracting personnel competitively awarded the contract at a fixed price of approximately \$9.6 million on July 31, 2009. NAVFAC Pacific contracting personnel issued the request for proposal competitively, and 10 contractors responded. The technical evaluation board used five technical factors to evaluate the offerors, while the price evaluation board performed a price analysis. The source selection authority selected AMEC-Nan because it was technically ranked “first” and proposed the lowest price. AMEC-Nan’s technical proposal includes goals for using small businesses. In addition, AMEC-Nan had registered on the Central Contractor Registration Web page, and the Excluded Parties List System did not list the contractor as debarred.

Moreover, contracting personnel properly recorded contract actions to facilitate full transparency. Office of Management and Budget (OMB) Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009, describes requirements for reporting Recovery Act-funded actions in the Federal Procurement Data System and publicizing actions on the Federal Business Opportunities Web site. Contracting personnel properly reported the contract award in the Federal Procurement Data System and announced the pre-solicitation and contract award on Federal Business Opportunities. NAVAC Pacific contracting personnel also included all applicable FAR clauses required by Recovery Act implementation guidance, including those for whistleblower protection, reporting, the Davis-Bacon Act, the Buy American Act, and energy efficiency.

Tracking and Reporting

Although construction on the new CDC had not started at the time of our review, personnel in the ROICC Office had adequate procedures in place to track and report the project. The engineering technician and a construction manager will monitor project schedules, address nonconformances, and ensure the contractor meets contract requirements.

In addition, a ROICC contracting officer will monitor and ensure the contractor reports required Recovery Act information. FAR clause 52.204-11, “American Recovery and Reinvestment Act – Reporting Requirements,” requires contractors for Recovery Act projects to report project information at <http://www.FederalReporting.gov>. For the second quarter of FY 2010, AMEC-Nan reported the number of jobs and total dollar value for the project as required.

Conclusion

We concluded that construction of the new CDC filled a justified need. NAVFAC Pacific and PWD personnel adequately planned, funded, and initially executed the project in accordance with the accountability and transparency goals of the Recovery Act. In addition, personnel in the ROICC Office had adequate procedures in place to track and report Project P835 as required by the Recovery Act. Therefore, this report contains no recommendations.

Appendix. Scope and Methodology

We conducted this performance audit from January 2010 through July 2010. We interviewed personnel from Headquarters U.S. Marine Corps, NAVFAC Pacific, the PWD at Marine Corps Base Hawaii, and the ROICC Office at Marine Corps Base Hawaii. We reviewed documentation including the official contract file, DD Form 1391 and associated support, the project design and construction schedules, and the contractor's Recovery Act reports. We also viewed the location for the new CDC. We reviewed Federal, DOD, and Navy guidance, and compared this guidance with our audit results.

We conducted this audit 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.

Use of Computer-Processed Data

We used computer-processed data from the Federal Procurement Data System, Central Contractor Registration, Excluded Parties List System, Federal Business Opportunities, the federalreporting.gov Web site, and other systems. However, our use of computer-processed data did not materially affect our audit results, findings, or conclusions, and the information we used was obtained from sources generally recognized as appropriate. Therefore, we did not evaluate the reliability of the computer-processed data we used.

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. Initially, 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 the U.S. Army Corps of Engineers.

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>.



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