

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

Costs Incurred by Volunteer Fire and Rescue
of Harrison Township, IN, Under Station
Construction Grant Number EMW-2009-FC-06054R



American Recovery and Reinvestment Act of 2009

OIG-13-01

October 2012



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

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

SUBJECT: *Costs Incurred by Volunteer Fire and Rescue of Harrison Township, IN, Under Station Construction Grant Number EMW-2009-FC-06054R*

Attached for your information is our final letter report, *Costs Incurred by Volunteer Fire and Rescue of Harrison Township, IN, Under Station Construction Grant Number EMW-2009-FC-06054R*. 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 LaRouche, Audit Director; Matthew Mongin, Audit Manager; and Robert Greene and Katrina Bynes, Report Referencers.

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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Background

The Federal Emergency Management Agency (FEMA) requested that we audit the grant (EMW-2009-FC-06054R) to Volunteer Fire and Rescue of Harrison Township (Fire and Rescue). FEMA asked for the audit to help resolve concerns over delays by Fire and Rescue in initiating the project and allegations about the size and location of the project and the award of construction contracts.

Fire and Rescue requested and received a grant of \$1,149,490 for construction of a new fire station. The grant specified a period of performance from September 25, 2009, to September 24, 2012. As of January 23, 2012, Fire and Rescue had broken ground for the new station and had incurred costs of \$76,591 for plans, building materials, and other initial project costs. Fire and Rescue has billed for and received from FEMA reimbursement of \$10,000.

Under the terms of the grant, Fire and Rescue agreed to use the grant funds according to FEMA's *American Reinvestment and Recovery 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 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*, and *American Reinvestment and Recovery Act* (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 incurred by Fire and Rescue were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. In doing so, we also examined information concerning the allegations.

Fire and Rescue is located in a rural section of Morgan County, Indiana, about 20 miles south of Indianapolis. It has operated since the early 1960s, and provides mostly fire suppression and river rescue along the White River. It operates from an old (1850s) dairy barn that was converted into a fire station. One of its firemen gave the barn and surrounding land to Fire and Rescue in 1969. In 1987, the same fireman's family gave Fire and Rescue an adjacent parcel of land, which is now the site of the new fire station. Access to the new station is through the land on which the old station was built.



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Results of Audit

We determined that costs of \$76,591 incurred for initial project activities were reasonable, allocable, and allowable for reimbursement. In addition, we found that issues concerning the size of the building have been resolved. Morgan County issued a building permit for the new station, and Fire and Rescue awarded contracts according to applicable construction requirements. We also verified that Fire and Rescue submitted quarterly status reports to the Federal Government and included provisions in its construction contracts for paying prevailing wages and for using American-made iron, steel, and manufactured goods in construction of the project.

Incurred Costs

As of January 23, 2012, Fire and Rescue had incurred costs of \$76,591 for architect and engineering fees, soil and site surveys, permits, and building materials. We determined that these purchases were approved by Fire and Rescue, supported by invoices and other documents, separately recorded in the accounting records,¹ and incurred for eligible project activities.

Size and Status of the New Fire Station

We examined the concerns over the size and status of the new station and obtained the following information:

- Fire and Rescue's grant application states that the new fire station will be 7,100 square feet, but the plans submitted to FEMA show a structure of 23,600 square feet. The Chief said that he misread the question in the grant application and thought that it referred to the size of the existing fire station. He advised that FEMA has all of the building plans and fully understands the planned size of the new building. A FEMA representative agreed.
- Construction of the new fire station is a controversial issue in Harrison Township, according to Morgan County officials. The Planning Commission Director told us that some residents want the new station and others are concerned that a new

¹ Fire and Rescue maintains its own accounting records and relies on a local audit committee composed of Harrison Township residents and Fire and Rescue volunteers to oversee the accuracy of this process. None of the participants are accounting professionals. We advised the Chief of Fire and Rescue to consider the services of a Certified Public Accountant to ensure that its accounting procedures and records are maintained in conformance with Indiana regulations for not-for-profit organizations. We also explained to the Chief the audit requirements specified in OMB Circular A-133.



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station will lead to development and a change of lifestyle in this section of the county. He advised us that the Morgan County Planning Commission held three public meetings on the building permit for the new fire station through December 2011, without issuing a permit.

- The Planning Commission Director also told us that three issues needed to be resolved before the Planning Commission would issue a building permit for the new station. First, title to the land was in question because of the different fire department names on the records of title for the two adjacent parcels. The parcel where the old station is located was given to the Waverly Volunteer Fire Department, and the parcel where the new station is being built is owned by Fire and Rescue. The Fire Chief provided Morgan County a recorded Warranty Deed showing that Fire and Rescue owns both parcels of land free and clear. Second, a variance was needed to allow the new station to be built within the 25-foot lot line setback. The Planning Commission approved the variance on January 25, 2012. Finally, Fire and Rescue needed to pay a permit fee. The Director told us that the Planning Commission waived the permit fee on January 25, 2012. With these issues resolved, the Planning Commission issued a building permit on January 25, 2012.
- The Fire Chief told us that the State construction design release approval, which is needed before public buildings can be constructed in Indiana, lapsed while building permit issues were being resolved. The State Plan Review Division reissued the construction design release on January 23, 2012, and the Morgan County Building Department accepted it.

Contracts for the New Fire Station

Fire and Rescue acted as the general contractor on the project, solicited bids, and awarded 12 contracts for a total of \$910,984. We reviewed procurement documents for the bid process and the award of the 12 fire station construction contracts listed in table 1, and determined that Fire and Rescue competitively awarded the contracts according to Fire and Rescue Purchasing Policies and Federal requirements.



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Table 1: Contracts Awarded by Fire and Rescue for Construction of the New Fire Station

No.	Company	Award Amount	Activity
1	Spiker Construction Inc	\$506,566	Excavation and concrete footers, slabs, and forms
2	Martin Marietta Inc.	12,500	Gravel
3	General Shale Inc.	22,128	Block retaining walls, brick
4	Beaver Material Inc.	170,000	Concrete
5	Majestic Block	2,800	Type N mortar
6	Johnson Construction	34,300	Lay brick and install ceiling, lockers, cabinets
7	Marteen Masonary	17,500	Apply brick and limestone
8	Menards	20,517	Metal studs, drywall, tape, compound
9	John Johnson	14,000	Install doors
10	Premier Fab	32,000	Build and install stairs
11	Franklin Engineering	4,000	Range hood
12	HoldFast	74,673	Insulated Concrete Form and removal
	Total	\$910,984	

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

The Recovery Act requires grant recipients to submit quarterly reports on project activities to the Federal Government. The Recovery Act also stipulates that grantees use American-made iron, steel, and manufactured goods, and that workers be paid prevailing wages as determined by the Secretary of Labor. We verified that Fire and Rescue submitted the required quarterly reports, although some were submitted late. In addition, we confirmed that Fire and Rescue included the prevailing wage requirement in its public solicitation for construction bids, and the Fire Chief told us that he explained to bidders the requirement to use American-made materials. Both requirements were included in all construction contracts.



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 incurred were allowable, allocable, and reasonable according to the grant and applicable Federal requirements. We also examined information concerning the allegations about the size and status of the new station and the award of contracts.

This audit covered costs of \$76,591 incurred by Fire and Rescue from January 2010 through December 2011. 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 and Rescue personnel to gain an understanding of their accounting system, applicable internal controls, and project status and issues;
- 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;
- Spoke with Morgan County officials to obtain information on planning and permitting related to new fire station construction; and



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- Interviewed owners of property adjacent to the new fire station to discuss and evaluate their allegations about the construction project.

We conducted this performance audit between January and June 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.

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