

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

Review of Costs Invoiced by the Newport News  
Fire Department Under Fire Station Construction  
Grant No. EMW-2009-FC-00629 Awarded by the  
Federal Emergency Management Agency



American Recovery and Reinvestment Act of 2009

OIG-12-75

April 2012




## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

APR 30 2012

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

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

SUBJECT: *Review of Costs Invoiced by the Newport News Fire  
Department Under Fire Station Construction Grant  
No. EMW-2009-FC-00629R Awarded by the Federal  
Emergency Management Agency*

Attached for your information is our final report entitled, *Review of Costs Invoiced by the Newport News Fire Department Under Fire Station Construction Grant No. EMW-2009-FC-00629 Awarded by the Federal Emergency Management Agency*. 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 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, Audit Director; William Gilles, Audit Manager; and Kevin Donahue, 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*, as amended (Recovery Act), appropriated \$210 million to the Federal Emergency Management Agency (FEMA) for competitive grants for modifying, upgrading, or constructing non-Federal fire stations. On September 25, 2009, FEMA awarded a grant of \$2,597,425 to the Newport News Fire Department for constructing a new fire station (No. 3) in the City of Newport News, Virginia. The grant specified a period of performance from September 25, 2009, to September 24, 2012. As of October 24, 2011, the Newport News Fire Department had completed the construction of the new fire station (see figure 1) and had received reimbursements of \$2,597,425 from FEMA for the construction of the project.

**Figure 1: Newport News Fire Station No. 3**



Source: Newport News Fire Department.

Under the terms of the grant, the Newport News Fire Department agreed to use the grant funds according to FEMA's *A.R.R.A. 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, as 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 the Code of Federal Regulations (44 CFR Part 13).

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



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

### **Results of Review**

We determined that that the Newport News Fire Department invoiced sufficient allowable, allocable, and reasonable costs to earn the \$2,597,425 provided under the grant. In addition, we verified that the Newport News Fire Department submitted the required quarterly reports on project activities to the Federal Government, and complied with the grant and Recovery Act requirements for paying prevailing wages and using American-made iron, steel, and manufactured goods.



## **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 invoiced for reimbursement by the Newport News Fire Department were allowable, allocable, and reasonable according to the grant and applicable Federal regulations. This audit covered costs of \$2,597,425 claimed by the Newport News Fire Department from September 2010 to June 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 Newport News Fire Department and City of Newport News personnel to gain an understanding of their accounting system and the applicable internal controls;
- Reviewed the recipient's internal controls specifically related to our objectives;
- Examined contractor invoices and other evidence supporting 100% of costs incurred and invoiced to FEMA for 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;
- Inspected the new fire station and surrounding property;



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- Reviewed the fiscal year (FY) 2011 single audit report and interviewed the responsible auditor to identify issues and other conditions that could affect our examination; and
- Reviewed the audit of the FY 2011 financial statements of the city of Newport News conducted by Cherry, Bekaert and Holland L.L.P., Certified Public Accountants. Neither the audit of the financial statements nor the single audit identified any deficiencies in internal controls that were classified as material internal weaknesses, and the single audit did not identify any questionable grant costs.

We conducted this performance review between November 2011 and March 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.



## **Appendix B**

### **Report Distribution**

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Audit Liaison Official, Federal Emergency Management Agency  
Departmental Recovery Act Coordinator

#### **Office of Management and Budget**

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Congressional Oversight and Appropriations Committees, as appropriate

## ADDITIONAL INFORMATION AND COPIES

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