

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

Costs Claimed by Brunswick Volunteer Fire  
Company under Fire Station Construction Grant  
Number EMW-2009-FC-00409



American Recovery and Reinvestment Act of 2009

OIG-12-113

August 2012




**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

AUG 13 2012

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

FROM: Anne L. Richards   
Assistant Inspector General for Audits

SUBJECT: *Costs Claimed by Brunswick Volunteer Fire Company, Inc.  
Under Fire Station Construction Grant Number EMW-2009-  
FC-00409R*

Attached for your information is our final letter report, *Costs Claimed by Brunswick Volunteer Fire Company, Inc. Under Fire Station Construction Grant Number EMW-2009-FC-00409R*. Since the report contains no recommendations to the Federal Emergency Management Agency, we did not solicit formal comments and no further response to this report is necessary.

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; William Gillies, Audit Manager; Gary Greer, Auditor; and Jeanne Genao, 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. On June 10, 2010, FEMA awarded a grant of \$2,431,161 to the Brunswick Volunteer Fire Company, Inc. (Fire Company), Brunswick, Maryland, for constructing a new fire station.

The grant specified a period of performance from June 10, 2010, to June 9, 2013. As of March 2012, the Fire Company had completed construction of the new fire station (see figure 1) and had received reimbursement of \$2,431,161 from FEMA.



Figure 1. Brunswick Volunteer Fire Company Station No. 5.

Source: Brunswick Volunteer Fire Company.

Under the terms of the grant, the Fire Company 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



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

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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* 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 were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements.

### Results of Audit

We determined that the Fire Company incurred sufficient allowable, allocable, and reasonable costs to earn the \$2,431,161 provided under the grant. In addition, we concluded that the Fire Company complied with Recovery Act requirements for submitting quarterly Recovery Act reports to the Federal Government and for ensuring that the contractors paid prevailing wages and used American-made iron, steel, and manufactured goods in the construction of the new fire station. However, the Fire Company did not follow OMB guidance in determining the number of jobs created by the Recovery Act.

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

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Section 1512 of the Recovery Act requires recipients to submit quarterly reports to the Federal Government that include information on funds received and expended, project activities, and the number of jobs created and retained. The Recovery Act also stipulates that recipients use American-made iron, steel, and manufactured goods (Section 1605) and that laborers and mechanics be paid, at a minimum, prevailing wage as determined by the Secretary of Labor under 40 U.S.C. Chapter 31, Subchapter IV (Section 1606).

We verified that the Fire Company submitted the required quarterly reports. The reports submitted for fiscal year 2011 showed the creation of 35 jobs “associated with construction of the building as well as administration and manager positions.” OMB



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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Memorandum M-10-08<sup>1</sup> requires grantees to estimate the number of Recovery Act jobs created based on (1) work performed by the grantees only in the quarter being reported (not cumulative); (2) work performed by subrecipients; and (3) a calculation that divides the total actual hours worked in funded jobs by the number of hours representing a full work schedule for the kind of job being estimated. This calculation converts part-time and temporary jobs into full-time equivalent positions. Instead of computing the number of full-time equivalent positions, the Fire Company reported an estimate of the number of workers on the job site on any given day. We are not recommending any corrective action regarding this matter because OMB Memorandum M-10-34<sup>2</sup> states, "Changes to prior [quarterly recipient] reports may not be initiated for the 'Number of Jobs' field."

For the other compliance areas, we confirmed that the Fire Company included the prevailing wage requirement in its public solicitation for construction bids and the manufacturing source identification requirements in the building specifications. Moreover, the Fire Company developed sufficient controls to ensure that these provisions were honored. Controls included a requirement for subcontractors and suppliers to comply with the Buy American provisions, review and certification of invoices by the architect, and a requirement for contractors to submit payroll reports showing payment of prevailing wages.

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<sup>1</sup> *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*, December 18, 2009.

<sup>2</sup> *Updated Guidance on the American Recovery and Reinvestment Act*, September 24, 2010.





## **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 Fire Company were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. This audit covered costs of \$2,459,660 incurred by the Fire Company from June 2010 to April 2012.

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 Company personnel to gain an understanding of their accounting system and the applicable internal controls;
- Reviewed the Fire Company's internal controls specifically related to our objectives;
- Examined contractor invoices and other evidence supporting 100 percent of FEMA project costs;
- 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;
- Inspected the new fire station and surrounding property; and



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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- Obtained and reviewed source documents to determine whether the Fire Company complied with requirements for reporting; buying American-made iron, steel, and manufactured goods; and paying prevailing wages.

We conducted this performance audit between March 2012 and July 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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**Appendix B**  
**Report Distribution**

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

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