



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

RECOVERY

# RECOVERY OVERSIGHT ADVISORY

Review of Significant Cost Increases to Recovery Act  
Projects




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JAN 19 2011

Memorandum

To: Chris Henderson  
Senior Advisor to the Secretary for Economic Recovery and Stimulus

From: Robert A. Knox   
Assistant Inspector General for Recovery Oversight

Subject: Recovery Oversight Advisory - Review of Significant Cost Increases to Recovery Act Projects  
Report No. ROO-ROA-MOA-1023-2010

This advisory informs you of our efforts to review significant cost increases of American Recovery and Reinvestment Act of 2009 (Recovery Act) projects and is part of our ongoing efforts to oversee and ensure the accountability of funding appropriated to the U.S. Department of the Interior (DOI) in the Recovery Act. For the majority of projects we reviewed, cost estimates increased as a result of appropriate scope changes that took place after the projects were approved for Recovery Act funding and prior to their award. We encountered a number of discrepancies in project postings to the Government portal FedBizOpps (FBO) likely complicating the ability of commercial vendors to learn more about Recovery Act projects. To promote transparency, we encourage the bureaus to be cautious when project costs increase to avoid the appearance of making out-of-scope changes to contracts, and we stress the importance of full and consistent acquisition data input.

**Background**

We identified nine high-dollar Recovery Act contract projects (\$2 million or more) on the April 2010 project list with revised cost increases ranging from 60 percent to 235 percent (see Table 1).<sup>1</sup> We then determined why these significant cost increases occurred and if they were adequately justified and properly documented. We researched FBO for information on each project, contacted contracting officials to obtain relevant project documentation, and conducted project reviews utilizing an abbreviated checklist adapted from Departmental guidance defining Recovery Act acquisition review plan requirements.<sup>2</sup>

<sup>1</sup> We identified a tenth project within the scope of our review, but omitted it after learning it is under a separate review.

<sup>2</sup> "Department of the Interior Guidance Release ARRA-2009-01, Amendment 1, Attachment 2 – American Recovery and Reinvestment (ARRA) Checklist – Contract Actions," August 11, 2009.

## Findings

### 1. Reasons for Increased Cost Estimates

We learned that for five of the projects reviewed, cost estimates increased as a result of appropriate scope changes stemming primarily from combining projects and/or additional design and planning activities that took place after projects were approved for Recovery Act funding, but prior to their award. Two Bureau of Reclamation (USBR) projects, a National Park Service (NPS) project, and a U.S. Geological Survey (USGS) project recorded cost increases due to other factors.

For the Folsom Dam Wheel Gate Refurbishing project, USBR received bids considerably higher than the original Government cost estimate, which necessitated increasing the cost estimate from \$3.2 million to \$8.5 million. The scope of USBR's Klamath River project increased significantly after a U.S. Department of Justice ruling mandated that two previously separate agreements must be considered together for the environmental analysis. The contractor stabilizing Fort Jefferson at Dry Tortugas National Park, off the coast of Florida, discovered a differing site condition, which further increased the cost of that project.<sup>3</sup> Finally, for the USGS Building Addition at the Upper Midwest Environmental Sciences Center in La Crosse, Wisconsin Recovery Act dollars were redirected from a smaller, related project to cover the full construction cost in order to avoid comingling funds with the Working Capital Fund.

### 2. Project Reviews

Using an abbreviated project review checklist for contract actions adapted from Departmental guidance, we reviewed FBO postings for accuracy and completeness, determined if the actions had been recorded in the Federal Procurement Data System-Next Generation (FPDS-NG), and ensured that the contractors receiving Recovery Act awards had current registrations in the Central Contractor Registration (CCR) and were not listed in the Excluded Parties List System (EPLS). For projects with multiple awards, we focused on the largest contract action. In addition, we confirmed with project officials that, where applicable, the project cost changes were vetted through each bureau's established governance process.

At the time of our review, some portion of each project had been awarded with the exception of the Bureau of Indian Affairs (BIA) project for the Kaibeto Boarding School. We found that each contract action had been recorded in FPDS-NG, and we confirmed that awardees had current registrations in the CCR and were not listed in the EPLS.

We encountered difficulties finding information on projects in FBO, the government point of entry for commercial vendors interested in doing business with the Federal government. Projects had multiple postings and varying titles complicating our search efforts. While we were able to identify pre-solicitation and award postings for each project, we found a number of omissions in the announcements including missing project descriptions, awardees' DUNS

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<sup>3</sup> Recovery Act funds were used for the initial modification to the project last year, when a differing site condition was discovered on Front 4 (*ROO-RM-NPS-6003-2009 Review of the NPS Fort Jefferson Project*). According to the contracting officer, similar yet more severe conditions were discovered when work began on Front 6, which required additional modifications to the project.

numbers, and Treasury Account Symbols – all of which were required fields according to departmental guidance for Recovery Act contract actions.<sup>4</sup> Inconsistent postings coupled with missing information may complicate the efforts of commercial vendors interested in learning more about Recovery Act projects.

We also discovered two instances where the amounts of Recovery Act awards were overstated. An award announcement for a smaller task order under the NPS Hamilton Grange project indicated an award for \$453,715.23 for Interpretive Exhibit Planning, Design, and Pre-production. After contacting the contract specialist for the project, we learned that only \$67,486.65 was actually Recovery Act money. Additionally, a DOI News Release issued July 26, 2010, announced a \$20.9 million contract to Phoenix Marine Co. Inc. for repairs to the Ellis Island Seawall. The FBO award announcement on May 7, 2010, the FPDS-NG entry for the action, a DOI financial report, and calls to both park staff and Denver Service Center staff confirmed that the actual price of the contract was only \$18,274,884.

We will post this advisory on our Web site ([www.doioig.gov/recovery/](http://www.doioig.gov/recovery/)) and on [Recovery.gov](http://Recovery.gov). No action or response is requested for this advisory. Information contained in this advisory may also be included in our semiannual reports to Congress. We performed our work in accordance with the Quality Standards for Inspections adopted by the Council of the Inspectors General on Integrity and Efficiency. Please contact me if you have any questions.

cc: Deputy Secretary, U.S. Department of the Interior  
Director, Office of Executive Secretariat and Regulatory Affairs  
Assistant Secretary – Policy, Management, and Budget  
Acting Director, Office of Financial Management  
Director, Office of Acquisition and Property Management  
Departmental GAO/ OIG Audit Liaison  
Audit Liaison, Office of the Secretary

Attachment

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<sup>4</sup> “Department of the Interior Guidance Release ARRA-2009-01, Amendment 1, Attachment 2 – American Recovery and Reinvestment (ARRA) Checklist – Contract Actions,” August 11, 2009.

**Table 1**

Bureau	Project Title	Original Project Cost	Revised Project Cost	Percent Increase	Reason for Cost Increase	Review Findings (Based on largest contract action)
NPS	Stabilize Fort Jefferson Phase 2	\$2,200,000	\$7,363,000	235	These cost increases are due to differing site conditions found on Front 6 of Fort Jefferson. Recovery Act funds were used for modifications to an existing contract.	The award for \$4,875,000 to Enola Contracting Services, Inc., was a modification to an existing contract. It was announced on December 21, 2009. The pre-solicitation announcement lacked the Treasury Account Symbol. The award announcement did not include the contractor's DUNS number.
USBR	Klamath River Sedimentation Sampling/Analysis for Potential Dam Removal	\$4,000,000	\$11,250,000	181	The initial cost estimate for this multi-component, multi-award project was insufficient to cover the increased scope after a Department of Justice ruling determined that Klamath Hydroelectric Settlement Agreement and the Klamath Basin Restoration Agreement had to be considered together for the environmental documentation and the Secretarial Determination Overview Report.	The task order award for \$4,234,234.85 to CDM Federal Programs Corporation was a task order to an already existing Indefinite Delivery Indefinite Quantity contract and was announced on FBO on April 2, 2010.
USBR	Folsom Dam - Unit Fixed Wheel Gate Refurbishing (CVP)	\$3,200,000	\$8,500,000	166	According to a USBR official, USBR received three contractor bids from 8(a) Small Disadvantaged Businesses that were three times the Government Estimate. Project site conditions are not fully known, and work entails power outages that have to be strategically spaced out over a long period of time. A USBR official noted that they underestimated how contractors would calculate taking on these risks as part of their bids.	The award for \$7,787,953 to Abide International, Inc., was announced on FBO on March 5, 2010. The award posting did not include a description of the required products or services.

Bureau	Project Title	Original Project Cost	Revised Project Cost	Percent Increase	Reason for Cost Increase	Review Findings (Based on largest contract action)
BIA	Construct K-8 School - 276 room academic building – 45 room residential including infrastructure, housing and demolition (Kaibeto Boarding School)	\$11,408,000	\$28,621,118	151	The cost increased in order to complete the project at full scope using modular construction. In mid-May, the project was changed to design-build construction and transferred to U.S. Fish and Wildlife Service for award over concerns about meeting Recovery Act deadlines.	The contract had not been awarded at the time of our review.
NPS	Repave 5.5 Miles of Heintooga Ridge Road	\$2,619,000	\$4,903,000	87	The cost increase was due to additional 3.6 miles of road, drainage repairs, design and construction supervision, and project management costs. The road intersects two different park units. After initial field investigation and design scoping process NPS decided to design the entire road through both park units.	The award for \$3,418,090 to APAC-Atlantic Inc., was announced on FBO on May 7, 2010. The award posting did not include a description of the required products or services or the contractor's DUNS number.
USGS	Building Addition Segment "D"	\$3,091,000	\$5,151,000	67	The total project cost includes replacing a water tower (\$2,288,000) and construction of Segment "D" (\$3,091,000) to be funded by both Recovery Act and USGS Working Capital Fund dollars. To avoid comingling of funds, USGS redirected \$2,060,000 in Recovery Act Funds from the water tower project to cover the full construction of Segment "D."	The award for \$5,179,125 to R.J. Jurowski Construction, Inc., was posted on FBO on June 30, 2010. The Treasury Account Symbol was missing on pre-solicitation, solicitation, and award announcements on FBO, and in the FPDS-NG entry. The award posting did not include a description of the required products or services or the contractor's DUNS number.

Bureau	Project Title	Original Project Cost	Revised Project Cost	Percent Increase	Reason for Cost Increase	Review Findings (Based on largest contract action)
USBR	CVP, Delta Division-Contra Costa Rock Slough	\$20,000,000	\$33,000,000	65	The increase covers the cost of necessary site preparation, the cost of which was inadvertently left off the initial proposal for Recovery Act funds.	The award for \$12,682,255 to Flatiron West, Inc., was announced on FBO on April 30, 2010. No issues were found during the desk review. Site preparation work is being conducted through an \$8.35 million cooperative agreement.
NPS	Complete Rehabilitation of Hamilton Grange	\$2,352,000	\$3,860,000	64	The scope and cost of the project increased after planning and design to include enhanced interpretive elements and completion of interior finishes.	The award for \$1,587,953 to Lumus Construction, Inc., was announced on FBO on May 11, 2010. The award posting did not include a description of the required products or services or the contractor's DUNS number.
NPS	Stabilize Ellis Island Seawall (completion of Phase 1)	\$17,283,000	\$27,710,000	60	NPS combined two Recovery Act projects for the seawall and then revised the project estimate after planning and design.	The award for \$18,274,884 to Phoenix Marine Co. Inc., was announced on FBO on May 7, 2010. No issues were found during desk review.



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U.S. Department of the Interior  
Office of Inspector General  
Mail Stop 4428 MIB  
1849 C Street, NW  
Washington, D.C. 20240

## **By Phone:**

24-Hour Toll Free  
Washington Metro Area

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