

Department of Homeland Security **Office of Inspector General**

Costs Claimed by Bristol Township Volunteer Fire
Department under Fire Station Construction Grant
No. EMW-2009-FC-01627R



American Recovery and Reinvestment Act of 2009

OIG-12-97

July 2012



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

JUL 13 2012

MEMORANDUM FOR: Elizabeth M. Harman
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency

FROM: Anne L. Richards *Anne L. Richards*
Assistant Inspector General for Audits

SUBJECT: *Costs Claimed by Bristol Township Volunteer Fire
Department Under Fire Station Construction Grant
No. EMW-2009-FC-01627R*

Attached for your information is our final letter report, *Costs Claimed by Bristol Township Volunteer Fire Department Under Fire Station Construction Grant No. EMW-2009-FC-01627R*. We incorporated the formal comments from the Office of Policy and Program Analysis, Federal Emergency Management Agency (FEMA), in the final report.

The report contains one recommendation for FEMA to resolve \$21,164 of questionable costs that Bristol Township Volunteer Fire Department claimed for reimbursement. The Office of Policy and Program Analysis concurred with the recommendation and said that FEMA will take steps to resolve the questioned costs. As prescribed by Department of Homeland Security Directive 077-1, Follow-Up and Resolutions for the Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report are Roger La Rouche, Director of Recovery Act Audits; Matthew Mongin, Auditor; and Kevin Donahue, Report Referencer.



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Please call me with any questions, or your staff may contact John E. McCoy II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



Background

The *American Recovery and Reinvestment Act of 2009* (Recovery Act), as amended, appropriated \$210 million to FEMA for competitive grants for modifying, upgrading, or constructing non-Federal fire stations. Effective September 25, 2009, FEMA awarded a grant of \$2,235,191 to the Bristol Township Volunteer Fire Department (Fire Department) for constructing a new fire station.

The grant specified a period of performance from September 25, 2009, to September 24, 2012. As of October 30, 2011, the Fire Department had completed construction of the new fire station (figure 1) and had received reimbursements of \$1,927,826 from FEMA for project design, engineering, construction, and management.



Figure 1. New Bristol Township Fire Station

Source: Bristol Township Volunteer Fire Department.

Under the terms of the grant, the Fire Department agreed to use the grant funds according to FEMA's *American Recovery and Reinvestment Act Assistance to Firefighters, Fire Station Construction Grants, Guidance and Application Kit (Guidance and Application Kit)*, and to comply with Office of Management and Budget (OMB) Circular A-87, Revised, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225) and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* in 44 Code of Federal Regulations (CFR) Part 13.

The grant also includes requirements for complying with OMB Circular A-133, Revised, *Audits of States, Local Governments, and Non-Profit Organizations*, and Recovery Act provisions for submitting quarterly recipient reports to the Federal Government on the



use of Recovery Act funds; paying prevailing wages as determined by the Secretary of Labor; and using American-made iron, steel, and manufactured goods.

Results of Audit

Of the \$1,927,826 claimed for reimbursement by the Fire Department, we questioned \$21,164 claimed for a security system and parts of a telephone system that were not eligible for reimbursement under the grant. We concluded that the Fire Department complied with grant requirements for submitting required Recovery Act reports to the Federal Government and for ensuring that contractors were paid prevailing wages, and used American-made iron, steel, and manufactured goods in the construction of the new fire station.

Ineligible System and Equipment (\$21,164)

We questioned costs of \$21,164 for a system and equipment that are not eligible for reimbursement according to FEMA's program guidance.

Ineligible Security System – \$14,361

The Fire Department claimed \$14,361 for the purchase and installation of electronic door locks on the interior and exterior doors of the new fire station. This system uses individual key cards for each authorized user and has a master controller that records access by card users. We questioned the costs because FEMA's *Guidance and Application Kit* identifies security systems as an ineligible cost for the fire station construction grant.

Ineligible Telephone System – \$6,803

The Fire Department claimed \$12,991 for the purchase and installation of a telephone system providing communications for the new fire station. We contacted FEMA regarding the eligibility of telephone systems under the station construction grant because the *Guidance and Application Kit* does not list telephone systems as eligible or ineligible for reimbursement. FEMA advised us that installation of telephone wiring is eligible under the grant, but telephone sets, switching panels, and accessories are not eligible. We determined that the Fire Department paid \$6,188 for the eligible telephone system wiring and its installation. We questioned the remaining \$6,803 because it was for ineligible phones and related equipment.



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Compliance With Requirements for Reporting, Buying American, and Paying Prevailing Wages

The Recovery Act requires recipients to submit quarterly reports on funds received and project activities to the Federal Government. The Recovery Act also stipulates that grantees use American-made iron, steel, and manufactured goods and that laborers and mechanics be paid, at a minimum, prevailing wages as determined by the Secretary of Labor under 40 U.S.C. Chapter 31, Subchapter IV. We verified that the Fire Department submitted the required quarterly reports. In addition, we confirmed that the Fire Department included the prevailing wage requirement in its public solicitation for construction bids and the manufacturing source identification requirements in the building specifications. Moreover, the project architect instituted sufficient controls to ensure that these provisions were honored. Controls included a requirement for subcontractors to comply with the provisions, review and certification of all invoices and onsite inspection by the architect, and a requirement for vendors/contractors to submit vouchers showing payment of prevailing wages

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Resolve the questioned costs of \$21,164 pertaining to the security system and parts of the telephone system that were claimed for reimbursement but not eligible under the grant.

Management Comments and OIG Analysis

FEMA provided formal comments to our draft report, which are included as appendix B.

FEMA Comments to Recommendation #1

FEMA concurred with the recommendation. In lieu of asking the Fire Department to return the funds, FEMA is allowing the Fire Department the “opportunity” to submit a proposal to substitute \$21,164 of eligible program costs that were not included in the scope of work of the initial grant. FEMA will request that the Fire Department submit the proposal within 90 days of its receipt of FEMA’s grantee notification memorandum transmitting the final audit report.



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OIG Analysis

FEMA adequately addressed the recommendation. The recommendation, however, will remain unresolved and open until FEMA provides a target completion date or evidence that proposed substitute costs are eligible and of a sufficient amount to offset the questioned costs of \$21,164 and amends the grant agreement to provide for the substitute costs.



Appendix A

Objectives, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

The objective of the audit was to determine whether costs invoiced were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. The audit covered costs of \$1,927,826 claimed by the Fire Department from July 2010 to September 2011 and reimbursed by FEMA.

In conducting our audit, we—

- Obtained and reviewed the Recovery Act, the grant application and award, the grant *Guidance and Application Kit*, and Federal cost principles and grant administrative requirements;
- Interviewed Fire Department personnel to gain an understanding of their accounting system and the applicable internal controls;
- Reviewed the independent auditor's fiscal year 2010 single audit report and interviewed the responsible auditor to identify issues and other conditions that could affect our examination;
- Reviewed the recipient's internal controls specifically related to our objectives;
- Examined vendor invoices and other evidence supporting 100 percent of costs incurred and claimed for FEMA reimbursement;
- Reviewed accounting transactions related to purchases, payments, and receipt of FEMA reimbursements;
- Used the grant provisions and applicable Federal requirements to determine whether amounts claimed were eligible for reimbursement;
- Performed fraud detection procedures; and



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- Inspected the new fire station and surrounding property.

We conducted this performance audit between October 2011 and February 2012, pursuant to the *Inspector General Act of 1978*, as amended, and according to 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Department of Homeland Security

Appendix B
Management Comments to the Draft Letter Report


U.S. Department of Homeland Security
Washington, DC 20472



FEMA

MAY 31 2012

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General for Audits
Office of the Inspector General

FROM: David J. Kaufman 
Director
Office of Policy and Program Analysis

SUBJECT: Comments to OIG Draft Report, *Review of Costs Claimed by Bristol Township, Ohio, Volunteer Fire Department, Bristolville, Ohio, Under Fire Station Construction Grant Number EMW-2009-FC-01627R*

The Federal Emergency Management Agency (FEMA) appreciates the opportunity to review and respond to the Department of Homeland Security (DHS) Office of Inspector General (OIG) Draft Report. As noted in our responses to your recommendations, below – FEMA is continuing to work to resolve the issues identified in the audit.

OIG Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, resolve the questioned costs of \$21,164 pertaining to the security system and parts of the telephone system that were claimed for reimbursement but not eligible under the grant.

FEMA Response to the Draft Report: FEMA concurs with this recommendation.

FEMA agrees that the telephone and security system expenses are ineligible under the Station Construction Grant (SCG) Program. Rather than requesting that the department return the funds to FEMA, FEMA will allow the department an opportunity to seek an alternative resolution. FEMA will request that the department submit a proposal to substitute a minimum of \$21,164 worth of eligible expenses toward the SCG Program that were not originally included in their awarded scope of work. FEMA will request that the department submit that proposal within 90 days of their receipt of the final report with the grantee notification memorandum. If the proposal is acceptable, FEMA will amend their grant to incur these charges toward the SCG program as replacement for the ineligible costs. The ineligible security and phone system would then be considered expenses outside of the grant and paid for by the department.

FEMA requests that this recommendation be considered resolved and open pending the grantee's implementation of this corrective action plan.

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Again, we thank you for the opportunity to review your report. If you have further questions, please do not hesitate to call Gina Norton, FEMA Audit Liaison Office, 202-646-4287.



Appendix C

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or fax it directly to us at (202) 254-4297.

The OIG seeks to protect the identity of each writer and caller.