

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

Costs Claimed by Grand Traverse Metro
Emergency Services Authority under
a Fire Station Construction Grant



American Recovery and Reinvestment Act of 2009

OIG-12-98

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 Grand Traverse Metro Emergency
Services Authority Under a Fire Station Construction Grant*

Attached for your action is our final report, *Costs Claimed by Grand Traverse Metro Emergency Services Authority Under a Fire Station Construction Grant*. 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 three recommendations for FEMA to resolve \$591,457 of questionable costs that the Metro Emergency Services Authority claimed for reimbursement. The Office of Policy and Program Analysis concurred with all recommendations. 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.

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



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Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
NFPA	National Fire Protection Association
OIG	Office of Inspector General
OMB	Office of Management and Budget



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Executive Summary

The Federal Emergency Management Agency (FEMA) awarded a grant of \$2,813,034 to the Grand Traverse, Michigan, Metro Emergency Services Authority, to construct a new fire station in the Garfield Charter Township Silver Lake Recreation Area. At the time of our audit, the Metro Emergency Services Authority had received cost reimbursement of \$2,589,021 from FEMA.

We conducted our audit to determine whether costs claimed by the Metro Emergency Services Authority were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements.

We questioned the eligibility for reimbursement of \$591,457 of claimed costs. We also determined that the Metro Emergency Services Authority submitted the required status reports to the Federal Government and complied with grant requirements for using American-made materials in the new fire station and paying prevailing wages to construction workers.

FEMA agreed with our three recommendations to resolve the questioned costs claimed by the Metro Emergency Services Authority.



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. On September 25, 2009, FEMA awarded grant number EMW-2009-FC-01786R, totaling \$2,813,034, to the Grand Traverse Metro Emergency Services Authority (Traverse Metro) to construct a new fire station in the Garfield Charter Township Silver Lake Recreation Area.

The grant specified a period of performance from September 25, 2009, to September 24, 2012. As of September 30, 2011, Traverse Metro had completed construction of the new fire station (figure 1) and had received reimbursements of \$2,589,021 from FEMA for project design, engineering, construction, and management.



Figure 1. Traverse Metro New Fire Station

Source: Traverse Metro.

Under the terms of the grant, Traverse Metro agreed to use the grant funds according to FEMA's *A.R.R.A. Assistance to Firefighters, Fire Station Construction Grants, Guidance*



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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 Code of Federal Regulations (CFR) Part 225), and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (44 CFR Part 13).

The grant also includes requirements for complying with OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit 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 \$2,589,021 Traverse Metro received from FEMA, we questioned costs of \$591,457 for purchases that did not comply with procurement requirements (\$278,286); for ineligible services, systems, and equipment (\$190,916); and for salary and benefits of two Traverse Metro employees that were not adequately supported (\$122,255). We concluded that Traverse Metro did comply with grant requirements for submitting quarterly Recovery Act reports to the Federal Government and for ensuring that contractors were paid prevailing wages and that American-made iron, steel, and manufactured goods were used in the construction of the new fire station.

Purchases Not in Compliance with Procurement Requirements (\$278,286)

We questioned costs of \$278,286 pertaining to two noncompetitive purchases by Traverse Metro that were not in compliance with its Purchasing and Bid Policy and Federal procurement regulations. The Traverse Metro Purchasing and Bid Policy requires that goods and services must be solicited and/or requests for proposals prepared under the following circumstances.

- a. \$5,000–\$20,000: A request for written bids must be prepared and three quotes must be obtained. Publication of a Notice to Bidders is not required. The bids do not have to be sealed.
- b. \$20,001 and above: A request for bid must be prepared and three bids must be obtained. A Notice to Bidders should be available in the Administration Office. The bids must be sealed.



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- c. Bids for recurring services must be solicited and requests for bids must be prepared for all contracted services, including professional services.

Section 7 of the Purchasing and Bid Policy says that bids are not required for “an emergency purchase . . . the vendor is the sole source of an item or the vendor is the sole source for an item requiring matching or compatibility with current goods equipment.” The policy also requires that all purchases of goods and services in an amount higher than \$20,000 and all contracts for recurring services must be approved by the Traverse Metro Board.

FEMA’s *Guidance and Application Kit* stresses the need for competitive procurements, summarizes Federal requirements for procurement documentation and use of specifications, and cautions against personal and organizational conflicts of interest. The *Guidance and Application Kit* warns that grantees “who fail to adhere to their own procurement policy or otherwise fail to fully ‘compete’ any transaction involving Federal funds may find their expenditures questioned and subsequently disallowed.” The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, 44 CFR Part 13.36, requires that a cost or price analysis be performed in connection with every procurement action, including contract modifications, to determine the reasonableness of the proposed price. 44 CFR Part 13.36 allows noncompetitive procurements only when a competitive award is infeasible under small purchase procedures, sealed bids, or competitive proposals, and the item or service is available from a single source; a public emergency will not permit delay resulting from competition; the awarding agency authorizes the noncompetitive proposal; or, after solicitation of a number of sources, competition is determined to be inadequate.

The purchases listed in table 1 were noncompetitive, not justified as sole-source purchases, and not approved by FEMA.



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Payee	Description	Amount
Advantage Design	Architectural services and construction oversight	\$220,349
Gourdie-Fraser & Associates	Engineering services and testing	57,937
Total		\$278,286

Advantage Design

In September 2008, Traverse Metro awarded a sole-source, time and materials contract to a local architectural firm, Advantage Design, to create a design and the plans for a new “model” fire station to be built in the future when adequate funds were available. Traverse Metro awarded the contract on the basis of an unsolicited proposal from Advantage Design. When FEMA announced the fire station construction grant competition, Traverse Metro asked Advantage Design to accelerate the completion of the fire station plans and submitted those plans with its grant application.

Following the grant award, Traverse Metro noncompetitively amended the firm’s contract to add new services and increased the fees to a ceiling of \$270,000. The services included preparing initial and subsequent construction cost estimates; assisting Traverse Metro in identifying, selecting, and coordinating the professional services of surveyors, special consultants, and testing laboratories; preparing, receiving, and evaluating contract bids and making award recommendations; and assisting Traverse Metro in obtaining building permits. The amendment also stipulated that Advantage Design oversee the general construction contractor, including certifying the general contractor’s performance and the accuracy of the work invoices.

Traverse Metro included \$220,349 of fees paid to Advantage Design in its requests for reimbursement to FEMA. We questioned the \$220,349 because Traverse Metro noncompetitively modified the contract and did not perform a cost and price analysis, did not prepare a sole-source procurement justification, and did not obtain FEMA approval for the purchase. Traverse Metro officials said that they used Advantage Design because the firm had nearly completed the fire station plans when FEMA advertised the fire station construction grant, and



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doing so helped provide a shovel-ready¹ project. Traverse Metro also maintained that there was no time to compete this effort, and that doing so would not have been cost effective since Advantage Design retained ownership of the fire station design. Finally, Traverse Metro officials said that they were not aware of the Federal requirement to seek FEMA approval for noncompetitive procurements.

We also determined that \$62,391 of the \$220,349 of Advantage Design costs were incurred before the award of the grant and would otherwise be ineligible for reimbursement according to requirements. The *Guidance and Application Kit* identifies preaward costs, including design, planning, and engineering expenses, as ineligible for reimbursement. Traverse Metro officials agreed that these preaward costs should not have been submitted for reimbursement.

Gourdie-Fraser & Associates

Traverse Metro signed an agreement with Gourdie-Fraser & Associates for engineering services, including updating the topographical survey of the building site and locating the roadway, rights-of-way, utilities, and boundaries; furnishing layout and design services; conducting soil tests and drainage assessments; coordinating site plans; and obtaining permits from local health, public works, and building departments. The agreement provides for a fixed-fee payment of \$12,900 for the initial site engineering work and was increased to \$57,937 at the completion of the project. Traverse Metro incurred and included engineering services fees of \$57,937 in its requests for FEMA reimbursement.

We questioned costs of \$57,937 because Traverse Metro did not award the agreement competitively or perform a cost or price analysis, prepare a sole-source procurement justification, or obtain FEMA approval for the purchase. Traverse Metro officials advised us that they hired Gourdie-Fraser & Associates because the firm provides similar engineering services to Garfield Charter Township (Township), had assisted the Township in the development of a park adjacent to the new fire station site, and was part of the preaward design team that prepared plans for the fire station. Also, officials believed that competing this effort after the grant award would have caused unnecessary delay and loss of the value already invested by the firm, and prior involvement with the firm on this effort would justify the sole-source procurement. Traverse Metro officials

¹ The *Guidance and Application Kit* states, "The timing of the project would have an effect on both stimulating the local economy in addition to improving protection of the firefighters and the community. As such, projects capable of starting immediately upon receipt of DHS approval receive higher priority."



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also said that they were not aware of the Federal requirement to seek FEMA approval for noncompetitive procurements.

We also determined that \$9,518 of the \$57,937 of Gourdie-Fraser & Associates costs were incurred before the award of the grant and would otherwise be ineligible for reimbursement according to the *Guidance and Application Kit*. Traverse Metro agreed that these preaward costs should not have been submitted for reimbursement.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Resolve the questioned costs of \$278,286 pertaining to the contracts that were noncompetitively awarded.

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 intent of the recommendation and indicated that it is in contact with Traverse Metro to review the questioned costs. FEMA said that it expects to have completed its review in time to provide a “more specific plan for corrective action within 90 days in response to the final report.”

OIG Analysis

Although FEMA concurred with the recommendation, it did not identify corrective actions. Therefore, the recommendation will remain unresolved and open until FEMA provides a corrective action plan, including target completion dates and responsible parties.



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Ineligible Costs (\$190,916)

Table 2 summarizes costs totaling \$190,916 for services, systems, and equipment that are not eligible for reimbursement according to the grant.

Description	Amount
Land Lease Costs	\$4,314
Security Systems	8,300
Office Furnishings	10,225
Public Safety Radio System	25,811
Legal Services	26,261
Landscaping	34,761
Equipment	81,244
Total	\$190,916

Land Lease Costs

We questioned \$4,314 related to leasing land for the fire station building site. Traverse Metro obtained a 50-year lease from the Township for a 3-acre building site for the new fire station. Included in the project costs were legal fees (\$1,050) and title insurance premiums (\$3,264) associated with the land lease. However, the *Guidance and Application Kit* lists the costs of land acquisition as ineligible. Traverse Metro officials advised us that they were unaware that costs associated with the lease of the fire station building site would not be eligible for reimbursement.

Security Systems

We questioned \$8,300 associated with a security system. Traverse Metro installed a station alarm system, including a fire alarm, electronic card locks, and a station monitoring system, at a combined cost of \$8,300. The *Guidance and Application Kit* lists security systems among items not eligible for funding. Traverse Metro was not able to segregate the costs between the allowable fire alarm and the ineligible security system; therefore, we questioned the entire amount. Traverse Metro advised us that this system is consistent with those installed in other fire stations and administrative buildings and is necessary to monitor those entering and exiting the buildings.



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Office Furnishings

We questioned \$10,225 for built-in bookcases and cabinets for fire station offices. The *Guidance and Application Kit* identifies office furnishings as an ineligible item. Traverse Metro believed that the office furnishings were eligible because they were built in as part of the construction costs.

Public Safety Radio System

We questioned \$25,811 claimed for a public safety radio system. Traverse Metro subsequently told us that the \$25,811 included \$6,090 for video devices that it had mistakenly included in the claimed amount. Traverse Metro purchased and installed the \$19,721 public safety radio system in the new fire station to communicate with the other Traverse Metro fire stations and the emergency response network. Traverse Metro believes that the radio system is required by National Fire Protection Association (NFPA) 1500,² *Standard on Fire Department Occupational Safety and Health Program*, Chapter 8, Emergency Operations.

Although the *Guidance and Application Kit* does not specifically identify radio systems as an eligible or ineligible item, it does say that projects that duplicate other Federal awards are ineligible. Communications systems may be obtained under FEMA's Assistance to Firefighters Grant program. Given the lack of specificity as to what is eligible under NFPA 1500 and the specific identification in the *Guidance and Application Kit* of projects that duplicate other Federal awards as ineligible, we questioned the \$19,721 cost of the radio system and the \$6,090 for video devices mistakenly included in the claim.

Legal Services

We questioned \$26,261 of legal services fees. According to the Traverse Metro Chief, legal services included preparing land lease documentation and reviewing and advising Traverse Metro about Federal requirements, construction plans, and contract bid procedures.

² The *Guidance and Application Kit* identifies as eligible expenses those necessary to comply with NFPA 1500. The 2007 edition of NFPA 1500 is a 90-page document that covers activities such as fire department administration, training, fire apparatus and equipment, emergency operations, facility safety, and medical and physical requirements. The *Guidance and Application Kit* does not comment further on the expenses that would qualify for funding under NFPA 1500.



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We questioned the \$26,261 because Traverse Metro did not include legal services in the approved fire station grant budget. The grant agreement specifies that the grantee shall perform work as described in the approved grant application, including the budget, and may not deviate from the approved scope of work without approval from FEMA. FEMA did not approve any changes to the grant budget.

We also determined that \$1,476 of the legal services fees were incurred before the award of the grant and were otherwise ineligible for reimbursement according to the *Guidance and Application Kit*. Traverse Metro agreed that the preaward costs should not have been submitted for reimbursement. Finally, the fire chief said that some of the legal fees related to leasing land for the new station. According to the *Guidance and Application Kit*, the cost of land acquisition is ineligible. We could not identify the amount of legal services pertaining to the land lease because the bills from the legal firm did not itemize the charges for work on the new fire station.

Landscaping

We questioned \$34,761 in landscaping costs for landscape design and installation of plants and irrigation lines (\$6,871), irrigation system (\$2,890), and trees and shrubs (\$25,000). The *Guidance and Application Kit* identifies landscaping as an ineligible item. We also determined that Traverse Metro noncompetitively awarded the contract for the landscape design and installation; and that \$3,652 of the \$6,871 was incurred before the start of the grant period. Traverse Metro officials said that the landscaping design, plants, and installation are necessary to comply with the Leadership in Energy and Environmental Design certification, which was encouraged by FEMA and an important part of the Traverse Metro grant application.

Equipment

We questioned \$81,244 in equipment costs, as follows:

• Apple laptop computer	\$2,404
• Stair chair for removing victims from fire scene	2,321
• Commercial washer and dryer	19,462
• Washer and dryer for firefighting protective gear	14,057
• Air compressor for self-contained breathing apparatus	43,000
	<u>\$81,244</u>



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The *Guidance and Application Kit* specifically identifies firefighting equipment and apparatus and washers/extractors as not eligible for funding. The *Guidance and Application Kit* also says that projects that duplicate other Federal awards are ineligible. Firefighting equipment, such as air compressors, may be obtained under FEMA's Assistance to Firefighters Grant program. Finally, OMB Circular A-87 requires prior approval of the grantor agency for capital expenditures as direct costs for general-purpose equipment; special-purpose equipment with a unit cost of \$5,000 or more; and improvements to land, buildings, or equipment which materially increase their value or useful life. FEMA did not approve any of the above-listed equipment items.

Traverse Metro agreed that the stair chair and video system should not have been included in the reimbursement request, but said that the laundry machines and air compressors are required to meet the provisions of NFPA 1500.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #2:

Resolve the questioned costs of \$190,916 pertaining to the ineligible costs.

Management Comments and OIG Analysis

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

FEMA Comments to Recommendation #2

FEMA concurred with the intent of the recommendation and indicated that it is in contact with Traverse Metro to review the questioned costs. FEMA said that it expects to have completed its review in time to provide a "more specific plan for corrective action within 90 days in response to the final report."

OIG Analysis

Although FEMA concurred with the recommendation, it did not identify corrective actions. Therefore, the recommendation will remain unresolved and open until FEMA provides a corrective action plan including target completion dates and responsible parties.



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Unsupported Salary and Benefits Costs (\$122,255)

We questioned costs of \$122,255 claimed for the salary and benefits of a Traverse Metro assistant fire chief who managed the fire station construction project (\$119,244) and the Traverse Metro accountant who prepared financial documents for the grant (\$3,011).

Upon learning of the FEMA fire station construction grant opportunity in February 2009, Traverse Metro assigned the assistant chief for fire prevention to work on obtaining a grant. The assistant chief helped prepare the new fire station grant application, arrange for local planning approval, apply for land use permits, and obtain a long-term lease for the building site. The assistant chief also performed other related tasks. After FEMA awarded the grant in September 2009, the fire chief designated the assistant chief as the owner's representative for the fire station construction project and began charging the hours the assistant chief worked on the project to the grant. The assistant chief oversaw construction contractors and subcontractors, monitored "Buy American" compliance, led weekly management meetings, and interacted with FEMA and local authorities involved in the construction of the fire station. Traverse Metro compensated the assistant chief at his regular rate of pay and claimed reimbursement of \$119,244 for salary and associated benefits for the period from October 2009 to June 2011. The fire chief told us that the assistant chief did not perform any fire prevention duties while functioning as the owner's representative and that the assistant chief retired in June 2011.

We questioned the \$119,244 as an unsupported cost for the following reasons:

- The assistant chief for fire prevention did not keep time distribution records to document the amount of time spent as the owner's representative. OMB Circular A-87, Attachment B.8, h(4), *Support of Salaries and Wages*, a subsection under *Compensation for Personal Services*, states that where "employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation" that meets certain standards.
- Traverse Metro did not include costs for administration or otherwise specify an owner's representative in the approved grant budget. The grant agreement requires that the grantee shall perform work as described in the approved grant application, including the budget, and may not deviate from the approved scope of work without approval from FEMA. Traverse Metro did not request or receive approval for changing the project scope/budget.



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- Traverse Metro did not prepare a compensation analysis or survey local wage rates to determine the appropriate salary for the tasks performed by the owner's representative or provide an estimate of the amount of time needed for the oversight. Accordingly, there is no basis to show that the salary and benefits paid were fair and reasonable for the work performed.
- Some of the owner's representative's responsibilities were shared by the firms performing architectural and engineering services, resulting in potential duplication of effort and/or inefficient use of funds. For example, the architect was tasked with identifying contractors, reviewing bidding procedures, overseeing the general contractor and subcontractors, providing current cost estimates and analyses, and obtaining building permits. The engineer's tasks also including obtaining permits.

Traverse Metro advised us that the assistant chief provided invaluable management and oversight of the fire station construction project that could not have otherwise been obtained in a timely and cost effective manner after the grant award.

We questioned the \$3,011 in salary and benefits of the accountant because she did not prepare time distribution records and the approved grant budget did not include costs for administration.

Although the grant budget did not include costs for administration, the *Guidance and Application Kit* allows as a grant expense administrative costs that are directly related to the implementation and management of the grant and that do not exceed 3 percent of the award. For the grant to Traverse Metro, the 3 percent limit is \$84,391 (3 percent times \$2,813,034). Traverse Metro claimed \$122,255 for the salary and benefits of employees who performed administrative-type duties. If administrative costs had been approved and properly documented, the amount incurred would have exceeded the 3 percent limit by \$37,864 (\$122,255 less \$84,391).

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:



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Recommendation #3:

Resolve the questioned costs of \$122,255 related to unsupported salary and benefits.

Management Comments and OIG Analysis

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

FEMA Comments to Recommendation #3

FEMA concurred with the intent of the recommendation and indicated that it is in contact with Traverse Metro to review the questioned costs. FEMA said that it expects to have completed its review in time to provide a “more specific plan for corrective action within 90 days in response to the final report.”

OIG Analysis

Although FEMA concurred with the recommendation, it did not identify corrective actions. Therefore, the recommendation will remain unresolved and open until FEMA provides a corrective action plan including target completion dates and responsible parties.

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

The Recovery Act requires recipients to submit quarterly reports on project activities to the Federal Government, and to ensure that projects are accomplished with American-made iron, steel, and manufactured goods and that workers are paid prevailing wages as determined by the Secretary of Labor. We verified that Traverse Metro submitted the required quarterly reports. Also, Traverse Metro included “Buy American” and prevailing wage provisions in the construction contracts for the fire station and instituted sufficient controls to ensure that these provisions were honored. Controls included written requirements for subcontractors to comply with the requirements; review and certification of all invoices by the architect; daily, onsite oversight by the owner’s representative; and a requirement for vendors/contractors to submit pay vouchers showing 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 Traverse Metro were allowable, allocable, and reasonable according to the grant and applicable Federal regulations. This audit covered costs of \$2,589,021 claimed by Traverse Metro from September 2009 to September 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 Traverse Metro personnel to gain an understanding of their accounting system and the applicable internal controls;
- Reviewed the 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
- Inspected the new fire station and surrounding property.



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We conducted this performance audit between August 15, 2011 and October 30, 2011, 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
Management Comments to the Draft Report

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



FEMA

MAY 25 2012

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

FROM: *for* David J. Kaufman *Kathleen B. Bink*
Director
FEMA Office of Policy and Program Analysis

SUBJECT: Comments to OIG Draft Report, *Review of Costs Claimed by Grand Traverse, MI Metro Emergency Services Authority under Fire Station Construction Grant Number EMW-2009-FC-01786R*

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 \$278,286 pertaining to the contracts that were noncompetitively awarded.

FEMA Response: FEMA concurs with the intent of the recommendation to resolve the questioned costs related to noncompetitively awarded contracts. We are currently in contact with the grantee to review the questioned costs identified as well as any other costs associated with the Station Construction Grant that were incurred outside of the federal funds. We expect to have completed our review in time to provide a more specific plan for corrective action within 90 days in response to the final report.

OIG Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, resolve the questioned costs of \$190,916 pertaining to the ineligible costs.

FEMA Response to the Draft Report: FEMA concurs with the intent of the recommendation to resolve the questioned costs of \$190,916. We are currently in contact with the grantee to review the costs identified as well as any other costs associated with the Station Construction Grant that were incurred outside of the federal funds. We expect to have completed our review in time to provide a more specific plan for corrective action within 90 days in response to the final report.

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OIG Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, resolve the questioned costs of \$122,255 related to unsupported salary and benefits costs.

FEMA Response to the Draft Report: FEMA concurs with the intent of the recommendation to resolve the questioned costs related to salary and benefits. We are currently in contact with the grantee to review the costs identified as well as any other costs associated with the Station Construction Grant that were incurred outside of the federal funds. We expect to have completed our review in time to provide a more specific plan for corrective action within 90 days in response to the final report.

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

Major Contributors to This Report

Roger La Rouche, Director of Recovery Act Audits
Matthew Mongin, Auditor
Sandra Ward-Greer, Independent Referencer



Appendix D

Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
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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
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

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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 fax it directly to us at (202) 254-4297.

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