

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

Costs Claimed by Chicago Fire Department
Under Fire Station Construction Grant Number
EMW-2009-FC-05246R



American Recovery and Reinvestment Act of 2009

OIG-13-22

January 2013



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

JAN 22 2013

MEMORANDUM FOR: David J. Kaufman
Acting 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 Chicago Fire Department Under Fire
Station Construction Grant Number EMW-2009-FC-05246R*

Attached for your information is our final letter report, *Costs Claimed by Chicago Fire Department Under Fire Station Construction Grant Number EMW-2009-FC-05246R*. Since the report contains no recommendations to Federal Emergency Management Agency officials, we did not solicit formal comments.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to 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 LaRouche, Director of Recovery Act Audits; Matthew Mongin, Auditor; and Marisa Coccaro, Report Referencer.

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 the Federal Emergency Management Agency (FEMA) for competitive grants for modifying, upgrading, or constructing nonfederal fire stations.

The Chicago Fire Department submitted a grant application that identified six projects: five fire station renovations and one new station construction. The proposed costs for the six projects were \$26 million, consisting of a Federal share of \$15 million and an applicant share of \$11 million. The grant application identified a Federal share of 43 percent and an applicant share of 57 percent. FEMA awarded a grant of \$4.8 million to the Chicago Fire Department to construct a new fire station. The grant award did not specify an amount or percentage for the matching share. A FEMA official told us that FEMA had not specified a Federal share in the award because it knew that the cost of the new station would exceed the Federal share and its main concern was that construction of the station be completed. However, the grant award states that “if the grantee offered to share in the cost of the project in their application, they are obligated to provide a cost-share at no less than the percentage pledged in the application.” We limited our audit to the amount claimed as the Federal share because the amount or percentage of the applicant share was not specified.

The grant specified a period of performance from September 25, 2009, to September 24, 2012. As of July 25, 2012, the Chicago Fire Department had nearly completed the construction of the new fire station (see figure 1) and had received reimbursements of \$4,395,000 from FEMA.

Figure 1. Chicago Fire Department Station #16



Source: Chicago Fire Department.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Under the terms of the grant, the Chicago Fire Department agreed to use the grant funds according to FEMA's fiscal year 2009 *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*, and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* contained in 44 Code of Federal Regulations 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.

The objective of this audit was to determine whether costs claimed by the Chicago Fire Department were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements.

Results of Audit

The new fire station was substantially complete with minor interior work and furnishings remaining as of July 18, 2012. The Chicago Fire Department placed the new station into operation in September 2012. As of July 12, 2012, the Chicago Fire Department had requested reimbursement of \$ 4,395,000 from FEMA for the construction of the new fire station. We determined that the Chicago Fire Department had incurred sufficient allowable, allocable, and reasonable costs to earn the \$4,395,000 it claimed for reimbursement. In addition, we concluded that the Chicago Fire Department complied with grant requirements for submitting quarterly 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.

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

The Recovery Act requires recipients to submit quarterly reports on project activities to the Federal agency providing the grant; to ensure that projects are accomplished with American-made iron, steel, and manufactured goods; and to ensure that laborers and mechanics are paid, at a minimum, prevailing wages as determined by the Secretary of



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Labor under 40 U.S.C. Chapter 31, Subchapter IV. The Chicago Fire Department submitted quarterly reports to FEMA and ensured that “Buy America” and prevailing wage provisions were followed during the construction of the fire station. The Recovery Act provisions were included in the public solicitation and general construction contracts. The Chicago Public Building Commission provided onsite oversight of the construction project and contractor pay vouchers and visited the construction site to confirm payment of prevailing wages.



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 this audit was to determine whether costs claimed by the Chicago Fire Department were allowable, allocable, and reasonable according to the grant and applicable Federal regulations. This audit covered costs of \$4.8 million claimed by the Chicago Fire Department from June 2010 to June 2011 and reimbursed by FEMA.

In conducting our audit, we did the following:

- 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 Chicago Fire Department and Chicago Public Building Commission personnel to gain an understanding of their accounting system and the applicable internal controls;
- Reviewed the fiscal year 2009, 2010, and 2011 single audit reports 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 the costs incurred and claimed for FEMA reimbursement;
- Reviewed contract files and supporting documentation for primary contractors and professional service providers for the fires station construction projects;
- 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; and



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- Performed fraud detection procedures.

To accomplish our objectives, we relied on the work of Baker Tilly Virchow Krause, LLP, as part of the A-133 Single Audit. We did not review the independent auditor's workpapers, nor did we perform tests on this work.

We conducted this performance review between July and September 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 objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based upon our audit objective.



Appendix B

Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs
Acting Chief Privacy Officer
Recovery Act Coordinator

Federal Emergency Management Agency

Administrator
Assistant Administrator, Grant Programs Directorate,
Federal Emergency Management Agency
Audit Liaison Official

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

For additional information, visit our website at: www.oig.dhs.gov, or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

OIG HOTLINE

To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at www.oig.dhs.gov and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

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 you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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