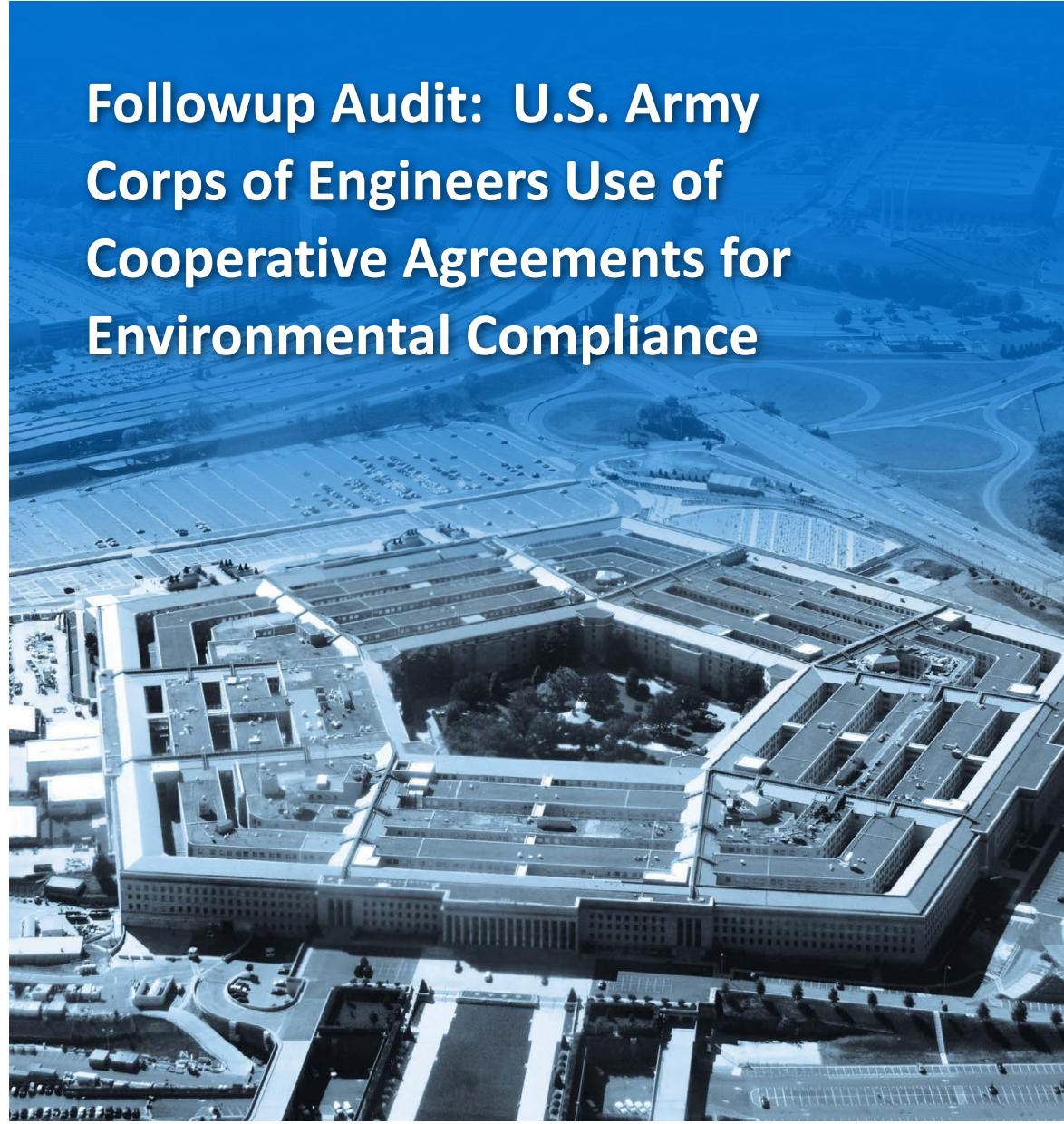




# INSPECTOR GENERAL

*U.S. Department of Defense*

NOVEMBER 19, 2018



## Followup Audit: U.S. Army Corps of Engineers Use of Cooperative Agreements for Environmental Compliance

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE







# Results in Brief

## *Followup Audit: U.S. Army Corps of Engineers Use of Cooperative Agreements for Environmental Compliance*

November 19, 2018

### Objective

We determined whether DoD Components implemented appropriate corrective actions in accordance with recommendations made in Report No. DODIG-2015-174, "U.S. Army Corps of Engineers–Alaska District Needs to Improve Competitive Procedures for Cooperative Agreements for Alaska Integrated Natural Resources Management Plans," September 16, 2015.

### Background

Report No. DODIG-2015-174 identified that, U.S. Army Corps of Engineers (USACE) Alaska District grants officers did not properly award or effectively use cooperative agreements issued on a sole-source basis, valued at \$18 million, for the development and implementation of integrated natural resources management plans at Joint Base Elmendorf–Richardson (JBER) and Fort Wainwright, Alaska. Integrated natural resources management plans incorporate military mission requirements with natural resources stewardship on DoD installations. Our report determined that these grants officers issued the cooperative agreements or task orders as directed by JBER and Fort Wainwright personnel rather than performing sufficient market research to determine recipients.

### Finding

In this followup audit, we determined that DoD officials implemented corrective actions to address all nine of the prior recommendations. Specifically, the Office

### Finding (cont'd)

of Assistant Secretary of Defense (Energy, Installations, and Environment) issued guidance clarifying implementation of the Sikes Act related to working with Federal and State agencies and awarding task orders competitively if multiple sources are interested in providing support. Additionally, USACE Alaska District personnel completed training related to issuing grants and cooperative agreements, conducted outreach events with universities in an attempt to increase interest in entering cooperative agreements for integrated natural resources management plan support, and developed procedures to increase compliance with DoD Grants and Cooperative Agreements requirements. Also, the 673rd Civil Engineer Squadron and the Fort Wainwright Directorate of Public Works personnel discontinued identifying preferred sources within the documentation provided to USACE Alaska District personnel when requesting assistance to award a task order under a cooperative agreement.

However, DoD Components that were not recipients of previous recommendations continued to include the cooperative agreement number or preferred provider on documentation provided to USACE, but USACE Alaska District grants officers ignored these potential source identifiers and competed the grants when required.

A DoD official stated that he included the cooperative agreement number or preferred source on the funding and requirements documentation because that was how he had submitted the documentation previously and that it was a way to track the process. As a result, DoD officials implemented corrective actions that increased controls over the issuance and management of cooperative agreements used for environmental projects on DoD installations. However, the DoD officials responsible for developing requirements that preserve natural resources continue to identify preferred sources, which could inhibit the competitive process instead of allowing grants officers to determine the most appropriate source and methods for obtaining the required support.



# Results in Brief

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## *Followup Audit: U.S. Army Corps of Engineers Use of Cooperative Agreements for Environmental Compliance*

### **Recommendation**

We recommend that the USACE Commanding General develop instructions and best practices for working with grants personnel, including guidance related to developing requirements that allow for maximum competition that can be provided to other DoD Components that request support from USACE for issuing and administering grants and cooperative agreements.

### **Management Comments and Our Response**

The USACE Commanding General did not respond to the recommendation. Therefore, the recommendation is unresolved. We request that the Commanding General provide comments on the final report.

Please see the Recommendations Table on the next page.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commanding General, U.S. Army Corps of Engineers	Yes		

Please provide Management Comments by December 19, 2018.

**Note:** The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.





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

November 19, 2018

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION  
AND SUSTAINMENT  
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY  
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Followup Audit: U.S. Army Corps of Engineers Use of Cooperative Agreements  
for Environmental Compliance (Report No. DODIG-2019-028)

We are providing this report for your review and comment on the recommendation.  
We conducted this audit in accordance with generally accepted government  
auditing standards.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. The U.S. Army  
Corps of Engineers Commanding General did not respond to the recommendation in the draft  
report. Therefore, the recommendation is unresolved. We request that the Commanding  
General provide comments on the final report.

Please send a PDF file containing your comments on the recommendation to [audacs@dodig.mil](mailto:audacs@dodig.mil)  
by December 19, 2018. If you arrange to send classified comments electronically, you must  
send them over the SECRET Internet Protocol Router Network (SIPRNET). Copies of your  
comments must have the actual signature of the authorizing official for your organization.

If you have any questions please contact me at (703) 604-9312 (DSN 664-9312).  
We appreciate the cooperation and assistance received during the audit.

A handwritten signature in cursive script, reading "Theresa Stull", is positioned above the typed name.

Assistant Inspector General  
Acquisition, Contracting, and Sustainment

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# Introduction

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## Objective

We determined whether the DoD Components implemented appropriate corrective actions in accordance with recommendations made in Report No. DODIG-2015-174, “U.S. Army Corps of Engineers–Alaska District Needs to Improve Competitive Procedures for Cooperative Agreements for Alaska Integrated Natural Resources Management Plans,” September 16, 2015. See Appendix A for scope and methodology and prior coverage.

## Background

### *The Sikes Act*

Congress established the Sikes Act in 1960 to ensure the DoD conserves and protects the natural resources it uses.<sup>1</sup> Congress amended the Sikes Act in 1997 requiring the DoD to develop and implement integrated natural resources management plans (INRMPs) that outline how each military installation will manage its significant natural resources. INRMPs integrate military mission requirements, environmental and master planning documents, cultural resources, and outdoor recreation to ensure both military operations and natural resources conservation are included and consistent with stewardship and legal requirements. The Secretary of each Military Department ensures INRMPs are completed for their installations and are prepared in cooperation with fish and wildlife agencies at the Federal and State level. The Assistant Secretary of Defense (Energy, Installations, and Environment) develops additional natural resources conservation policy and establishes guidance, where necessary, and oversees INRMPs at DoD installations.<sup>2</sup>

### *Cooperative Agreements*

The DoD Grants and Agreements Regulations state that a cooperative agreement is a legal instrument used to enter a relationship where:<sup>3</sup>

- the principal purpose of the relationship is to transfer resources of value to the recipient to carry out a public purpose of support authorized by a law of the United States instead of acquiring property or services for the direct benefit or use of the U.S. Government; and
- substantial involvement is expected between the DoD and the recipient when carrying out the activity contemplated in the agreement.

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<sup>1</sup> Sections 670-670f, Title 16, United States Code.

<sup>2</sup> The Assistant Secretary of Defense (Energy, Installations, and Environment) was formerly known as the Deputy Under Secretary of Defense (Installations and Environment), and is now known as the Assistant Secretary of Defense (Sustainment).

<sup>3</sup> DoD Grants and Agreements Regulations, Title 32, “Code of Federal Regulations (CFR),” Subchapter c.

## Summary of Prior Audit

The DoD Office of Inspector General (DoD OIG) issued Report No. DODIG-2015-174, “U.S. Army Corps of Engineers–Alaska District Needs to Improve Competitive Procedures for Cooperative Agreements for Alaska Integrated Natural Resources Management Plans,” September 16, 2015. The objective of the report was to determine whether the DoD properly awarded contracts and cooperative agreements on a sole-source basis for the development and implementation of INRMPs on DoD installations in Alaska.

### ***Increased Competition When Using Cooperative Agreements Needed***

We concluded that grants officers from the U.S. Army Corps of Engineers (USACE) Alaska District did not properly award or effectively use cooperative agreements issued on a sole-source basis, valued at \$18 million, for the development and implementation of INRMPs at Joint Base Elmendorf–Richardson (JBER) and Fort Wainwright, Alaska. This occurred because grants officers:

- did not follow the DoD Grants and Agreements Regulations to maximize competition;
- issued the cooperative agreements or task orders as directed by JBER and Fort Wainwright personnel rather than performing sufficient market research to determine recipients; and
- did not have clear guidance from the Deputy Under Secretary of Defense, (Installations and Environment), on the DoD’s implementation of the Sikes Act requirements.

As a result, USACE did not obtain the benefits of competition and may have paid more than necessary. Additionally, USACE awarded cooperative agreements that did not meet the DoD’s interpretation of the Sikes Act requirement to give priority to Alaskan State agencies before they obtain support by other means.

In addition, personnel from the Fort Wainwright Mission Installation Contracting Command properly awarded three contracts for INRMP support, with a value (including options) of \$32.8 million, by justifying the use of other than full and open competition. Fort Wainwright contracting personnel generally complied with Federal Acquisition Regulation requirements related to noncompetitive contracting.

## **Report No. DODIG-2015-174 Recommendations**

We made the following nine recommendations in the report.

We recommended that the Contracting Division Chief, USACE Alaska District:

- require training for grants officers to properly award and manage cooperative agreements;
- develop procedures for grants officers that require they conduct adequate market research to increase competition to the maximum extent practicable when awarding cooperative agreements for INRMP development and implementation;
- develop procedures for grants officers that require they appropriately advertise future opportunities to increase competition to the maximum extent practicable when awarding cooperative agreements for INRMP development and implementation;
- develop procedures to retain adequate documentation to support market research conducted and award decisions for cooperative agreements; and
- develop procedures that require personnel to give priority to Federal agencies and the respective State fish and wildlife agencies when awarding cooperative agreements and contracts for INRMPs on Alaska installations.

We recommended that the Deputy Under Secretary of Defense (Installations and Environment):<sup>4</sup>

- develop guidance that requires competition for task orders when multiple cooperative agreements exist related to the development and implementation of INRMPs; and
- issue guidance to clarify that priority should be given when awarding contracts and cooperative agreements for INRMP development and implementation to Federal agencies and the respective State fish and wildlife agencies.

We recommended that the Garrison Commander, JBER, direct personnel to discontinue directing which specific universities or soil and water districts obtain task orders for the development and implementation of INRMPs.<sup>5</sup>

We recommended that the Chief, Directorate of Public Works, Fort Wainwright, direct personnel to discontinue directing which specific universities or soil and water districts obtain cooperative agreements and associated task orders for the development and implementation of INRMPs. See Appendix B for the status of the prior report recommendations.

<sup>4</sup> This position is now known as the Assistant Secretary of Defense (Sustainment).

<sup>5</sup> This recommendation was implemented by the 673rd Civil Engineer Squadron as the support air wing for JBER.

## Components Contacted and Selection of Sample

We tested the effectiveness of the actions taken by reviewing 20 task orders awarded after the issuance of the previous audit. We contacted the Air Force Civil Engineer Center to obtain a listing of 18 projects related to Alaska and determined that 10 of the projects were within the scope of our original recommendations made to the USACE Alaska District for projects on JBER. We reviewed these 10 projects to determine whether the USACE grants officer appropriately competed these awards. We obtained a listing from the USACE Alaska District of 47 projects awarded for Fort Wainwright and nonstatistically selected 10 of those projects to review. The 20 projects we sampled totaled \$5.1 million. Additionally, based on examples provided by USACE Alaska District personnel, we contacted the 611th Civil Engineer Squadron (CES) and the Army Integrated Training Area Management component to discuss why they included preferred sources on specific documents provided to the USACE Alaska District. We also met with personnel from the Office of the Assistant Secretary of Defense (Energy, Installations, and Environment) to discuss updates in policy issued based on the previous recommendations.

## Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>6</sup> The Assistant Secretary of Defense (Energy, Installations, and Environment), 673rd CES, Fort Wainwright Directorate of Public Works, and USACE Alaska District internal controls related to cooperative agreements were effective as they applied to the audit objectives.

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<sup>6</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding

### DoD Officials Improved Processes for Competing Task Orders on Cooperative Agreements, but Additional Action Is Needed

DoD officials implemented corrective actions to address all nine of the prior recommendations.

- Office of the Assistant Secretary of Defense (Energy, Installations, and Environment) officials issued guidance clarifying implementation of the Sikes Act.
- USACE Alaska District personnel completed training related to issuing grants and cooperative agreements, conducted outreach events with universities in an attempt to increase interest in entering cooperative agreements for INRMP support, and developed procedures to increase compliance with DoD Grants and Cooperative Agreements requirements.
- The 673rd CES and the Fort Wainwright Directorate of Public Works personnel discontinued identifying preferred sources within the documentation provided to USACE Alaska District personnel when requesting assistance to award a task order under a cooperative agreement.

However, DoD Components at other installations that receive support from the USACE Alaska District and a tenant on Fort Wainwright that are not required to work through the installation's environmental offices included the cooperative agreement number or preferred provider on documentation provided to USACE. We found that the USACE Alaska District grants officers ignored these potential source identifiers and competed the grants when required.

A DoD official stated that he included the cooperative agreement number or preferred source on the funding and requirements documentation because that was how he had submitted the documentation previously and that it was a way to track the process. As a result, DoD officials implemented corrective actions that increased controls over the issuance and management of cooperative agreements used for environmental projects on DoD installations. However, the DoD officials responsible for developing requirements that preserve natural resources continue identifying sources that could inhibit the competitive process instead of allowing grants officers to determine the most appropriate source and methods for obtaining the required support.



## DoD Implemented Corrective Actions on All Nine Previous Recommendations

DoD officials implemented corrective actions that addressed the previous recommendations for task orders awarded on cooperative agreements in Alaska. Specifically, the Office of the Assistant Secretary of Defense (Energy, Installations, and Environment) issued guidance clarifying implementation of the Sikes Act. Also, USACE Alaska District personnel:

- completed training related to issuing grants and cooperative agreements,
- conducted outreach events with universities in an attempt to increase interest in entering cooperative agreements for INRMP support, and
- developed procedures to increase compliance with DoD Grants and Cooperative Agreements requirements.

In addition to the actions taken by the USACE Alaska District, the 673rd CES and the Fort Wainwright Directorate of Public Works personnel discontinued identifying preferred sources within the documentation provided to USACE Alaska District personnel when requesting assistance to award a task order under a cooperative agreement.

### ***Assistant Secretary of Defense (Energy, Installations, and Environment) Clarified Implementation of the Sikes Act***

On October 19, 2016, the Deputy Assistant Secretary of Defense (Environment, Safety, and Occupational Health), a component of the Office of the Assistant Secretary of Defense (Energy, Installations and Environment), issued a memorandum—"Sikes Act Implementation Procedures — Additional Clarification on the Role of Federal and State Agencies to Implement Sikes Act Activities"—to clarify the DoD's responsibilities for implementing INRMP actions. The Deputy Assistant Secretary clarified that Sikes Act priority was applicable to Federal and State agencies specifically covered by an installation's INRMP, and included criteria within the memorandum to award task orders competitively when more than one priority source was interested in performing the work. The Deputy Assistant Secretary implemented corrective action to address two prior recommendations to develop guidance that requires competition among priority sources and clarify which agencies should receive the Sikes Act priority by issuing this memorandum.

### ***USACE Alaska District Personnel Completed Grants and Cooperative Agreements Training***

USACE Alaska District grants personnel completed training related to issuing and monitoring grants and cooperative agreements. In November 2017, a USACE Alaska District grants officer and project manager completed both “Introduction to Grants and Cooperative Agreements for Federal Personnel” and “Monitoring Grants and Cooperative Agreements for Federal Personnel.”<sup>7</sup> The courses totaled 40 hours of instruction for each individual. USACE grants personnel stated they were unaware that the training on grants and cooperative agreements was previously available. The grants personnel further stated that the training was highly informative and provided a greater understanding of the cooperative agreement requirements and allowed for sharing of experiences among the training attendees. The completion of these courses signified that the USACE Alaska District implemented adequate corrective action to address the prior recommendation that they provide training for grants officers related to the proper award and management of cooperative agreements.

### ***USACE Alaska District Personnel Conducted Outreach Efforts***

USACE Alaska District personnel explored opportunities to enter into cooperative agreements with other universities, but stated that they have not been able to enter into additional agreements for several reasons. For example, in September 2017, USACE Alaska District personnel completed an outreach trip to Hawaii to discuss opportunities for universities to participate in cooperative agreements throughout the Pacific region and understand the environmental resource preservation programs of numerous DoD installations. While USACE Alaska District personnel performed outreach in Hawaii, as of July 2018, none of the universities in Hawaii expressed interest in performing INRMP work within Alaska. In addition, USACE Alaska District personnel stated that they have encountered difficulty getting new entrants interested in their programs because of the limited numbers of universities in Alaska that could perform tasks in support of INRMPs. The USACE Alaska District grants officer stated that he contacted universities within the continental United States in an attempt to increase interest in the programs, but did not conduct formal outreach visits.

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<sup>7</sup> These two personnel were the primary individuals responsible for the USACE Alaska District grants and agreements program.

The USACE Alaska District grants officer advertised an opportunity to enter into cooperative agreements that closed on July 27, 2018. On August 1, 2018, the grants officer stated that he received four responses to that posting, including a response from a university not currently in the program, but had not determined how many of those four responses would result in a cooperative agreement. The grants officer stated that the goal was to have up to five entities to collaborate with and he would continue to conduct outreach efforts based on available funding in an attempt to obtain additional partnerships. We consider these efforts an adequate response to our recommendation that USACE Alaska District personnel conduct market research and attempt to increase competition with the program to the maximum extent practicable.

### ***USACE Implemented Procedures for Issuing and Awarding Task Orders on Cooperative Agreements***

USACE Alaska District personnel enhanced processes for issuing and administering task orders for INRMP support on existing cooperative agreements. The USACE Alaska District grants officer increased the documentation retained pertaining to the decisions made when awarding each task order. Specifically, the grants officer demonstrated that the files for the task orders issued after the original audit contained a determination that a cooperative agreement was the best method to obtain the support, evidence of the market research conducted, and analysis of the proposals to ensure that the most appropriate source received the award.

### ***USACE Alaska District Standard Operating Procedures***

The USACE Alaska District developed “Cooperative Agreements Standing Operating Procedure”, undated, to provide guidance and maintain compliance with regulations pertaining to the award and administration of grants and cooperative agreements. The procedures established the roles and responsibilities of grants officers throughout the entire award process, including:

- determining the appropriate use of cooperative agreements and providing justification when issuing an award using sole-source procedures,
- conducting adequate market research and competition,
- advertising the opportunity on grants.gov, and
- properly maintaining the award file.

By implementing these procedures, the USACE Alaska District completed the corrective actions necessary to address three of the prior recommendations related to developing procedures for issuing cooperative agreements and task orders for INRMP support. According to the USACE Alaska District grants officer,

USACE Headquarters personnel were preparing similar procedures for broader implementation throughout USACE.<sup>8</sup> To verify that the procedures the USACE Alaska District implemented were effective, we reviewed 20 task orders issued by the USACE Alaska District for INRMP support on JBER and Fort Wainwright.

### *USACE Alaska District Adequately Justified Using Sikes Act Authority or Competed Task Orders on a Sample of 20 Task Orders*

We selected 20 task orders, valued at \$5.1 million to determine whether USACE Alaska District officials effectively implemented corrective actions to address problems identified in the prior audit. We identified the 20 task orders after contacting the Air Force Civil Engineer Center to obtain a listing of 18 projects in Alaska and obtaining a listing from the USACE Alaska District grants officer of 47 projects at Fort Wainwright that he supported. We subsequently determined that 8 of the Air Force Civil Engineer Center task orders were outside the scope of our original audit.<sup>9</sup> We reviewed the other 10 JBER task orders, valued at \$1 million as part of our sample. We nonstatistically selected 10 of the 47 task orders, valued at \$4 million on the Fort Wainwright listing to review so that the JBER and Fort Wainwright samples sizes were equal.

The USACE Alaska District grants officer appropriately applied the Sikes Act on 20 task orders issued after the prior audit report. For 7 of the 20 task orders, the grants officer appropriately used other than full and open competition procedures, citing the authorities of the Sikes Act. The grants officer issued 6 of these 7 task orders using the Sikes Act authorities to two entities authorized by Alaskan Statute for soil and water conservation. The USACE Alaska District grants officer correctly gave priority treatment when the entities expressed interest in the work and were able to perform the tasks at fair and reasonable prices. The grants officer issued 1 of these 7 task orders to a university using other than full and open competition procedures after appropriately preparing a memorandum describing the unique techniques and capabilities of a specific university. In addition, the grants officer requested proposals from multiple cooperative agreement holders on the remaining 13 task orders. For these 13 task orders, the grants officer requested proposals from cooperative agreement holders and maintained either a proposal or correspondence from the cooperative agreement holder that they were not interested in submitting a proposal. After receiving proposals, the grants officer and other USACE Alaska District personnel, analyzed the technical capabilities and price to determine the awardee. See Appendix C for the 20 task orders sampled.

<sup>8</sup> On July 13, 2018, the USACE Directorate of Contracting issued “Cooperative Agreements Standard Operating Procedures” to further implement policy and procedures for issuing cooperative agreements. We did not assess the effect the Directorate of Contracting procedures have on the USACE Alaska District process because the procedures were issued after we completed our analysis of the task orders sampled for this followup project.

<sup>9</sup> We removed projects from the Air Force Civil Engineer Center list if the task orders were not awarded by USACE Alaska District or if the support was performed outside of Alaska even if Air Force Components within Alaska managed the project.

USACE Alaska District personnel obtained legal reviews for four of the five task orders in our sample that exceeded \$500,000, in accordance with USACE Acquisition Instruction, Subpart 5101.602-2-90 “Legal Coordination.”<sup>10</sup> The grants officer stated that the one task order missing the legal review was an oversight and did not provide documentation to demonstrate a legal review was completed.

In addition, for 18 of the 20 task orders in our sample, the USACE Alaska District personnel developed a technical evaluation. The grants officer stated that the other two task orders did not have a technical evaluation because, at that time, USACE Alaska District personnel believed that assessing the technical capabilities of the entity during the initial cooperative agreement process was sufficient. However, the grants officer stated that USACE Alaska District personnel have now started to perform technical evaluations on all task orders, including sole-source task orders.

Finally, for all 20 task orders in our sample, USACE Alaska District personnel obtained and correctly maintained documentation of the proposals. We are not making a recommendation regarding the one missing legal review and two missing technical evaluations because the USACE Alaska District already implemented standard operating procedures regarding legal sufficiency and technical evaluations. Table 1 summarizes the results of the 20 task order files reviewed.

*Table 1. Review of the 20 Task Orders in the Sample*

	Sufficient Documentation Provided	Documentation Not Required	Documentation Missing
Legal Review	4	15	1
Proposal	20	0	0
Technical Evaluation	18	0	2
Evidence of Competition	13	7	0

Source: The DoD OIG.

<sup>10</sup> The USACE Acquisition Instruction is the USACE supplement to acquisition regulations. Although acquisition regulations are not applicable to grants and agreements, the grants officer stated that he used the threshold established in Subpart 5101.602-2-90 to determine whether legal reviews were required for the task orders he issued. DoD Grants and Agreement Regulations describe several situations when a grants officer should consult legal counsel, but does not provide a threshold requiring a legal review.



### ***Personnel from the 673rd CES Stopped Identifying Preferred Sources for Projects***

Personnel from the 673rd CES did not include information that would have identified a preferred source on the 10 task orders reviewed, which allowed the USACE Alaska District grants officer to determine the best method to obtain the required support.<sup>11</sup> During the original audit, we identified numerous task orders that included specific sources within the requirements or funding documentation that the USACE Alaska District grants officer used as justification to issue the task order noncompetitively. We recommended that 673rd CES personnel discontinue identifying sources on the documents provided to the USACE Alaska District. In November 2015, the 673rd Air Base Wing Commander agreed with this recommendation and noted that through discussions with his staff and the Air Force Civil Engineer Center, Air Force personnel had stopped including preferred source information on requirements and funding documents. Officials from the 673rd CES adequately addressed the prior recommendation by not including preferred source information on the requirements and funding documents of the 10 task orders we reviewed.

### ***Fort Wainwright Directorate of Public Works Personnel Stopped Identifying Preferred Sources for Projects***

Fort Wainwright Directorate of Public Works personnel did not include information that would have identified a preferred source on all seven task orders reviewed, which allowed the USACE Alaska District grants officer to determine the best method to obtain the required support.<sup>12</sup> During the original audit, we identified numerous task orders that included specific sources within the requirements or funding documentation that the USACE Alaska District grants officer used as justification to issue the task order noncompetitively. We recommended that Fort Wainwright Directorate of Public Works personnel discontinue identifying sources on the documents provided to the USACE Alaska District.

In October 2015, the Commanding Lieutenant General of the U.S. Army Installation Management Command responded to this recommendation and did not agree. He stated that staff does not direct USACE grants officers to enter into cooperative agreements with specific vendors. The Lieutenant General also stated that Fort Wainwright routinely put the information on funding documents as a way to distinguish efforts and assist with accounting. However, he also stated that

<sup>11</sup> 673rd CES personnel submit projects through the Air Force Civil Engineer Center. The Air Force Civil Engineer Center personnel submit the funding documentation to USACE.

<sup>12</sup> We also reviewed three task orders that were initiated by tenants on Fort Wainwright or a smaller DoD installation within the same Alaska Land and Soil Conservation District as Fort Wainwright and were not coordinated through the Fort Wainwright Directorate of Public Works. The tenant personnel included preferred sourcing information on funding documents related to two of these task orders. We addressed these task orders as part of the "Other Components Continued to Improperly Identify Sources for Projects" section of this report.

Installation Management Command staff coordinated with USACE to identify safeguards and processes to prevent the appearance that his staff members were influencing the decision of the grants officer. Fort Wainwright Directorate of Public Works adequately addressed the prior recommendation by not including preferred source information on the requirements and funding documents on the task orders we reviewed.

### ***Other Components Continued to Improperly Identify Sources for Projects***

Although USACE Alaska District, 673rd CES, and Fort Wainwright Directorate of Public Works personnel implemented corrective action to remove the perceived identification of preferred sources from the requirements and funding documents, the USACE Alaska District grants officers provided examples where other DoD Components continued to include this information. Specifically, the 611th CES, which operates on JBER, and the Army's Integrated Training Area Management program personnel, who operate on Fort Wainwright, included sources on the documentation provided to USACE. In these situations, the USACE Alaska District grants officer did not consider the preferred sourcing information and appropriately issued the award using normal procedures.

USACE Alaska District personnel provided an example in which the 611th CES personnel included language referencing a specific cooperative agreement for a Coastal Erosion Study at U.S. Air Force Oliktok and Barter Island Long Range Radar Sites in Alaska. Air Force Civil Engineer Center personnel stated that the language in the November 18, 2016 Military Interdepartmental Purchase Request, did not direct USACE to award the agreement but could cause confusion and therefore should not be included.<sup>13</sup> The USACE Alaska District grants officer issued a request for proposal to compete to the maximum extent practicable despite the referenced cooperative agreement. According to Air Force Civil Engineer Center personnel, USACE Omaha District personnel transferred funds on December 1, 2016, to the USACE Alaska District with a new Military Interdepartmental Purchase Request that did not reference the cooperative agreement.<sup>14</sup> Subsequently, on June 1, 2018, officials from the Air Force Civil Engineer Center Environmental Management Directorate issued Business Rule CZ-BR20, prohibiting direct award to a specific contractor or cooperator in a Military Interdepartmental Purchase Request. According to the business rule, Air Force personnel must not identify a specific contractor or cooperator in the Military Interdepartmental Purchase Request unless the request is for exercising an option.

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<sup>13</sup> A Military Interdepartmental Purchase Request is the primary document used by the DoD to order good and services from other DoD Services or Components.

<sup>14</sup> The Air Force Civil Engineer Center provides all funds to the USACE Omaha District. The USACE Omaha District distributes funds to other USACE districts.

A 611th CES official stated that the information within the 611th CES documents was for information purposes and was not directive in nature. In this instance, an evaluation model developed by an employee at a specific university was determined to be the most reliable based on the conditions of the installation and the 611th CES official asked to use that source if possible. An Integrated Training Area Management official stated that he included source information on their documents because that was the way they were trained to complete the forms by their predecessor, but also noted that the information was not directive in nature, but used as a way to track the project. Because the grants officer did not consider these requests, these awards were issued with an appropriate level of competition. Although the grants officer in this instance worked diligently to award a competitive task order, there is still a risk that another grants officer in a similar situation would award a task order to the source included in the purchase request documentation. Therefore, the USACE Commanding General should develop instructions and best practices for working with USACE grants personnel, including guidance related to developing requirements that allow for maximum competition that can be provided to other DoD Components that request support from USACE for issuing and administering grants and cooperative agreements.

## Conclusion

DoD Components implemented corrective actions to address problems identified in Report No. DODIG-2015-174. The USACE Alaska District grants officer issued 20 task orders, after the prior audit report, using competitive procedures or properly justified the decision to implement Sikes Act authority to award to a preferred source. The 673rd CES and Fort Wainwright Directorate of Public Works personnel stopped including information on requirements and funding documents that could unnecessarily limit competition. Additionally, the Office of the Assistant Secretary of Defense (Energy, Installations, and Environment) clarified implementation of the Sikes Act. However, other DoD Components that were not recipients of previous recommendations continued to include preferred sources on documents provided to the USACE Alaska District, which could inhibit the competitive process instead of allowing grants officers to determine the most appropriate source and methods for obtaining the required support.

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 1***

**We recommend that the U.S. Army Corps of Engineers Commanding General develop instructions and best practices for working with grants personnel, including guidance related to developing requirements that allow for maximum competition that can be provided to other DoD Components that request support from the U.S. Army Corps of Engineers for issuing and administering grants and cooperative agreements.**

### ***Management Comments Required***

The U.S. Army Corps of Engineers Commanding General did not respond to the recommendation in the report. Therefore, the recommendation is unresolved. We request that the Commanding General provide comments on the final report.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from September 2017 through October 2018. We suspended this audit from December 2017 through July 2018 for higher priority efforts. We performed 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.

### Review of Documentation and Interviews

We obtained and reviewed 20 files for task orders, valued at \$5.1 million, issued by the USACE Alaska District in FYs 2016 or 2017, after the issuance of the previous audit report. We contacted the Air Force Civil Engineer Center to obtain a listing of projects in Alaska. The Air Force Civil Engineer Center provided a list of 18 task orders, and we determined that 8 of those task orders were outside the scope of our original audit. We removed projects from the Air Force Civil Engineer Center list if the task orders were not awarded by USACE Alaska District or if the support was performed outside of Alaska even if Air Force Components within Alaska managed the project. We reviewed the other 10 task orders, valued at \$1.0 million, as part of our sample. The USACE Alaska District personnel provided a list of 47 task orders at Fort Wainwright that they supported and we nonstatistically selected 10 of those orders, valued at \$4.0 million, to review so that the JBER and Fort Wainwright samples sizes were equal. We reviewed each file to determine whether the task order was issued using competitive procedures or properly justified using other than full and open competition. As applicable, we reviewed the proposals received, technical evaluations, and legal reviews, for each task order to assess the actions the USACE Alaska District grants officer took to obtain competition for the task orders in accordance with DoD Grants and Agreements Regulations.



We interviewed personnel from the Office of the Assistant Secretary of Defense (Energy, Installations, and Environment) to discuss changes in DoD policy related to environmental management after the original audit. We discussed the effects of a policy issued as a result of our previous recommendations.<sup>15</sup> We also discussed alternative methods that the DoD is exploring to preserve environmental resources on DoD lands.

We interviewed USACE personnel at Headquarters and the Alaska District to determine their involvement in implementing our previous recommendations and discuss updates to procedures for issuing task orders.

We contacted 673rd CES and Fort Wainwright Directorate of Public Works officials to discuss action taken to implement previous audit recommendations. We contacted 611th CES and Army Integrated Training Area Management personnel to discuss their involvement in developing recent documents provided to USACE Alaska District personnel requesting support.

We contacted Air Force Civil Engineer Center personnel to obtain a listing of environmental projects funded in Alaska during FYs 2016 and 2017.

We reviewed:

- Title 16, United States Code, sections 670 a and b, “The Sikes Act”;
- applicable sections of the USACE Acquisition Instruction and Code of Federal Regulations;
- DoD Instruction 4715.03, “Natural Resources Conservation Program,” March 18, 2011; and
- Office of the Assistant Secretary of Defense (Energy, Installations, and Environment) Memorandum, “Sikes Act Implementation Procedures — Additional Clarification on the Role of Federal and State Agencies to Implement Sikes Act Activities,” October 19, 2016.

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

We did not use computer-processed data to perform this audit.

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<sup>15</sup> “Sikes Act Implementation Procedures — Additional Clarification on the Role of Federal and State Agencies to Implement Sikes Act Activities,” October, 19, 2016.

## Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued one report discussing cooperative agreements used for INRMP support.

Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

### ***DoD OIG***

Report No. DODIG-2015-174, “U.S. Army Corps of Engineers–Alaska District Needs to Improve Competitive Procedures for Cooperative Agreements for Alaska Integrated Natural Resources Management Plans,” September 16, 2015

Grants officers from the USACE Alaska District did not properly award or effectively use cooperative agreements issued on a sole-source basis, valued at about \$18 million, for the development and implementation of INRMPs at JBER and Fort Wainwright, Alaska. This occurred because grants officers did not follow the DoD Grants and Agreements Regulations to maximize competition; issued the cooperative agreements or task orders as directed by JBER and Fort Wainwright personnel rather than performing sufficient market research to determine recipients; and did not have clear guidance from the Deputy Under Secretary of Defense (Installations and Environment), on the DoD’s implementation of the Sikes Act requirements.

## Appendix B

### Summary of Prior Recommendations and Current Status

We issued nine recommendations in Report No. DODIG-2015-174, “U.S. Army Corps of Engineers–Alaska District Needs to Improve Competitive Procedures for Cooperative Agreements for Alaska Integrated Natural Resources Management Plans,” September 16, 2015, related to awarding cooperative agreements. During this follow-up audit, we verified that the DoD organizations implemented corrective actions to address the problems identified in the prior report. All nine recommendations are closed. Table 2 identifies the nine recommendations and the DoD organizations responsible for implementing corrective actions.

*Table 2. Recommendations From the Prior Audit Report*

	Number in Report	Organization	Recommendation
1	A.1.a	Contracting Chief, U.S. Army Corps of Engineers, Alaska District	Require training for grants officers to properly award and manage cooperative agreements.
2	A.1.b	Contracting Chief, U.S. Army Corps of Engineers, Alaska District	Develop procedures for grants officers that require they conduct adequate market research to increase competition to the maximum extent practicable when awarding cooperative agreements for INRMP development and implementation.
3	A.1.c	Contracting Chief, U.S. Army Corps of Engineers, Alaska District	Develop procedures for grants officers that require they appropriately advertise future opportunities to increase competition to the maximum extent practicable when awarding cooperative agreements for INRMP development and implementation.
4	A.1.d	Contracting Chief, U.S. Army Corps of Engineers, Alaska District	Develop procedures to retain adequate documentation to support market research conducted and award decisions for cooperative agreements.
5	A.1.e	Contracting Chief, U.S. Army Corps of Engineers, Alaska District	Develop procedures that require personnel to give priority to Federal agencies and the respective State fish and wildlife agencies when awarding cooperative agreements and contracts for INRMPs on Alaska installations.
6	A.2.a	Deputy Under Secretary of Defense (Installations and Environment)	Develop guidance that requires competition for task orders when multiple cooperative agreements exist related to the development and implementation of INRMPs.
7	A.2.b	Deputy Under Secretary of Defense (Installations and Environment)	Issue guidance to clarify that priority should be given when awarding contracts and cooperative agreements for INRMP development and implementation to Federal agencies and the respective State fish and wildlife agencies.

*Summary of Prior Recommendations and Current Status (cont'd)*

	Number in Report	Organization	Recommendation
8	A.3	Commander, Joint Base Elmendorf–Richardson	Direct personnel to discontinue directing which specific universities or soil and water districts obtain task orders for the development and implementation of INRMPs.
9	A.4	Chief, Directorate of Public Works, Fort Wainwright	Direct personnel to discontinue directing which specific universities or soil and water districts obtain cooperative agreements and associated task orders for the development and implementation of INRMPs.

## Appendix C

### Task Orders Reviewed

	Task Order	Amount	Recipient	Competed or Other Than Full and Open Competition	Technical Evaluation	Legal Review
1	Palmer 17	\$53,840	Palmer Soil & Water Conservation District	Other Than Full and Open Competition	Yes	N/A
2	APU 4	93,261	Alaska Pacific University	Other Than Full and Open Competition	Yes	N/A
3	CSU 19	346,586	Colorado State University	Competed	Yes	N/A
4	CSU 28	78,237	Colorado State University	Competed	Yes	N/A
5	UAA 14	77,460	University of Alaska, Anchorage	Competed	Yes	N/A
6	UAA 16	125,634	University of Alaska, Anchorage	Competed	Yes	N/A
7	UAA 17	116,065	University of Alaska, Anchorage	Competed	Yes	N/A
8	UAA 18	43,815	University of Alaska, Anchorage	Competed	Yes	N/A
9	UAA 19	47,835	University of Alaska, Anchorage	Competed	Yes	N/A
10	UAA 21	46,664	University of Alaska, Anchorage	Competed	Yes	N/A
11	CSU 4	826,822	Colorado State University	Competed	Yes	Yes
12	CSU 8	631,633	Colorado State University	Competed	Yes	Yes
13	CSU 10	199,871	Colorado State University	Competed	Yes	N/A
14	CSU 13	463,761	Colorado State University	Competed	Yes	N/A
15	UAA 15	687,339	University of Alaska, Anchorage	Competed	Yes	Yes

Task Orders Reviewed (cont'd)

	Task Order	Amount	Recipient	Competed or Other Than Full and Open Competition			Technical Evaluation	Legal Review
16	SALCHA 56	11,700	Salcha Soil and Water Conservation	Other Than Full and Open Competition			No	N/A
17	SALCHA 59	14,700	Salcha Soil and Water Conservation	Other Than Full and Open Competition			No	N/A
18	SALCHA 62	565,950	Salcha Soil and Water Conservation	Other Than Full and Open Competition			Yes	Yes
19	SALCHA 69	541,000	Salcha Soil and Water Conservation	Other Than Full and Open Competition			Yes	No
20	SALCHA 78	88,500	Salcha Soil and Water Conservation	Other Than Full and Open Competition			Yes	N/A
<b>Totals</b>		<b>\$5,060,673</b>	<b>Other Than Full and Open Competition</b>		<b>7</b>	<b>Yes</b>	<b>18</b>	<b>4</b>
			<b>Competed</b>		<b>13</b>	<b>No</b>	<b>2</b>	<b>1</b>
						<b>N/A</b>	<b>-</b>	<b>15</b>



## Acronyms and Abbreviations

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- CES** Civil Engineer Squadron
- INRMP** Integrated Natural Resources Management Plan
- JBER** Joint Base Elmendorf–Richardson
- USACE** U.S. Army Corps of Engineers

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