

Inspector General

United States
Department of Defense



Results From Assessment of DoD's Plans for
Implementing the Requirements of the
American Recovery and Reinvestment Act of 2009

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Acronyms and Abbreviations

ECIP	Energy Conservation Investment Program
FSRM	Facilities Sustainment, Restoration, and Modernization Program
MILCON	Military Construction Program
NTEET	Near Term Energy-Efficient Technologies Program
OMB	Office of Management and Budget
USD(C)/DOD CFO	Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer



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

June 23, 2009

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
DOD CHIEF FINANCIAL OFFICER

SUBJECT: Results From Assessment of DoD's Plans for Implementing the
Requirements of the American Recovery and Reinvestment Act of 2009
(Report No. D-2009-RAM-001)

This assessment provides observations from our review of the DoD agency-wide and the four program-specific plans for implementing the American Recovery and Reinvestment Act of 2009. We will issue a follow-up memorandum to discuss our observations on the fifth plan, the Homeowners Assistance Program, as it has not yet been completed. We will continue to review DoD's progress and issue subsequent assessments that will discuss our evaluation of DoD's implementation of the Recovery Act.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Daniel R. Blair at (703) 601-5886 (DSN 329-5886).

A handwritten signature in blue ink, reading "Mary L. Ugone", is positioned above the typed name and title.

Mary L. Ugone
Deputy Inspector General
for Auditing



Results From Assessment of DoD's Plans for Implementing the Requirements of the American Recovery and Reinvestment Act of 2009

What We Did

Our objective was to determine whether the DoD planned and implemented Public Law 111-5, American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009, by meeting the requirements in the Act and the 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.

In May, we provided our observations to the Office of the Under Secretary of Defense (Comptroller) Deputy Comptroller (Strategy, Capabilities, and Acquisition) on the draft DoD agency-wide and program-specific plans that, if implemented, would strengthen the plans by fully addressing OMB requirements. For the final DoD plans, we assessed whether they

- addressed the observations we and OMB provided earlier and
- fully complied with OMB M-09-15.

What We Found

The DoD Agency plan and the four program-specific plans met the minimum OMB requirements. Specifically, the program-specific plans addressed the 12 required elements in OMB M-09-15 requirements. Based on our assessment, DoD generally incorporated the observations we made on the draft plans that addressed the areas needing improvement.

Introduction

Objective

Our objective was to determine whether DoD planned and implemented the Recovery Act by meeting the requirements in the Act and OMB M-09-15. Specifically, we reviewed the DoD agency-wide and four program-specific plans to assess whether they included the minimum requirements in OMB M-09-15, sections 2.7, 2.8, and appendix 3 when applicable. See Appendix A for a discussion of our scope and methodology.

Background

In passing Public Law 111-5, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most affected by the recession; provide investments to increase economic efficiency through technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also provided unprecedented efforts to ensure the responsible distribution of funds for the Act’s purposes and to provide transparency and accountability of expenditures so that the public would know how, when, and where tax dollars were being spent. Further, the Recovery Act stated that the President and the heads of Federal departments and agencies were to manage and expend the funds made available in the Act to achieve its purpose, which included commencing expenditures for activities as quickly as possible, consistent with prudent management.

Under the Recovery Act, Congress appropriated \$7.4 billion to DoD for the following programs: Energy Conservation Investment (ECIP); Facilities Sustainment, Restoration, and Modernization (FSRM); Homeowners Assistance Program; Military Construction (MILCON); and Near Term Energy-Efficient Technologies (NTEET). See Table 1.

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

Plan	Amount (in thousands)
Energy Conservation Investment Program	\$120,000
Facilities Sustainment, Restoration, and Modernization Program	4,260,393
Homeowners Assistance Program*	555,000
Military Construction Program	2,184,607
Near Term Energy-Efficient Technologies Program	300,000
Total: DoD Agency-Wide Program	\$7,420,000

Note: DoD has not yet issued the Homeowners Assistance Program plan; consequently, we will issue a follow-up memorandum on our assessment of the plan once it is issued.

Requirements for Recovery Act Plans

OMB M-09-15 requires Federal agencies to effectively manage their activities under the Recovery Act. It also required agencies to submit preliminary agency-wide and program-specific implementation plans to OMB no later than May 1, 2009, and to post the final plans on www.recovery.gov by May 15, 2009.

Agency-Wide Plans

OMB M-09-15, section 2.7 requires agency-wide plans to provide a description of the coordination efforts of different parts in the agency. OMB M-09-15, appendix 3, part 2.I provides additional required elements to include in the plans. See Table 2.

Table 2. Required Elements for Agency-Wide Plans

Element	Information Required
Broad Recovery Goals	Include a description of broad recovery goals in terms of the Recovery Act, including outputs, outcomes, or expected efficiencies.
List of Recovery Programs Within the Agency	List each program that is receiving money from the Recovery Act. Each program must have its own program plan.
Funding Table	Capture the agency plan for obligations and gross outlays in the funding table. Agency financial reporting will capture the actual funding.
Competition on Contracts	Review past competition achievements and describe the steps taken and planned to maximize competition wherever practicable for contracts funded under the Recovery Act. The plan is to include a projection of the expected rate of competition based on anticipated Recovery Act dollars (not number of contracts) and the rationale for the projection. If the agency projects a decline in the rate of competition, the plan is to address steps to be taken, by fiscal quarter, to address this. Agencies should achieve increased competition rates over time.
Contract Type (excludes contracts under grants)	Review the use of fixed-price contracts as a percentage of all dollars spent and describe the steps taken and planned to maximize the use of fixed-price contracts wherever practicable for contracts funded under the Recovery Act. The plan is to include a projection of the expected use of fixed-price contracts based on anticipated Recovery Act dollars (not number of contracts) and the rationale for the projection. If the agency projects a decline, the plan is to address steps to be taken, by fiscal quarter, to address this. Agencies should achieve increased use of fixed-price contracts over time.
Description of Agency Accountability Mechanisms	Describe how the agency will review performance results and engage senior leaders, including holding managers and strategic partners accountable for achieving goals and mitigating risks.

Program-Specific Plans

For program-specific plans, OMB M-09-15, section 2.8 requires that each plan must, at a minimum, include 12 required elements. See Table 3.

Table 3. Required Elements for Program-Specific Plans

Element	Information Required
Accountability	Description of agency program plans for holding managers accountable for achieving Recovery Act program goals and improvement actions identified.
Activities	List of the kinds and scope of activities to be performed (construction, service provision, research and development, assistance to governmental units or individuals, and so on).
Barriers to Effective Implementation	List and description of statutory and regulatory requirements or other known matters, including personnel skill gaps, which may impede effective implementation of Recovery Act activities, and proposed solutions and completion dates.
Characteristics	List of the types of financial awards to be used (with estimated amount of funding for each), targeted type of recipients, beneficiaries, and estimated dollar amounts of total Recovery Act funding for Federal in-house activity, non-Federal recipients, and methodology for award selection.
Delivery Schedule	Schedule of the milestones for major phases of the program's activities (procurement phase, planning phase, project execution phase, or comparable) with planned delivery date(s).
Environmental Review Compliance	Description of the plan for compliance with National Environmental Policy Act, National Historic Preservation Act, and related statutes, including dependency of other project milestones on environmental review processes and potential impact of environmental reviews on project implementation.
Federal Infrastructure Investments	Description of agency plans to spend funds effectively to comply with energy efficiency and green building requirements and to demonstrate Federal leadership in sustainability, energy efficiency, and reducing the agency's environmental impact.
Funding Table	List of the agency funding by program, project, and activity categories, as possible, and funds returned to the program or any offsetting collections received as a result of carrying out Recovery actions.

Element	Information Required
Measures	Description of expected quantifiable outcomes consistent with the intent and requirements of the legislation and the risk management requirements of section 3, “Governance, Risk Management, and Program Integrity” with each outcome supported by corresponding quantifiable output(s). Agencies must specify the length of the period between measurements (monthly, quarterly), measurement methodology, and how the results are to be made readily accessible to the public. The measures used to report program performance in relationship to the goals (consistent with Administration policy) should be retained (in terms of incremental change against present level of performance of related agency programs or projects/activities specified in the plan). In addition to reducing burden on grant recipients and contractors, use of existing measures allows the public to see the marginal performance impact of Recovery Act investments.
Monitoring/Evaluation	Description of the agency process for periodic review of the program’s progress to identify areas of high risk, high and low performance, and any plans for longer term impact evaluation.
Objectives	Description of the program’s Recovery Act objectives and relationships with corresponding goals and objectives through ongoing agency programs/activities. Expected public benefits should demonstrate cost-effectiveness and be clearly stated in concise, clear, and plain language targeted to an audience with no in-depth knowledge of the program. To the extent possible, Recovery Act goals should be expressed in the same terms as programs’ goals in departmental Government Performance Results Act strategic plans.
Transparency	Description of agency program plans to organize program cost and performance information available at applicable recipient levels.

Assessment Results

The DoD agency-wide and the four program-specific plans addressed the minimum OMB M-09-15 requirements. Based on our assessment, DoD generally incorporated the observations we made on the draft plans that addressed the areas needing improvement to comply with OMB requirements.

Observations on DoD Agency-Wide Plan

Compliance With OMB Requirements

The final DoD agency-wide plan addressed the minimum OMB M-09-15, section 2.7 requirements, including appendix 3, “Agency and Program Data Elements.” In addition, the plan incorporated OMB’s comments on the draft DoD agency-wide plan. However, even though the plan met the minimum OMB requirements, we made observations that could further improve the plan. Specifically, we observed the following:

- **Competition on Contract and Contract Type.** We observed that the rationale for the projection could have provided additional details by explaining how the Military Departments acquisition plans provided the basis for the projection. The additional information would inform the public on DoD planning to ensure that contract awards using Recovery Act funds would be based on a merit-based selection process.
- **Coordination.** We suggested that when discussing the Military Services working group meetings, DoD should provide additional information, such as the agency overseeing the meetings as well as the frequency of those meetings. The additional information would improve transparency by providing objective information to the public.
- **Description of Agency Accountability Mechanisms.** We observed that the discussion on the Department’s oversight relied on the Risk Management Plan, developed by the Department in compliance with OMB Circular A-123, Management’s Responsibility for Internal Control, Appendix A. Providing a link or a copy of the Department’s current Risk Management Plan, Appendix A, would increase the transparency and accountability of the plan by showing the Department’s initiatives for implementing and monitoring the management of Recovery Act funds.

Observations on DoD Program-Specific Plans

Compliance With OMB Requirements

The DoD ECIP, FSRM, MILCON, and NTEET program-specific plans addressed the 12 minimum required elements in OMB M-09-15 section 2.8. See table 4.

Table 4. Assessment Results of the Program-Specific Plans

OMB M-09-15 Required Plan Element	ECIP (\$120,000)*	FSRM (\$4,260,393)	MILCON (\$2,184,607)	NTEET (\$300,000)
Funding Table — <i>Provides funding listed by program, project, and activity</i>	M	M	M	M
Objectives — <i>Describes Recovery Act objectives relative to ongoing program activities</i>	M	M	M	M
Activities — <i>Lists kinds and scope of activities to be performed</i>	M	M	M	M
Characteristics — <i>Provides types and amounts of financial awards to be used</i>	M	M	M	M
Delivery Schedule — <i>Identifies milestones for major phases of the program’s activities</i>	M	M	M	M
Environmental Review Compliance — <i>Describes plans for environmental compliance and relationship to program milestones</i>	M	M	M	M
Measures — <i>Provides expected outcomes to assess program performance</i>	M	M	M	M
Monitoring/Evaluation — <i>Describes process for periodic review of program progress</i>	M	M	M	M
Transparency — <i>Organizes and presents program cost and performance information by recipient</i>	M	M	M	M
Accountability — <i>Describes methods for holding managers accountable for Recovery Act goals and for implementing identified improvements</i>	M	M	M	M
Barriers to Effective Implementation — <i>Lists statutory and regulatory requirements that may impede implementation and proposed solutions</i>	M	M	M	M
Federal Infrastructure Investments — <i>Plans to spend funds effectively to comply with energy efficiency and green building requirements</i>	M	M	M	M

* Dollar amounts in table are shown in thousands.

Note: The cells marked “M” represent program-specific plan sections that complied with OMB M-09-15 requirements.

Appendix A. Scope and Methodology

This is the first in a series of responses to the Recovery Act. We conducted this assessment from March 2009 to June 2009 with limited use of generally accepted government auditing standards. For this assessment, we followed the standards of independence, supervision, sufficient evidence and reporting. Due to the unique requirements of the Recovery Act, along with time limitations for planning and completing this assessment, we did not fully comply with the fieldwork auditing standards of assessing fraud risk, reviewing internal controls, and identifying data and information system controls.

Generally accepted government auditing standards require that we plan and perform the assessment to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our assessment objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our assessment objectives.

Before DoD submitted the final DoD agency-wide and program-specific plans to OMB, we reviewed draft versions of the plans to determine whether they fully complied with OMB M-09-15 requirements. We provided our preliminary observations to USD(C) Deputy Comptroller (Strategy, Capabilities, and Acquisition) that, if implemented, would strengthen the plans by fully addressing OMB requirements and helping to ensure the plans provided sufficient transparent information to the general public. Specifically, we determined whether the DoD agency-wide and program-specific plans complied, at a minimum, with OMB M-09-15, sections 2.7 and 2.8. For the final DoD plans, we assessed whether they included earlier observations we and OMB provided and fully complied with OMB M-09-15. For our analysis of funds appropriated to DoD, we obtained support documentation, such as warrants and reports, to validate the funds reported by the Under Secretary of Defense (Comptroller) in the DoD agency-wide plan.

During the assessment, we coordinated with other agencies by attending working group meetings and providing feedback on the assessment progress. We contacted officials to obtain data and verify the information posted on the DoD Recovery Act Web site. In addition, we met with personnel in the Office of the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer (USD(C)/DoD CFO) to share information and to obtain a better understanding of USD(C)/DoD CFO planning for the implementation of the Recovery Act.



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