

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

Costs Claimed by Snoqualmie Pass, WA,
Fire & Rescue Under Fire Station Construction
Grant Number EMW-2009-FC-02883R



American Recovery and Reinvestment Act of 2009

OIG-13-02

October 2012



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

OCT 18 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 Snoqualmie Pass, WA, Fire & Rescue
Under Fire Station Construction Grant Number EMW-2009-
FC-02883R*

Attached for your action is our final letter report, *Costs Claimed by Snoqualmie Pass, WA, Fire & Rescue, Under Fire Station Construction Grant Number EMW-2009-FC-02883R*. 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 Jeanne Genao, Report Referencer.

Please call me with any question, 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 non-Federal fire stations. On September 25, 2009, FEMA awarded a grant of \$4,007,374 to Snoqualmie Pass Fire & Rescue to construct a new fire station.

The grant specified a period of performance from September 25, 2009, to September 24, 2012. As of April 15, 2012, Snoqualmie Pass Fire & Rescue had completed the construction of the new fire station (see figure 1) and had received reimbursements of \$4,007,374 from FEMA for project design, engineering, construction, and management.

Figure 1. Snoqualmie Pass, WA, Fire & Rescue Fire Station #291



Source: KIROTV Seattle, Washington, website.

Under the terms of the grant, Snoqualmie Pass Fire & 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*,



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and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* in the Code of Federal Regulations (44 CFR 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 Department of Homeland Security (DHS) 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

Snoqualmie Pass Fire & Rescue spent \$5,862,192 to complete construction of the new fire station. Of that amount, we determined that Snoqualmie Pass Fire & Rescue incurred sufficient allowable, allocable, and reasonable costs to earn the \$4,007,374 that it claimed for reimbursement. During our inspection of the new fire station, we observed a large multipurpose room that could be used for training firefighters or for various community events and ancillary offices. Although FEMA specifically denies the use of grant funds for nonoperational space, FEMA does permit grantees to construct such facilities using local funds, as did Snoqualmie Pass Fire & Rescue. We concluded that Snoqualmie Pass Fire & Rescue complied with Recovery Act requirements for submitting quarterly Recovery Act reports to DHS 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.

Nonoperational Space

The *Guidance and Application Kit* states that spaces for activities that are not directly related to daily operation of the fire department are ineligible for grant reimbursement. Such spaces include community meeting space, ballrooms, and support spaces for administrative or other governmental functions such as police or emergency management facilities. The *Guidance and Application Kit* notes that a department's ability to use nonoperational space for eligible activities, such as training, does not mean that the space is eligible for grant funding. However, the *Guidance and Application Kit* states that there is no penalty for including nonoperational space in a fire station construction project, because it contributes to the purpose of the Recovery Act (creating and/or sustaining jobs).

Our inspection of the new fire station disclosed a large, 32' x 50' multipurpose room with an elevated platform at one end. The Fire Chief stated that the room was designed for firefighter training and other uses, such as emergency operations or community meetings. He explained that Snoqualmie Pass does not have a community building and there are times when the residents need a centrally located facility to



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meet. The Fire Chief said that the space could also serve as an emergency shelter. We also observed four other office-sized rooms that were designated for nonoperational purposes, including storage for local search and rescue teams, two rooms for a future daytime medical clinic, and an office for a State Patrol Officer or Sheriff's Deputy. The Fire Chief explained that these rooms could offer important services that previously had not been available to the community, particularly for its many recreational visitors.

We measured the nonoperational space as 2,071 square feet, and using the FEMA guidance, we calculated its construction cost as \$716,566. Notwithstanding the cost of the nonoperational space, Snoqualmie Pass Fire & Rescue spent enough on eligible items to earn the \$4,007,374 grant.

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

The Recovery Act requires grant recipients to submit quarterly reports on project activities to DHS; 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 Labor under 40 United States Code Chapter 31, Subchapter IV. We verified that Snoqualmie Pass Fire & Rescue submitted the required quarterly reports. We determined that "Buy American" and prevailing wage provisions were followed during the construction of the fire station by including Recovery Act provisions in the public solicitation and general construction contracts and by the Project Manager's onsite oversight. Additionally, the Project Manager reviewed pay vouchers to confirm payment of prevailing wage rates.



Appendix A

Purpose, 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 Snoqualmie Pass Fire & Rescue were allowable, allocable, and reasonable according to the grant and applicable Federal regulations. To accomplish our audit objective, we examined costs of \$5,862,192 incurred by Snoqualmie Pass Fire & Rescue from June 2011 to April 2012.

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 Snoqualmie Pass Fire & Rescue 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 the costs incurred and claimed for FEMA reimbursement;
- Reviewed contract files and supporting documentation for primary contractors and professional service providers for the fire station construction project;
- 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;



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- Confirmed compliance with Recovery Act provisions for buying American and paying prevailing wages to laborers and mechanics; and
- Inspected the new fire station and surrounding property.

We conducted this performance review between April 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.



Appendix B

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