

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

Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 Through 2011





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

JAN 7 2014

MEMORANDUM FOR: Brian E. Kamoie
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency

FROM: *for* Mark Bell *JHE EMG II*
Acting Assistant Inspector General for Audits

SUBJECT: *Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 Through 2011*

Attached for your action is our final report, *Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 Through 2011*. We incorporated the formal comments from the Office of Policy, Program Analysis and International Affairs and the State of Hawaii in the final report.

The report contains 26 recommendations aimed at improving the overall effectiveness of Hawaii's management of Homeland Security Grant Program funds. Your office concurred with 25 of the 26 recommendations. Based on information provided in your response to the draft report, we consider recommendations 7, 17, and 19 resolved, and recommendations 1 and 2 closed. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendation(s). The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Recommendations 3 through 6, 8 through 16, 18, and 20 through 26 remain unresolved. As prescribed by the Department of Homeland Security Directive 077-01, Follow-Up and Resolutions for 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.

Please email a signed PDF copy of all responses and closeout requests to OIGAuditsFollowup@oig.dhs.gov. Until we receive and evaluate your response, recommendation 24 is open and unresolved.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Consistent with our responsibility under the *Inspector General Act*, we will provide 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



December 12, 2013

Ms. Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security
245 Murray Drive, S.W. Building 410
Washington, D.C. 20528

Dear Ms. Richards:

Foxx & Company performed an audit of the State of Hawaii's management of the Department of Homeland Security's State Homeland Security Program and Urban Areas Security Initiative grants for Fiscal Years 2009 through 2011. The audit was performed in accordance with our Task Order No. TPDFIGBPA00006, Order No. 0002 dated September 24, 2012. This report presents the results of the audit and includes recommendations to help improve the State's management of the audited State Homeland Security Program and Urban Areas Security Initiative grants.

Our audit was conducted in accordance with applicable *Government Auditing Standards*, 2011 revision. The audit was a performance audit as defined by Chapter 2 of the *Standards* and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by the State, we did not perform a financial audit, the purpose of which would be to render an opinion on the State of Hawaii's financial statements or the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of any further assistance, please call me at (513) 639-8843.

Sincerely,

Foxx & Company
Martin W. O'Neill
Partner



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table of Contents

Executive Summary 1

Background 2

Results of Audit 2

 State Homeland Security Strategies 3

 Recommendations 6

 Management Comments and Auditors’ Analysis 7

 Policies and Procedures 8

 Recommendations 9

 Management Comments and Auditors’ Analysis 10

 Sole Source Procurements 11

 Recommendations 12

 Management Comments and Auditors’ Analysis 12

 Personnel Time Charges 13

 Recommendations 15

 Management Comments and Auditors’ Analysis 15

 Subgrantee Monitoring 16

 Recommendations 19

 Management Comments and Auditors’ Analysis 19

 Property Management and Accountability 20

 Recommendations 22

 Management Comments and Auditors’ Analysis 23

 Obligations to Subgrantees 24

 Recommendations 26

 Management Comments and Auditors’ Analysis 26

 Timeliness of Expenditures 28

 Recommendation 30

 Management Comments and Auditors’ Analysis 30



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Expenditure Documentation	30
Recommendations	34
Management Comments and Auditors' Analysis	35
Financial Reporting Compliance	35
Recommendation	37
Management Comments and Auditors' Analysis	37
Equipment Usage	37
Recommendations	38
Management Comments and Auditors' Analysis	39
Fusion Center	40
Recommendations	41
Management Comments and Auditors' Analysis	42

Appendixes

Appendix A: Objectives, Scope, and Methodology	44
Appendix B: Management Comments to the Draft Report	47
Appendix C: Hawaii Grant Management Office Organization Chart	68
Appendix D: Description of the Homeland Security Grant Program	69
Appendix E: Potential Monetary Benefits	70
Appendix F: Threat and Hazard Identification and Risk Assessment	71
Appendix G: Report Distribution	72

Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
OIG	Office of Inspector General
SHSP	State Homeland Security Program
SPR	State Preparedness Report
UASI	Urban Areas Security Initiative
THIRA	Threat and Hazard Identification and Risk Assessment



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires the Department of Homeland Security (DHS) Office of Inspector General (OIG) to audit individual States' management of State Homeland Security Program and Urban Areas Security Initiative grants. This report responds to the reporting requirement for the State of Hawaii.

The audit objectives were to determine whether the State of Hawaii distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds effectively and efficiently, and in compliance with applicable Federal laws and regulations. We also addressed the extent to which grant funds enhanced the State of Hawaii's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. Appendix A contains details on the audit's objectives, scope, and methodology. The State of Hawaii was awarded approximately \$27.8 million in State Homeland Security Program and Urban Areas Security Initiative grants for fiscal years 2009 through 2011.

In most instances, the State of Hawaii distributed and spent the awards in compliance with applicable laws and regulations. However, we identified areas where the State can improve its management of the grant funds: State Homeland Security Strategies, policies and procedures for day-to-day management activities, Federal procurement requirements, timeliness of expenditures, reporting personnel time charges, monitoring subgrantees, managing and accounting for property, obligating funds to subgrantees, documenting expenditures, and reporting on financial status of grants received. The State also must ensure that equipment procured was needed and used for the purposes intended. Management needed to ensure that the goals and objectives of the State's fusion center supported national capability needs, and that the State did not rely solely on DHS funding to sustain fusion center operations in the future.

Approximately \$7.4 million in questioned costs were identified. The questioned costs resulted from the State not complying with Federal procurement rules, unsupported personnel time charges, and an inability to support the benefits received by local subgrantees for funds withheld by the State Administrative Agency.

Our 26 recommendations call for the Federal Emergency Management Agency (FEMA) to initiate improvements, which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with 25 of the 26 recommendations. Written comments to the draft report are incorporated as appropriate and are included in appendix B.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for administering the HSGP. FEMA supports preparedness by developing policies, ensuring that adequate plans are in place and validated, defining capabilities required to address threats, providing resources and technical assistance to States, and synchronizing preparedness efforts throughout the Nation. Appendix D contains a detailed description of the interrelated grant programs that constitute the HSGP.

HSGP guidance requires the Governor of each State and Territory to designate a State Administrative Agency to apply for and administer grant funding awarded under the HSGP. Hawaii's Department of Defense, Office of the Adjutant General is the designated State Administrative Agency, and the Grant Management Office within the Agency administers the grants. The Department of Defense, Office of the Adjutant General is the only entity eligible to apply for HSGP funds. The organization chart of the Department of Defense, Office of the Adjutant General is included in appendix C.

From 2000 through 2012, the Hawaii State Civil Defense administered the HSGP. Afterwards, the Hawaii Department of Defense, Office of the Adjutant General became the State Administrative Agency. The official date of the transition was May 15, 2012.

The State of Hawaii was awarded approximately \$29.1 million in HSGP funds during fiscal years (FYs) 2009 through 2011. This included approximately \$18.3 million in State Homeland Security Program (SHSP) funds and approximately \$9.5 million in Urban Areas Security Initiative (UASI) grant funds. During this period, Hawaii awarded the SHSP grant funds to 4 local governments, 6 state agencies, and one university. The UASI grant funds were awarded to the City and County of Honolulu.

Results of Audit

In most instances, the State of Hawaii distributed and spent the awards in compliance with applicable laws and regulations. However, we identified the following areas where the State can improve and enhance its management of SHSP and UASI grants:

- State Homeland Security Strategies
- Policies and Procedures
- Sole Source Procurements



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- Personnel Time Charges
- Subgrantee Monitoring
- Property Management and Accountability
- Obligations to Subgrantees
- Timeliness of Expenditures
- Expenditure Documentation
- Financial Reporting
- Equipment Usage
- Fusion Center

These improvements will enhance Hawaii's effectiveness in the overall use of the grant funds to improve preparedness and response capabilities and reduce the risk associated with the State's management of FEMA grant funds.

State Homeland Security Strategies

Hawaii's Homeland Security Strategy did not contain adequately defined goals and objectives to use in measuring performance. The State's strategy was last updated in FY 2009 and did not provide a context (baseline) for measuring capability improvements. The strategies for FYs 2010 and 2011 were identical to the 2009 strategy. Without measurable performance levels for goals and objectives, the State could not evaluate the effects of grant expenditures on its preparedness and emergency response capabilities.

Code of Federal Regulations (CFR) Title 44 § 13.40, *Monitoring and reporting program performance*, requires that grantees monitor grantee and subgrantee supported activities to assure that program goals are being achieved.

Department of Homeland Security *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005, states that an objective sets a tangible and measurable target level of performance over time against which actual achievement can be compared, including a goal expressed as a quantitative standard, value or rate. Therefore, an objective should be:

- Specific, detailed, particular, and focused — helping to identify what is to be achieved and accomplished;
- Measurable — quantifiable, providing a standard for comparison, and identifying a specific achievable result;
- Achievable — the objective is not beyond a State, region, jurisdiction, or locality's ability;



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- Results-oriented — identifies a specific outcome; and
- Time-limited — a target date exists to identify when the objective will be achieved.

The FEMA FY 2011 Homeland Security Grant Program Guidance and Application Kit stated that FEMA strongly encouraged States and Urban Areas to update their Homeland Security Strategies every two years beginning in 2011. Updates help ensure that existing goals and objectives reflect all FEMA mission areas, the National Priorities, and implement the whole community approach to emergency planning and management. Homeland Security Strategies should reflect an ongoing process of review and refinement as new lessons, new priorities, new challenges, threats, and hazards evolve. DHS Strategy Guidance states that updated State and Urban Area Homeland Security Strategies provide a context for performing the strategic exercise of asking, “How are we managing our homeland security programs?”

The Grant Management Office Administrator said the 2009 strategy was reviewed in 2010 and the plan was to update it in 2011. A working group was put together to begin that process, but the group did not update the strategy. The Grant Management Office Administrator acknowledged that the strategy was in need of update. Grant Management Office officials also acknowledged that a formal assessment tool to measure improvements in preparedness resulting from use of grant funds was not available. In addition, Grant Management Office officials pointed out that DHS did not have a process or program for states to measure progress and improvement.

The State’s 2009 strategy did not contain adequately defined goals and objectives to use in measuring performance, consistent with Federal requirements. The State’s goals and objectives were broad-based and did not provide for tracking and measuring the impact of funds expended for equipment, training, and exercises. Table 1 shows examples of the goals and objectives included in the State strategy. These examples clearly show that the 2009 goals and objectives: (1) were not specific, detailed, particular, or focused; (2) did not identify outcomes; and (3) did not establish timeframes for the completion of the objectives.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 1. Examples of Goals and Objectives

<i>Goal</i>	<i>Objective</i>	<i>Assessment</i>
Reduce the risk to responders by increased Statewide preparedness for any type incident (All-Hazards) through planning, training, exercises, and resourcing.	Enhance the response and recovery capabilities at all levels of the State by synchronizing emergency plans.	Goal not measureable, time frames for achieving goal not listed, outcomes not identified.
Reduce risk to Statewide critical infrastructure by implementing the National Infrastructure Protection Plan and the applicable supporting Sector Specific Plans.	Support the increase in the Homeland Security Advisory System.	Goal not measureable or specific, a time frame for achieving goal not listed, outcomes to measure not quantified.
To institute a resource and logistics program that ensures the right equipment is purchased and is available in the right quantity to support any incident regardless if it is natural or man-made.	Develop exercises (drills, staff exercises) that improve the confidence in implementing National Incident Management System.	Goal not measurable, no specific outcomes listed, a time frame for achieving goal not listed.
To develop a comprehensive communications program that includes standardized plans and programs for connectivity, operability, and interoperability.	Standardize equipment connectivity, operability, and interoperability throughout the State.	Goal not measureable with specific outcomes listed, a time frame for achieving goal not addressed.
Implement fusion systems that streamline detection and prevention techniques by strengthening intelligence, information sharing, and early warning capabilities.	To improve the coordination of State, federal, local, and private sector information and intelligence planning and sharing.	Goal not measureable with specific outcomes listed, a time frame for achieving goal not addressed.

Source: State FY 2009 Strategy.

The Grant Management Office Administrator acknowledged that such baselines had not been established to measure improvement. In this regard, one county, Hawaii County, saw the need to establish an across-the-board baseline, defining goals, targets, and objectives and providing funding to meet those goals, targets, and objectives. In an attempt to measure progress and improvement, the county established a baseline of their needs in 2008, based on national target capabilities. The county grant administrative officer said the county had started the baseline on their own. However, the county had not reviewed the baseline established in 2008, and told us that it was reluctant to independently do so. The county would like State or national participation for such a review.

The Grant Management Office Administrator said that changes in the organization responsible for administering grants and personnel overseeing the Homeland Security grants in 2011 delayed the strategy updates. The personnel changes resulted in a loss of continuity and operating knowledge of DHS grant



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

requirements. According to the Grant Management Administrator, this loss of knowledge included the requirement for the update of the State strategies within the Grant Management Office. In addition, the Grant Management Office Administrator said that the State had not developed formal procedures covering monitoring progress, compiling key management information, tracking trends, or keeping the strategy on track.

The Grant Management Office Administrator, when questioned why strategy objectives were not specific, measurable, results-oriented, and time-limited, agreed that the objectives should meet the Federal requirements. However, the Grant Management Office Administrator said that, for years there were only two people administering the grants with all the other related homeland security activities. Time availability limited what was done in developing the objectives.

Without adequate measurable goals and objectives, the State did not have an adequate basis to evaluate the effect of grant expenditures on its preparedness and response capabilities. Furthermore, without measurable goals and objectives it was difficult to provide a context for performing the strategic exercise of asking, "How are we managing our homeland security programs?" as set forth in the DHS *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*. The shortcomings in goals and objectives also prevented the identification of baselines from which improvement could be measured and adequately assessed in determining future funding needs.

In April 2012, FEMA required State and local governments receiving FEMA preparedness grants to complete a Threat and Hazard Identification and Risk Assessment (THIRA) by December 31, 2012. The THIRA provides a comprehensive approach for identifying and assessing risks and associated impacts, using the core capabilities identified in the National Preparedness Goal. In addition to the THIRA, States and territories receiving FEMA preparedness grants are required to annually submit a State Preparedness Report (SPR). FEMA officials stated that THIRA results and the SPR will provide a quantitative summary of preparedness. However, we did not review the THIRA process because it was not within the scope of our review. See appendix F for more information about the THIRA.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation #1:

Develop and implement policies and procedures to ensure that:

- The State's strategy is updated as required and includes goals and objectives applicable to capabilities that are specific, measurable, achievable, results-oriented, and time-limited;
- Baselines are identified for the capabilities that will facilitate the measurement of progress toward achieving the goals and objectives; and
- A plan is formalized to monitor progress, compile key management information, track trends, and keep the strategy on track.

Recommendation #2:

Include the progress achieved in accomplishing goals and objectives, along with the assessment of risk, in the decision making process for future grant funding decisions.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendations 1 and 2: FEMA and the State concurred with these recommendations. FEMA developed and implemented a new process to measure progress that includes the THIRA and SPR. Results from the THIRA and SPR highlight gaps in capability and the progress of grantees in closing those gaps over time. On December 31, 2012, states, territories, and major urban areas receiving HSGP funds, including Hawaii, were required to submit their THIRAs and SPRs to FEMA. The THIRA and SPR processes are scalable to allow sub-jurisdictions, subgrantees, and subject matter experts to provide input to the state or territory. According to FEMA, taken together, the THIRA results and the SPR identify capability needs and gaps, and highlight the progress of grantees in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report. The THIRA also provides capability targets that serve as specific metrics and the SPR tool provides standards measurement against the targets. Lastly the THIRA, SPR, and Investment Justifications will serve as the basis for statewide assessment and reporting. FEMA believes the intent of the recommendations has been satisfied with their actions and requested that the recommendations be closed.

The State concurred with both Recommendations 1 and 2. The State said that the State Homeland Security Plan is under development and once completed a copy will be provided to DHS. Estimated completion is May 31, 2014.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Auditors' Analysis: The actions taken by FEMA are responsive to the intent of recommendations 1 and 2. These recommendations are resolved and closed.

Policies and Procedures

The Grant Management Office did not have documented policies and procedures for the day-to-day management of DHS grants. The Grant Management Office Administrator recognized the need for a policies and procedures manual and issued one in November 2012. However, it did not contain policies and procedures covering the day-to-day activities managed by the Grant Management Office staff. As a result, the Office did not have documented policies and procedures that would facilitate staff training, succession planning, and continuity of operations. The Office could not ensure that the daily activities of the staff were consistently performed or that concerns were uniformly addressed.

CFR Title 2 § 225, *Cost Principles for State, Local, and Indian Tribal Governments* Part A (2)(1)(a), states that governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices. Policies and procedures are essential management controls to the overall administration of programs and activities. A set of policies are principles, rules, and guidelines formulated or adopted by an organization to reach its long-term goals. Procedures are the specific methods employed to express policies in action in day-to-day operations of the organization. Together, policies and procedures are part of a system that provides operational consistency and uniformity. Documented policies and procedures facilitate cross-training of staff members, training of newly hire employees, and succession planning.

According to the Grant Management Office Administrator, in May 2011, the Grant Management Office was reorganized and significant changes in staffing occurred. Several of the newly assigned staff with responsibility for the management of the grants did not have experience in complying with Federal requirements. The staff did not have policies and procedures to use as references in determining what to do and when to do it.

Without documented policies and procedures, the Grant Management Office staff could not ensure that: (1) daily activities of the staff were consistently performed, (2) concerns were uniformly addressed, and (3) the continuity of the program and its operations were maintained when administrative changes



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

occur. According to the current Grant Management Office Administrator, control breakdowns occurred after the 2011 reorganization, including:

- The Initial Strategy Implementation Plan that was required to be filed within 45 days following the 2011 grant award was not filed until 314 days past the deadline.
- The Biannual Strategy Implementation Report, which was to be filed within 90 days after the end of the FY 2007 Period of Performance, was filed 257 days past the deadline.
- The updating of Hawaii's strategic plan that was planned for 2011 was not completed.
- Many expenditure records for purchases made with grant funds were not maintained.
- Items procured were not always included in the State's inventory.
- Invoices from a contractor were not maintained in the Grant Management Office's records and the records were being reconstructed.

Had an adequate policy and procedures manual existed and implemented prior to the 2011 reorganization, many of these issues may not have happened. The newly hired individuals would have been aware of the above requirements and could have completed these requirements in a timely manner.

A policies and procedures manual was issued in November 2012, and contained requirements for administering grants. For example, the manual contained a listing of standard financial requirements that the Hawaii Department of Defense and subgrantees must follow, including a listing of CFR and Office of Management and Budget Circular requirements. However, the manual did not contain policies and procedures that specified the duties and responsibilities of the Grant Management Office staff.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation #3:

Evaluate the effectiveness of the manual issued in November 2012 to ensure that the day-to-day activities within the Grant Management Office are performed in accordance with Federal requirements, and update the manual as necessary.

Recommendation #4:

Use the documented policies and procedures as tools for training new staff, succession planning, and ensuring consistent and uniform handling of day-to-day activities.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 3: FEMA concurred with the recommendation. FEMA will verify with the State that the updated Grants Management System and associated policies and procedures it uses are current and applicable to Federal requirements and conform to the HSGP. The State did not concur with recommendation 3. The State stated that a Standard Operating Procedure is under development. The City and County of Honolulu will also be developing an operational manual.

FEMA and State Responses to Recommendation 4: FEMA concurred with the recommendation. FEMA will confirm that the State has a management tool in place, and that it includes policies and procedures to ensure that day to day activities for grants management, staff training, and planning are uniformly executed. The state did not concur with recommendation 4. The State said that the Procedural manual was not meant to be a day-to-day guide for the staff. The State also said that the last three bullets in the finding were not clarified. However, the State did not provide any documentation which supported that any of the last three bullets were not accurate.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendations 3 and 4. However, until FEMA provides a firm timetable for completion, these recommendations will remain unresolved and open.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Sole Source Procurements

The State of Hawaii expended at least \$1,551,000 for equipment and professional services without competition. Required cost analyses in conjunction with the sole source procurements were not available during the audit fieldwork. As a result, the State Administrative Agency may have paid more for the equipment and services than necessary. Subsequent to our fieldwork, the State provided two cost analyses addressing \$410,000 of the \$1,551,000 questioned. However, because these analyses were submitted after fieldwork was completed, we did not verify the validity of the cost analyses.

CFR Title 44 § 13.36, *Procurement*, (f)(1) requires that a cost analysis be performed for noncompetitive procurements, when adequate price competition is lacking, and for sole source procurements.

Reviews of procurement activities during the audit showed that the local jurisdictions had prepared justifications for sole source procurements and that the justifications were approved in accordance with State of Hawaii and local procurement requirements. However, the local jurisdictions did not always conduct the required cost analysis. The following are examples of sole source procurements made without the benefit of required cost analyses:

- One subgrantee contracted to have a professional services study performed for \$500,000 with a known vendor. This included \$200,000 funded by SHSP grant funds. The sole source procurement was approved however, the subgrantee could not provide documentation supporting that a cost analysis had been conducted. After we completed our field work, the SAA provided us a cost analysis that addressed the \$500,000.
- A subgrantee contracted to procure a microwave link expansion for \$321,000. The sole source procurement was approved; however, a cost analysis was not conducted.
- Another subgrantee contracted for a sole source procurement of software costing \$210,000. The subgrantee obtained approval; however, the subgrantee could not provide evidence that a cost analysis was conducted. Subsequent to our field work, the SAA provided us a cost analysis that addressed the \$210,000.
- A UASI subrecipient contracted for sole source procurement of communication equipment totaling approximately \$820,000. The procurement was approved without a cost analysis being performed.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The Grant Management Office Administrator stated that once the procurement was approved the decision was not reviewed by the Grant Management Office. Subgrantees were unaware of the requirement that a cost analysis was required by the CFR. In November 2012, the Grant Management Office finalized a Homeland Security Grant Procedures manual which states that all sole source procurements must comply with Federal requirements.

These sole source procurements should not have been made without a cost analyses as required by the CFR. As a result, the State did not have assurance that the costs were justified or whether the contracts could have been awarded to an equally competent contractor at a lesser cost. Accordingly, we consider the \$1,551,000 claimed for sole source procurements made without the required cost analyses to be questioned costs.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #5:

Establish and implement policies and procedures to ensure compliance with Federal and State regulations for sole source procurements.

Recommendation #6:

Ensure that cost analyses are performed in accordance with Federal regulations when sole source procurements are justified.

Recommendation #7

Conduct the required cost analysis for all sole source procurements made under the FY 2009 through FY 2011 SHSP and UASI awards, and disallow and recover any unreasonable amounts.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 5: FEMA concurred with the recommendation. FEMA stated it will work with the State to ensure adequate policies are in effect for sole source and other types of procurements that ensures compliance with applicable Federal and State regulations in situations



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

where grant funds are used to acquire or purchase goods and services. The State concurred with the recommendation.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 5. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 6: FEMA concurred with the recommendation and stated it will require the State to include cost analysis reviews consistent with CFR Title 44 § 13.36 in the Procurement policies and procedures they develop. The State concurred with the recommendation.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 6. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 7: FEMA concurred with the recommendation. FEMA stated that it will provide the State an opportunity to submit an explanation of why, under the pertinent facts and the applicable legal authority, it disagrees with OIG's recommendation including why any debt amount referenced is not owed and unpaid in the amount specified. The grantee will be instructed to include this as part of its Corrective Action Plan Update to FEMA within 90 days of receipt of the grantee notification memo and to also include any and all supporting evidence. The grantee will be advised that it can refer to any previously submitted evidence in lieu of resubmitting such evidence. This submission must be made in a timely manner to the grantee's Grant Programs Directorate Program Analyst. The State concurred with the recommendation and provided a cost analysis for two of the examples in the finding in support of the price of the procurements. However, because the subgrantees could not provide the requested cost analysis during the course of the audit fieldwork, FEMA will need to verify the validity of the cost analyses.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 7. The recommendation is resolved and will remain open until the corrective actions are fully implemented.

Personnel Time Charges

Personnel time charges for SHSP and UASI funds were not supported by activity reports or time sheets. As a result, there was no assurance that the time charged



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

was spent on allowable grant activities. Accordingly, the \$857,209 in personnel costs charged to the FYs 2009 and 2010 SHSP and UASI grants are questioned.

CFR Title 2 § 225, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities or cost objectives, a distribution of their salaries or wages be supported by personnel activity reports or time sheets. Personnel activity reports must reflect an after-the-fact distribution of the actual activity, must account for the total activity for each employee, must be prepared at least monthly, and must be signed by the employee.

Although the State of Hawaii required State employees to report hours worked on a bi-weekly basis, the individual time sheets did not identify the specific activity (grant or other activity) that was worked on during the reporting period. OMB A-133 audits of the State of Hawaii for 2010 and 2011 and Kauai County for 2012 reported this as a recurring problem. FEMA's on-site monitoring visits also identified the State's time reporting system as not being in compliance with Federal requirements. Our follow-up audit work verified that the State of Hawaii's time reporting problem had continued without corrective action. This problem existed with State Civil Defense, City and County of Honolulu, and Kauai County in the FY 2009 and 2010 grants. These were the only subgrantees charging salaries to the grant. There were no personnel charges to the FY 2011 grant at the time of our audit.

Standard operating procedures to ensure that personnel activity costs were claimed in accordance with Federal requirements did not exist during FYs 2009, 2010, and 2011. The State and other government entities did not require individual staff to prepare timesheets identifying the time spent on each grant.

On November 1, 2012, the Grant Management Office Administrator issued a procedural manual that addressed the documentation requirements for time reporting. The manual reinforced the need for compliance in time reporting. However, subgrantee monitoring will be necessary to ensure that compliance is being achieved.

Without documentation indicating which grant activities employees worked on, there was no assurance that the time spent by employees was actually expended to further the purposes of the awarded SHSP and UASI grants. Accordingly, the personnel costs of \$857,209 are considered questionable costs.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #8:

Implement procedures in accordance with the November 2012 policies and procedures manual to ensure compliance with Federal time reporting requirements for personnel costs by activity reports or by a substitute system that identifies time expended on Federal awards by grant.

Recommendation #9:

Verify that the unsupported personnel costs claimed against FYs 2009 through 2011 HSGP grant awards were expended on activities identifiable to the individual grants by providing documentation that adequately supports the \$857,209 questioned as valid charges, or recover the amount not supported and return to FEMA.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 8: FEMA concurred with the recommendation. FEMA will require the State to develop policies and procedures that accurately record time worked by personnel on allowable activities paid for by grant funds. The State concurred with the recommendation.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 8. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 9: FEMA concurred with the recommendation. Based on initial analysis of the questioned cost identified in this recommendation, FEMA stated that it will initiate its Debt Collection process (FEMA Directive 116.1, "Submission of Debt to the FEMA Finance Center") to determine if the questioned cost identified is allowable, or is disallowed, and therefore will be recouped. The State of Hawaii agreed with the finding and recommendations but did not agree with the amount questioned.

The State provided time certifications totaling \$856,493 in response to the draft report. However, these time certifications were not fully responsive to our



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

finding. Most of the certifications provided were prepared after the fact and dated September 23, 2013 for time spent in 2010, 2011, 2012. Also, the total of the personnel costs charged to the SHSP awards differed from the total amount of \$857,209 provided to us by the State at the start of the audit. Although the total amounts differed by only \$716, amounts for individuals varied greatly. For example, on the listing provided at the start of the audit one employee charged \$165,757.98; however, the certifications provided after the field work, showed \$159,825.26 for the same individual. Another individual was shown as charging \$89,890.96 on the original listing but only \$70,770.94 on the listing provided after the field work. All the other individuals, except for one, also differed between the two listings.

Because these certifications were prepared mostly after the fact and the amount of personnel charges differed between the listings for almost all the individuals, we have not accepted the personnel costs claimed. Accordingly, we recommend that FEMA evaluate the work performed by and cost associated with these individuals to ensure that these costs benefited the SHSP and UASI awards, and were valid charges, as appropriate.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 9. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

Subgrantee Monitoring

The Grant Management Office did not adequately monitor subgrantee activities for the FYs 2009, 2010, and 2011 HSGP awards. The subgrantee monitoring conducted by the Grant Management Office was sporadic at best. Also, the Grant Management Office did not ensure that monitoring reports were prepared, or if prepared, were distributed to the subgrantees. Furthermore, the Grant Management Office did not have written procedures for subgrantee monitoring for the period of our audit scope. As a result of the limited monitoring, the Grant Management Office did not have assurances that the subgrantees were in compliance with FEMA grant requirements or that the subgrantees were efficiently and effectively using SHSP and UASI grant funds to accomplish program objectives.

CFR Title 44 § 13.40, *Monitoring and reporting program performance*, establishes requirements for monitoring grant program performance. The regulations require grantees to (1) provide day-to-day management of all grants and subgrant supported activities and (2) assure that subgrantees comply with



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

applicable Federal requirements and achieve program performance goals. The regulations also specify that the grantees' monitoring programs must cover each program, function, or activity, and require subgrantees to adhere to the same performance monitoring and reporting standards as required of grantees.

In addition, Office of Management and Budget Circular A-133, Part 3-M includes grantee monitoring requirements. Part 3-M states that grantees are responsible for monitoring subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subgrantee administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements; and performance goals are achieved.

As early as 2008, FEMA reported that the State of Hawaii had made insufficient subgrantee monitoring progress and that it did not have sufficient staff to perform this requirement. As a result, FEMA said that the State continued to be in noncompliance with FEMA guidance and CFR Title 44. FEMA informed the State that their subgrantee monitoring must cover each program, function, and activity. However, the situation had not improved in 2011 and 2012. In May 2011, FEMA reported that an insufficient asset tracking system existed for the UASI funded equipment by the City and County of Honolulu. In addition, FEMA said that the UASI was unable to provide documented evidence of an active subrecipient monitoring process.

A June 2012 FEMA headquarters and Region IX combined site visit disclosed that the Grant Management Office did not have a subgrantee monitoring plan. The Grant Management Office developed a State subgrantee monitoring plan in October 2012, which they provided to us during the audit field work. However, there was no evidence provided to support that the State actually monitored any of the subgrantees. In response to the combined visit, the Grant Management Office sent a corrective action plan to FEMA Region IX in September 2012 that included a schedule of subrecipient monitoring visits scheduled to begin in November 2012. The schedule included visits to 4 of the 18 subgrantees over an 8-month period. The Grant Management Office Administrator acknowledged to us that the Office was not doing a very good job.

After the State was notified of our impending OIG audit in November 2012, the Grant Management Office Administrator and a staff member visited three of the four counties. Two visits were for preparation of the State Preparedness Report and one visit was to discuss preparation for the audit. However, there was only one monitoring site visit report for one of the three counties reported as visited.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

On-site visits are valuable oversight tools. The Grant Management Office's periodic contacts with subgrantee staff, the review of subgrantee grant applications, and processing of reimbursement requests were not sufficient to:

- Observe local administrative practices,
- Evaluate whether grant funds were being used effectively and efficiently,
- Determine whether subgrantees were complying with all grant requirements and associated Federal regulations, and
- Assess subgrantee progress in meeting preparedness goals and objectives.

The Grant Management Office took a step in the right direction and drafted subgrantee monitoring procedures in October 2012 to ensure that subgrantee program performance policies and procedures were being achieved. These procedures discussed files to review and the process for on-site visits. The procedures stated that the majority of monitoring would be done through quarterly desk file reviews and phone and email contacts with subgrantees. However, the procedures did not contain criteria, or methodologies for assessing accomplishment of program objectives.

The Grant Management Office also developed a grant monitoring form that contained questions regarding 12 areas such as equipment, personnel, and travel/vehicle mileage, plus a form to record meetings or telephone conversations with subgrantees. The Grant Management Office could enhance the effectiveness of its subgrantee monitoring by following its newly established subgrantee monitoring procedures.

Other weaknesses have contributed to poor subgrantee monitoring. FEMA identified in 2008 that the State of Hawaii did not have sufficient staff to perform the subgrantee monitoring requirement. Because of the geographic dispersion of the Hawaiian Islands, travel to subgrantee locations is time-consuming. In addition, at the time of our audit, the Grant Management Office had three staff members who were responsible for administering the entire HSGP grant program. The staff's duties also included administering Port Security Grant Program grants, Emergency Management Performance Grant Program grants, and other grants. Another contributing factor to the inadequate monitoring of subgrantees was not having written subgrantee monitoring procedures until October 2012.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

In the absence of on-site visits, the Grant Management Office was not fully aware of the extent that subgrantees adhered to Federal requirements and grant guidelines or achieved DHS and State of Hawaii programmatic goals and objectives. The Grant Management Office Administrator said that a review of subgrantee performance information is done using internal weekly reports. However, the weekly reports included financial information rather than performance information, and therefore no one was conducting a program performance review. The incomplete implementation of an effective periodic, on-site, subgrantee monitoring program prevented the State from obtaining first-hand knowledge of specific subgrantee administrative problems and issues.

Without subgrantee monitoring, the Grant Management Office did not have the assurance that its subgrantees were adhering to FEMA's grant program guidance or were in compliance with asset and equipment tracking as required by CFR Title 44 for grant funded equipment purchases. Moreover, the Grant Management Office did not have adequate information to assess whether or not the subgrantees were efficiently and effectively using HSGP grant funds to accomplish program objectives. In addition, the Grant Management Office could not adequately determine if the State's UASI was performing subgrantee monitoring and asset tracking of UASI funded equipment purchases.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #10:

Implement the subgrantee monitoring procedures developed in October 2012.

Recommendation #11:

Develop and comply with a schedule for monitoring subgrantees using the subgrantee monitoring procedures.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 10: FEMA concurred with the recommendation. FEMA stated it will require the State to comply with the prescribed monitoring protocols it developed in 2012, and use these protocols in monitoring subgrantees. The State concurred with the recommendation and said



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

that a new sub-monitoring schedule is being coordinated, to be completed by December 31, 2013.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 10. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 11: FEMA concurred with the recommendation. FEMA said it will require the State to include a monitoring schedule as part of their policies and procedures for subgrantee monitoring. The State concurred with the recommendation and stated that the Grant Management Office continually collaborates with all subgrantees and that the primary issue is documenting the monitoring processes conducted by the office.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 11. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

Property Management and Accountability

The Grant Management Office did not ensure that property acquired with SHSP funds was safeguarded and identified as being purchased with SHSP funds. The Grant Management Office also did not ensure compliance with property management accountability requirements or that the required 2-year inventory reconciliations were being conducted. In addition, the Grant Management Office did not conduct sufficient monitoring activities with subgrantees to ensure that required physical inventories were being performed at least once every two years. A Grant Management Office official told us that property management control requirements were provided as a part of the accompanying subgrantee award documentation. However, a review of the Memorandums of Understanding between the State and a sample of three subgrantees disclosed that there were no property management control requirements that accompanied the subgrant award for FY 2009. The property control requirements were included in the FYs 2010 and 2011 grant awards to the subgrantees.

CFR Title 44 §13.3, *Definitions*, defines equipment as tangible, non-expendable, personal property having a useful life of more than 1 year and an acquisition cost of \$5,000 or more per unit. Computer software is also an equipment item contained in the DHS Authorized Equipment List. CFR Title 44 §13.3 also defines *supplies* as all tangible personal property other than *equipment*.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

CFR Title 44 §13.32(d), *Management requirements*, establishes procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, and includes the following minimum requirements:

- Maintain property records that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- Maintain a physical inventory of the property and the results reconciled with the property records at least once every two years.
- Establish and maintain a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- Perform adequate maintenance procedures to keep the property in good condition.

In addition, CFR Title 44 §13.20, *Standards for financial management systems*, requires that effective control and accountability be maintained for all personal property procured with Federal funds. Sensitive equipment that is portable such as laptop computers and handheld radios should be safeguarded even though the cost of the equipment might be less than \$5,000.

Two of the 19 subgrantees visited did not purchase equipment, and only one of the remaining 17 subgrantees had property management records that complied with the Federal property management requirements found in CFR Title 44 §13.32(d)(1). Property records were not provided by five subgrantees and another two had equipment that had not been entered into the property records. The 10 remaining subgrantees visited had various shortcomings. Table 2 shows examples of the shortcomings observed for these 10:



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 2. Examples of Property Records Observed Shortcomings

Number of Subgrantees	Description of Shortcomings
5	Did not identify the acquisition date
2	Did not identify the location of the equipment
4	Did not identify equipment cost
3	Did not identify equipment serial numbers
2	Did not include identification numbers
3	Did not identify title holder

Source: Subgrantee Property Records

Because of unwritten property management policies and procedures and insufficient monitoring, subgrantees and subrecipients did not perform the required inventories and did not maintain appropriate records identifying equipment items procured with Federal funds. Also, the Grant Management Office did not follow up with the subgrantees and subrecipients to verify that assets were properly recorded and protected. According to the Grant Management Office Administrator, inadequate staffing and funding contributed to the noncompliance with Federal property management requirements.

The Grant Management Office did not have documented policies and procedures for the day-to-day management of FEMA grants. In addition, subgrantee monitoring procedures were not developed until October 2012. As a result, the Grant Management Office did not have reasonable assurance that property purchased with Federal grant funds was being adequately safeguarded to prevent loss, damage, or theft.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #12:

Evaluate the effectiveness of the November 2012 policies and procedures manual and the October 2012 subgrantee monitoring manual regarding property management, and revise as necessary.

Recommendation #13:

Monitor subgrantee compliance with property management requirements.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation #14:

Direct subgrantees to establish and maintain property management records in accordance with Federal requirements, conduct the required 2-year inventory inspections, and reconcile the results to the property records.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 12: FEMA concurred with the recommendation. FEMA said it will review the 2012 policies and procedures manual to ensure it adequately supports the implementation of a comprehensive monitoring program. The State concurred with the recommendation and stated that 100 percent of the inventory will be completed by September 2014.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 12. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 13: FEMA concurred with the recommendation. FEMA stated it will ensure that the State develops policies and procedures consistent with the requirements CFR Title 44 § 13.32 to monitor subgrantee property records accurately and in a timely manner. The State concurred with the recommendation and said that what had been lacking was control over the identification of equipment as required in the procedural manual.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 13. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 14: FEMA concurred with the recommendation. FEMA said it will require the State to institute a subgrantee property records management and verification process to reconcile and document property records that is consistent with the requirements CFR Title 44 § 13.32. The State concurred with the recommendation and said it was working to standardize the inventory records and upgrade the Grants Management System with inventory information.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 14. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

Obligations to Subgrantees

The Grant Management Office did not obligate 80 percent of the SHSP funds to local units of government as required by Federal requirements. Funds in excess of the allowable 20 percent were retained by the Grant Management Office, but the required approvals from the subgrantees were not obtained. In addition, the Grant Management Office did not have documentation supporting how the \$3,275,509 retained benefited subgrantees. As a result, the Grant Management Office did not comply with the requirement that 80 percent of the FEMA awards be obligated to the subgrantees or that written approval from the subgrantees be obtained for funds retained. Accordingly, the \$3,275,509 is a questioned cost which should be returned to FEMA or provided to Hawaii subgrantees.

According to FEMA Homeland Security Grant Program Guidance for 2009 through 2011, State Administrative Agencies must obligate and make available to local government units at least 80 percent of SHSP and UASI grant funds within 45 days of FEMA's award date. The Guidance states that local governments have an important role in protecting the American people from terrorist threats. The obligation must include the following requirements:

- There must be some action to establish a firm commitment on the part of the awarding entity,
- The action must be unconditional on the part of the awarding entity (i.e., no contingencies for availability of funds, and all special conditions prohibiting obligation, expenditure, and drawdown must be removed),
- There must be documentary evidence of the commitment, and
- The award terms must be communicated to the official grantee.

The FEMA Guidance also says that the State may retain some of the allocation of grant funds for expenditures made by the State on behalf of the local unit of government or Urban Area jurisdiction. This may occur only with the written consent of the local unit of government or Urban Area jurisdiction, with the written consent specifying the amount of funds to be retained and the intended use of funds. If a written consent agreement is already in place from previous fiscal years, FEMA would continue to recognize it.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

The obligation of SHSP funds to local governments and to other subgrantees by Hawaii was done through a Memorandum of Agreement to the local official responsible for administering the grant funds. The Memoranda of Agreement were fully executed by the Grant Management Office and the local officials within the 45 day requirement. However, the total obligated to all subgrantees did not equal 80 percent of FEMA’s SHSP award. Table 3 shows the SHSP amount awarded by FEMA and the total obligation amounts to subgrantees for FYs 2009, 2010, and 2011.

Table 3. Hawaii Obligations of SHSP Awards to Subgrantees.

Fiscal Year	SHSP Award	80 percent of Award	Obligated to Subgrantees	Amount Retained	Percent Obligated
2009	\$6,524,500	\$5,219,600	\$4,164,174	\$1,055,426	63.8%
2010	\$6,613,200	\$5,290,560	\$3,626,032	\$1,664,528	54.8%
2011	\$5,137,205	\$4,109,764	\$3,554,209	\$555,555	69.2%
Total	\$18,274,905	\$14,619,924	\$11,344,415	\$3,275,509	

Source: Grant award documentation from FEMA and Grant Management Office Memoranda of Agreements with subgrantees

The State of Hawaii also received UASI grants for 2009 and 2010 for the Honolulu urban area. The total for these two awards was \$9,509,600. All UASI awards for FYs 2009 and 2010 were obligated to the urban area.

The Grant Management Office Administrator said that SHSP funds were retained for training purposes and for use in the event that there was an increased threat level. However, the Memorandum of Agreement for each subgrantee did not specify the amount of funds retained, what the funds would be used for, or whether the subgrantee approved of the retention of funds. Copies of subgrantee consent letters were requested from the Grant Management Office, but were not provided. As shown in table 3, the amount retained by the Grant Management Office totaled \$3,275,509 for the FYs 2009 through 2011 grants. The Grant Management Office could not provide documentation supporting that the \$3,275,509 was expended for the benefit of subgrantees. Therefore, we concluded that the required written consents were not obtained from the local governments.

The Grant Management Office Administrator said that agreements existed between the Grant Management Office and the subgrantees concerning the retention of funds. However, documentation supporting the agreements (written consents) was not provided. The absence of written consents from local governments specifying the amount of funds to be retained and the intended



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

use of funds indicate that the Grant Management Office did not fully understand the requirements.

Because the State did not obligate at least 80 percent of SHSP funds within 45 days, local governments and first responders were not provided Federal funding in a timely manner to help State, territory, and local agencies enhance capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies. In addition, because the Grant Management Office could not provide documentation that supported that each subgrantee consented to the withholding and that the withheld funds were used for the benefit of the subgrantees, the \$3,275,509 is considered a questioned cost and should either be returned to FEMA or provided to the subgrantees.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #15:

Develop and implement procedures to ensure compliance with the SHSP grant requirements concerning written consent from subgrantees when funds are retained by the State.

Recommendation #16:

Determine what the retained funds of \$3,275,509 were used for and evaluate if the funding and expenditures were for the benefit of each respective subgrantee.

Recommendation #17:

If the funds that were retained were not used for the benefit of the subgrantees, the funds from expired grants should be returned to FEMA and the unexpired grant funds should be awarded to the appropriate subgrantees for their use.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 15: FEMA concurred with the recommendation. FEMA will ensure that the State implements and follows a memorandum of agreement process for obtaining subgrantee approval if and



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

when the State retains SHSP funding on behalf of a local jurisdiction or subgrantees. The State did not concur with the recommendation and stated that distribution of funds was discussed with County Mayors prior to the distribution of the memorandums of agreements.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 15. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 16: FEMA concurred with the recommendation. Based on initial analysis of the questioned costs identified in this recommendation FEMA will initiate its Debt Collection process (FEMA Directive 116-I, "Submission of Debt to the FEMA Finance Center") to determine if the questioned cost identified is allowable, or is disallowed, and therefore will be recouped. The State did not concur with the recommendation and stated that grant adjustment notices were sent to counties (subrecipients), identifying the state contributions to each jurisdiction, and that new memorandums of agreement have the distribution of funding clearly identified.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 16. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 17: FEMA concurred with the recommendation. FEMA stated it will provide the State an opportunity to submit an explanation of why, under the pertinent facts and the applicable legal authority, it disagrees with OIG's recommendation including why any debt amount referenced is not owing and unpaid in the amount specified. The grantee will be instructed to submit this along with any and all supporting evidence as part of its Corrective Action Plan Update to FEMA within 90 days of receipt of the grantee notification memo.

The State of Hawaii did not agree with the finding. Although the State said it provided documentation to us, the State did not provide documentation that adequately documented that 80 percent of the funding was either used for or provided to the local governments as required.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 17. The recommendation is resolved and will remain open until the corrective actions are fully implemented.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Timeliness of Expenditures

The State did not take advantage of *FEMA’s Guidance to State Administrative Agencies to Expedite the Expenditure of Certain DHS / FEMA Grant Funding*, dated February 13, 2012, to accelerate the use of grant funds. Consequently, the State or its subgrantees could lose the opportunity to enhance their capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies.

FEMA Guidance to State Administrative Agencies to Expedite the Expenditure of Certain DHS/FEMA Grant Funding, dated February 13, 2012, stated that during the last ten years Federal investments in State and local preparedness capabilities have developed significant national capacity to prevent, protect against, prepare for, respond to, and recover from disasters of all kinds. Recognizing this, FEMA has undertaken initiatives to ensure that funds are made available for use quickly and efficiently. The Guidance further stated that DHS/FEMA will implement a number of measures that provide grantees with additional flexibility to accelerate the spending of remaining FY 2007-2011 DHS/FEMA grant funds (including formula grant programs), consistent with existing laws, regulations, and programmatic objectives.

While DHS/FEMA provided opportunities for the State to accelerate the use of SHSP grant funds awarded during FYs 2009 through 2011, the State did not take advantage of this opportunity to expend funds in a timely manner to further enhance their capabilities to prevent, protect against, prepare for, respond to, and recover from disasters of all kinds.

To illustrate, table 4 shows the amount awarded, expenditures, and percentage of funds unspent for Hawaii’s SHSP and UASI funds for each of the three grant years included in our audit through December 2012.

Table 4. FY 2009 - 2011 SHSP/UASI Expenditures as of December 31, 2012

Grant Year	Period of Performance End Date	Amount Awarded	Expenditures as of 12/31/12	Unspent 12/31/12	Percent Unspent 12/31/12
2009	12/31/12	\$11,279,300	\$10,447,897	\$831,403	7.4%
2010	09/30/13	\$11,368,000	\$4,789,362	\$6,578,638	57.9%
2011	08/31/14	\$5,137,205	\$167,583	\$4,969,622	96.7%

Source: The State’s December 31, 2012 expenditure reports



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

For the FY 2009 award, the 90-day period for expenditures expired at the end of March 2013. According to the Grant Administrator, all of the FY 2009 funds were expended.

A comparison of the rate of expenditures for 2010 and 2011 showed that the State continued to ignore the flexibilities that DHS/FEMA allowed in its February 13, 2012 guidance. The State had been managing the FY 2010 funds for 27 months prior to December 31, 2012 and had only expended 42 percent of the funds awarded. With the period of performance ending on September 30, 2013, the State only had 9 months to expend the remaining 58 percent. For the FY 2011 award, the State had only expended 3.3 percent in 15 months and must expend the remaining 96.7 percent in 20 months.

This issue will become more of a problem for the FY 2012 award because that award only has a 24 month Period of Performance instead of 36 months. According to FEMA Information Bulletin 379, States and Territories will need to provide more information than in the past in order to obtain FEMA approval for extensions to Periods of Performance.

This issue is particularly acute in Hawaii County. County officials advised us that no expenditures for 2011 had been made as of January 10, 2013, and very little was expended of the 2010 funds. The status of FYs 2009, 2010, and 2011 funds awarded to Hawaii County as of January 10, 2013 is shown in table 5.

Table 5. FYs 2009 – 2011 SHSP Hawaii County Grants Expenditures as of January 10, 2013

Fiscal Year	Award Amount	Expenditures	Percent Not Spent
2009	\$970,807	\$526,452	45.8%
2010	\$906,508	\$9,745	98.9%
2011	\$575,075	\$0	100%

Source: FEMA award documents and Grant Management Office Expenditure Reports

The Grant Management Office Administrator identified constraints that the subgrantees face due to requirements at the local level. State agencies must receive authorization and approval from the Governor to expend funds. State agency officials with whom we met said that this approval process was very time consuming. The Grant Management Office Administrator said that county subgrantees also had their own approval process that was time consuming. The Grant Management Office Administrator also said that Hawaii County's prior administrator wanted 2008 and 2009 grants closed prior to spending 2011 and



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

2012 grants, which caused a delay in expending the funds. Hawaii County's new administrator wanted to move forward with FYs 2011 and 2012 grants.

Delays in expenditures of grant funds can impede State and subgrantees' opportunities to enhance the most critical preparedness and response capabilities. Delays may also result in reallocating funds to lesser priorities to ensure funding does not expire. Such delays have led to extensions in the grant performance time period and delays in officially closing the grant. Starting in FY 2012, FEMA will require more justification prior to granting Period of Performance extensions. Accounting and reporting requirements also continue as long as the grant remains open, which adds to the administrative costs for the grant and burdens both staff and tracking systems.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #18:

Develop and implement procedures, with appropriate controls (such as enforced deadlines), to ensure that grant funds are expended in a timely manner.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 18: FEMA concurred with the recommendation. FEMA will work with the State to ensure that subawards are executed within the required time frame, and that they include appropriate control mechanisms to protect against improper use of the funds. The State also concurred with the recommendation and stated that corrective action was ongoing.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 18. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

Expenditure Documentation

Expenditures recorded in the Grant Management System were not always accurately recorded or adequately supported by invoices and related records. In addition, some expenditures were not recorded in a timely manner. As a result,



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

the amounts charged to the respective SHSP and UASI awards could not be certified as being accurate or complete.

CFR Title 44 § 13.20, *Standards for financial management systems*, requires that a State expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to permit preparation of reports required by this part and the statutes authorizing the grant. These controls and procedures must also permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant including outlays or expenditures.

CFR Title 44 §13.42, *Retention and access requirements for records*, requires that grantees maintain all financial and programmatic records, supporting documents, statistical records, and other records which are required to be maintained by program regulations or the grant agreement, or otherwise reasonably considered as pertinent to program regulations or the grant agreement. Records must be retained for 3 years from the day the grantee or subgrantee submits to the awarding agency its last expenditure report for that period.

According to the Grant Management Office, the main purpose of its Grant Management System was to accurately and efficiently retain homeland security information such as grant award information, subgrantee expenditures (reimbursements, advances, and purchases), and cash warrants. The Grant Management Office staff used the Grant Management System on a daily basis to enter and extract grant information. This system was also used to assist subgrantees, auditors, financial offices, and DHS. All homeland security expenditures (e.g., reimbursements and purchases) from subgrantees were entered into the Grant Management System's transaction record. The data entered included: subgrantee identification, purchase order number, date, grant program (e.g., Homeland Security), attachments, quantity, description, invoice number, distribution type (80 percent/20 percent split), compliance codes, strategy reference number, vendor, and amount.

The Grant Management System was developed to reduce the need to use multiple systems, providing a "one stop" shop for homeland security grant



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

related information. The System allowed the Grant Management Office staff to assist subgrantees regarding such items as payment status, purchase order reference, expenditures and balances, and reconciliation. The System's records were "linked" to electronically scan documents, to make it easier to find the source documentation. The System allowed users to extract and create a wide range of reports.

We tested transactions to determine if the related expenditures were accurately recorded, appropriately supported, and timely recorded in the Grant Management System. The tests identified expenditures that were not accurate, not supported by invoices and related documents, or not recorded in a timely manner. For example:

- SHSP expenditures for a radio system totaling \$752, 663 were not adequately supported by invoice documentation for the expenditure amounts. The Grant Management Office Administrator said that funds from two grants, SHSP and Public Safety Interoperable Communications Grant Program, were used to pay for the radio system; but the expenditures were not separately tracked to show how much was to be expended from each grant. Instead, the funding was tracked by the overall contract amount funded by both grants. Because two grants were used and the amounts used from each grant were not identified, we were not able to verify the accuracy of the expenditure amounts that were approved from each grant.
- An expenditure totaling \$216,304 for a Buffer Zone Protection Plan for Hawaii's Critical Infrastructure Systems was missing adequate supporting documentation. The expenditure recorded in the Grant Management System showed \$200,000 expended from the FY 2009 SHSP grant. The contract cover letter and the "Compensation and Payment Schedule" with the vendor showed that \$200,000 was to be paid from a buffer zone grant and \$16,304 from the SHSP grant. The Grant Management Office Administrator said the contract used the State's entire \$200,000 Buffer Zone Protection Plan allotment given to the State of Hawaii. However, the buffer zone allotment did not cover all of the program costs, and SHSP funds were used to cover the remaining amounts. Grant Management Office officials could not provide documentation supporting the amount allocated to the SHSP award.
- Although a FY 2010 SHSP grant expenditure of \$81,895 for the purchase of optic tools was recorded in the Grant Management System, the



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

amount recorded in the System did not match the amount shown on the supporting documentation. The invoices supporting the expenditure totaled \$76,555 for the FY 2010 SHSP expenditure, not the \$81,895 listed in the system. In addition, our review of the procuring subgrantee's "Property and Equipment Inventory Report Form" identified the expenditure as an FY 2008 grant year expenditure (not FY 2010) and also showed a cost of \$76,555.

- The amounts recorded in the Grant Management System for two other procurements for radios did not match the supporting documentation. For these two procurements, the recorded expenditures exceeded the invoice amounts by \$3,489. The first expenditure was recorded as \$9,394 in the System, but the amount shown on the purchase order and invoice was \$7,905. The second expenditure was recorded as \$2,800 in the Grant Management System, but the invoice amount was \$800.
- An expenditure of \$115,762 for a technical assistant and project management contract involved six invoices. The invoices were dated from 3/4/11 through 6/28/12 and were individually paid. However, the six invoices were recorded as a single expenditure on 9/14/10 in the Grant Management System.

The Grant Management Office Administrator said that personnel changes occurred during the period when the radio system was procured and that the individuals who took over were not knowledgeable of most of the actions related to the project. Thus, the records were not as detailed as they should have been. The Grant Management Office Administrator also said that detailed records identifying whether the SHSP or Buffer Zone grant was used to purchase specific items were not maintained. The expenditures were tracked by contract rather than by grant funding source.

For the instances where expenditure amounts in the System did not match the supporting documents, the Grant Management Office initially entered the purchase order amounts, not the individual invoice amounts. When brought to the Grant Management Office's attention during the audit, the amounts in the System for the two radio procurements discussed above were updated to the lower invoice amounts and \$3,489 was returned to the SHSP 2009 grant. Grant Management Office staff said that for these expenditures it was a matter of timing in adjusting the amounts in the Grant Management System.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The errors in recording the \$81,895 purchase of optic tools likely occurred because it involved complex multiple expenditure transactions involving multiple year SHSP grants, other agency funds, a large advancement of funds, and many quote, approval, and invoice documents. The \$81,895 expenditure was a portion of an actual total expenditure of \$274,746 that was divided among FYs 2008, 2009, and 2010 expenditures. Another factor was the large number of supporting documents included with the quotes and invoices for this expenditure, and other expenditures, totaling 251 pages. Documents were not well organized and did not clearly identify which quotes, invoices, and approvals of funding related to the expenditure.

The six invoices, totaling \$115,762, were not individually recorded because it involved a contract, and as discussed above, the contract amount was recorded in the Grant Management System at that time of the contract award. However, there was no requirement that individual invoices must be recorded as expenditures when paid. The Grant Management Office Administrator said that they were now recording expenditures when paid.

The State was not in compliance with Federal financial management system requirements as defined in CFR Title 44 § 13.42. Because expenditures recorded in the Grant Management System were not always accurately recorded, appropriately supported by invoices and related records, or recorded in a timely manner, the amounts charged to the respective grants could not be verified as being accurate, complete, or allowable. Expenditure records that are not accurate, timely recorded, and readily traceable to supporting purchase orders and invoices and other documents may lead to delays in determining funds status, and in misuse or loss of funds.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #19:

Complete a reconciliation of the expenditures in the Grant Management System to determine the accuracy and timeliness of the recordings. Funds for any claimed expenditures that cannot be supported should be returned to FEMA.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation #20:

Develop and implement procedures to ensure that future expenditures are accurately recorded in a timely manner in the Grant Management System, properly supported with appropriate documentation, and are readily reconcilable to supporting invoices and other related documents.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 19: FEMA concurred with the recommendation. FEMA stated that it will provide the State an opportunity to submit an explanation of why, under the pertinent facts and the applicable legal authority, it disagrees with OIG's recommendation including why any debt amount referenced is not owing and unpaid in the amount specified. The grantee will be instructed to submit this along with any and all supporting evidence as part of its Corrective Action Plan Update to FEMA within 90 days of receipt of the grantee notification memo. The State agreed with the recommendation but disagreed with the foundation for the finding.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 19. The recommendation is resolved and will remain open until the corrective actions are fully implemented.

FEMA and State Responses to Recommendation 20: FEMA concurred with the recommendation. FEMA will work with the State to ensure it has policies and procedure in place to adequately reconcile accounts and the State's Grants Management System. The State agreed with the recommendation and stated that errors that occurred during 2011 have not yet been resolved. Actions are being taken to improve the accuracy of the system.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 20. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

Financial Reporting Compliance

The State Administrative Agency did not submit required Federal quarterly financial status reports in a timely manner for the FY 2011 grant. The reports for FYs 2009 and 2010 were submitted on time. Of the five financial reports required to be submitted for the 2011 grant, two were submitted late and one was not submitted. In addition, accountability was lost because the forms were not



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

always signed by a State official. As a result, FEMA officials did not have timely information on the State’s financial activities in managing the 2011 grant funds.

According to CFR Title 44 §13.41, *Financial reporting*, grantees are required to submit financial status reports within 30 days after the end of each quarter. The instructions for completing the reports require that the reports include the name and title of the authorized certifying official, and that the certifying official sign the reports. These reports are critical tools for FEMA to carry out its financial stewardship duties for the HSGP and serve as a check to determine if grantees are expending Federal funds in a timely manner.

Table 6 shows the history of weaknesses with the Federal financial reporting requirements for the FYs 2009 through 2011 Homeland Security Grant Program from award date through December 31, 2012.

Table 6. Federal Financial Reporting

HSGP Grant	Date Awarded	Required Reports	Submitted on Time	Submitted Late/Not Submitted	Average Days Late	Not Signed by Certifying Official
FY 2009	08/21/09	14	14	0	0	1
FY 2010	09/23/10	10	10	0	0	1
FY 2011	09/01/11	5	2	3	96	3

Source: Federal Financial Reports for FYs 2009 through 2011

As table 6 shows, Hawaii submitted the required financial reports for 2009 and 2010. Two of the five required status reports for the 2011 grant were filed after the required 30-day period following the end of each quarter. One status report was not filed.

The Grant Management Office Administrator did not know why the financial reports for the FY 2011 grant were filed late or why the reports were not signed by the certifying officials. However, the Administrator speculated that changes in the organizational structure, personnel changes, and changes in assigned responsibilities contributed to the noncompliance.

Because the State did not file these financial reports in a timely manner, FEMA did not know how the grantee was using the grant funds they had received. FEMA officials also could not periodically monitor and track the financial activities of the grantee in managing the HSGP. In addition, accountability was lost because the forms were not always signed by the certifying official and there was no assurance that the reports were approved for submission to FEMA.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #21:

Establish and implement procedures to ensure that financial status reports are prepared, certified, and submitted in accordance with Federal requirements and signed by appropriate Hawaii Grant Management Office officials.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 21: FEMA concurred with the recommendation. FEMA stated it will work with the State to ensure that it establishes policies and procedures that ensure that financial status reports are submitted in a timely manner. The State agreed with the recommendation, and as a corrective action, provided completed signed reports for 2011.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 21. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

Equipment Usage

The State of Hawaii used SHSP and UASI funds to procure equipment items that were not being used. The unused equipment included radios and generators that had been received between 3 and 15 months prior to our audit fieldwork in January 2013. As a result, the State did not benefit from the procurement of the equipment and the equipment may not have been needed.

CFR Title 44 §13.32 (c) requires that equipment be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. In addition, DHS Program Guidelines for FY 2009-2012 state that equipment purchased be used to respond to acts of terrorism and other catastrophic events.

Subgrantees used SHSP and UASI grant funds to purchase equipment that had been received, but was still in boxes, kept in storage, and was not being used. Examples included:



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- One UASI subrecipient purchased 296 radios costing approximately \$1.25 million with FYs 2009 and 2010 UASI grant funds. The radios were received between September 2011 and October 2012, but were still in boxes on shelves in a storage area waiting to be programmed (configured to access the subrecipient's system) or ready but unassigned. Approximately 240 radios on the shelves were not stored in any order. We could randomly pick a radio from a shelf and find it on the inventory tracking system list. However, we could not select a radio from the list and then find it on the shelf because the radios were not placed on the shelves in any particular order. Also, the location of each radio was not included on the tracking list.
- Three large generators, costing more than \$475,000, were purchased and delivered to a subgrantee in November 2011. These generators were sitting in a warehouse at the time of our visit. The generators were tested when delivered, but had not been used for any training or during any exercises. The subgrantee described the three generators as the "backup of the backup for a radio tower site." A maintenance schedule for the three generators did not exist at the time of our visit.

The Grant Management Office did not have monitoring procedures or activities for verification that purchased equipment was needed and used by the subgrantees. The Grant Management Office Administrator acknowledged that improvements were needed to the State's monitoring activities for subgrantees. In this regard, the examples observed during our audit could have been discovered during on-site visits by Grant Management Office officials. The information would have been useful for determining subgrantee needs during the State's annual Investment Justification application process.

The equipment procured, but not used, would indicate that the need for the equipment was questionable. In addition, because the equipment was not being used, the State's first responders did not benefit from the procurements. Accordingly, the equipment and the approximately \$1,725,000 used to procure the equipment may have been put to better use.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation #22:

Establish and implement procedures to ensure that equipment procured is needed and ready for use as intended in a timely manner.

Recommendation #23:

For the unused equipment observed during the audit:

- Determine if the equipment is needed;
- If the equipment is needed, ensure that appropriate maintenance is routinely conducted and that it is ready for use when needed;
- If not needed, reassign the equipment to other subgrantees who do need it; or
- If not needed in Hawaii, consult with FEMA on the best use for the unused equipment.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 22: FEMA concurred with the recommendation. FEMA said it will work with the State to ensure that their equipment purchases are needs based and available for utilization when procurements are made and the equipment is received. The State concurred with the recommendation and stated that a procedural guide was being developed to address maintenance and equipment use.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 22. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 23: FEMA concurred with the recommendation. FEMA will require the State to confirm that all grant funded equipment remains needed for uses that are authorized by Federal law and regulations. In cases where grant funded equipment is not currently being used for a proper purpose, or is excess or no longer needed, FEMA will require the State to make use of the equipment for a proper purpose or make disposition of the equipment as required by CFR Title 44 § 13.32. The State concurred with the recommendation, and stated that no equipment was deemed excess for reissue.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 23. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Fusion Center

The Hawaii fusion center did not have State or other sources of funding identified for future support of the Fusion Center Director or the Intelligence Analyst, other than DHS funding. These two positions were funded for one year by the SHSP 2011 grant award. Funds were not available from other sources and the operations and sustainability of the Fusion Center for the foreseeable future was dependent on DHS funding. In addition, a 2012 DHS assessment of national fusion centers concluded that Hawaii's center was rated below average in critical operations and enabling capabilities as compared to other fusion centers. As a result of the funding uncertainty, the operations and sustainability of Hawaii's Fusion Center with the capability to support national information sharing interests is in jeopardy.

FEMA guidance contained in the FY 2011 Homeland Security Grant Program Guidance and Application Kit states that the national network of fusion centers is one of the Department's highest priorities in FY 2011. Although not specifically noted as the Department's "highest priority," the FYs 2009 and 2010 FEMA guidance said that fusion centers were to be a "priority." The FY 2011 guidance required at least one fusion center investment justification in the State's application package. The guidance stated that fusion centers were to serve as focal points within the State for the receipt, analysis, gathering, and sharing of threat-related information between the Federal Government and State, local, Tribal, and private sector partners. Fusion centers were required to have the capability to support national interests of sharing information.

According to State officials the fusion center funding evolved because of the requirement in the FY 2011 Homeland Security Grant Program Guidance and Application Kit that the State include a fusion center investment justification in its application package. To comply with the requirement for a fusion center investment justification, the application package submitted by the Grant Management Office for FY 2011 contained an investment of \$231,000. The investment was to provide funding for a State Fusion Center Director and one Intelligence Analyst position for one year. There were no other sources of funding for the Fusion Center Director or the Intelligence Analyst positions and no discussion concerning the State's ability to sustain the capability once the Director and Analyst were hired. The Grant Management Office Administrator told us that they were trying to get funding from other sources, including State funding, but the Grant Management Office Administrator said that the funding would be a couple of years away. The Grant Management Office Administrator also said that Hawaii would have to rely on funding from DHS.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The fusion center was created as an organization focused on national interests. In December 2010, the Governor of Hawaii designated an existing organization, the Pacific Regional Intelligence Clearinghouse, as the State fusion center. The Clearinghouse was located in Honolulu and had been in operation for about one year, funded by resources from the Hawaii High Intensity Drug Trafficking Areas and through the cooperation of Federal law enforcement officials. Support was also provided by the Honolulu Police Department and Honolulu Emergency Services Department with prior year UASI grant funds. According to the current fusion center director, the other State counties (Maui, Hawaii, and Kauai) receive information from the fusion center but did not have staff that participated in the center.

In 2012, DHS in coordination with other Federal partners conducted an assessment of the Hawaii's Fusion center as part of a review of the national fusion center network. The 2012 assessment evaluated the progress of national fusion centers' achievements in support of the national interests of sharing information. The capabilities supporting the sharing of information nationally were evaluated and scored during the assessment. Overall scores for individual fusion centers were computed. The team scored the Hawaii fusion center as below average in providing the required national capabilities.

As a result of the State's slow progress in developing required national capabilities and the uncertainty of funding, the future of Hawaii's Fusion Center is in jeopardy. A sustainability plan is needed that includes funding sources and options for achieving the required national capabilities.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to:

Recommendation #24:

Develop a sustainability plan that includes future funding sources and options for achieving the federally required national information sharing capabilities.

Recommendation #25:

Focus the Center's goals and objective to include supporting national information sharing capabilities as contained in the FY 2011 Homeland Security Grant Program Guidance and Application Kit.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation #26:

Establish and enforce a protocol for assessing the Center's progress in achieving the goals and objectives included in the sustainability plan.

Management Comments and Auditors' Analysis

FEMA and State Responses to Recommendation 24: FEMA did not concur with this recommendation. FEMA stated that it encourages HSGP recipients who use grant funding to operate fusion centers to consider fusion center sustainability and develop plans to continue fusion center operations in the absence of Federal funds. FEMA will request that the State provide any plan for fusion center sustainability that it may have developed, but cannot require SHSP grant recipients to sustain fusion center operations in the absence of Federal funding as a condition of receiving SHSP awards. For this reason, while FEMA can request that the State provide any plan it may have, and can encourage the state to develop such a plan, FEMA cannot require sustainability of the fusion center in the event the State is unwilling to develop a sustainability plan, or responds that it cannot sustain the fusion center in the absence of continuing Federal funding. FEMA does not have the statutory authority under these programs to require grantees to sustain grant funded projects beyond the grant's period of performance as a condition of applying for or receiving SHSP or UASI award funding. The State also did not concur with this recommendation.

Auditors' Analysis: Although FEMA did not concur with recommendation 24, FEMA has stated that for awards in FY 2012 and beyond it has requested that States prioritize sustainment of existing capabilities. Also, the recommendation does not state that FEMA require the grantee to sustain fusion center operations in the absence of Federal funding as a condition of receiving SHSP awards. Instead, the recommendation states that the grantee should develop a sustainability plan that includes future funding sources and options for achieving the federally required national information sharing capabilities. We encourage FEMA to reconsider its position and work with the State to develop a sustainability plan. Until FEMA addresses the intent of the recommendation, it will remain unresolved and open.

FEMA and State Responses to Recommendation 25: FEMA concurred with the recommendation. FEMA will work with the State and the DHS Office Intelligence and Analysis to determine options available to the State to ensure its fusion center is an integral part of the national intelligence and information sharing network. The State did not concur with the recommendation.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation 25. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.

FEMA and State Responses to Recommendation 26: FEMA concurred with the recommendation. As noted in the response to recommendation 24, FEMA does not have the legal authority to mandate that the State sustain the fusion center in the absence of Federal funding. For this reason, FEMA cannot mandate that the State develop a sustainability plan and, in the event the State chooses not to develop a plan, FEMA does not have the authority to require the establishment of enforcement of such a protocol. However, FEMA does encourage the States to consider sustainability and to develop a sustainability plan. To the extent the State chooses to develop a sustainability plan, FEMA will work with the State, and the DHS Office of Intelligence and Analysis to ensure that the State is meeting the goals and objectives contained in its plan and will assess the State's progress under its plan.

The State did not concur with the recommendation, and indicated that the corrective action is to continue the development of the fusion center. The State also said that the fusion center director started one week after the beginning of the audit. The State maintains that the fusion center must continue its growth, and is keenly sensitive to sustaining the fusion center. The State is planning a Joint Emergency Management Center that when built, will also house the Hawaii State Fusion Center. The State said it provided a sustainment outline to us as part of the audit.

Auditors' Analysis: FEMA's proposed corrective actions are responsive to the intent of the recommendation regarding the assessment of the fusion center's progress should a sustainability plan for the fusion center be prepared. However, until FEMA provides a firm timetable for completion, this recommendation will remain unresolved and open.



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 the DHS OIG's oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

This report provides the results of our work to determine whether the State of Hawaii spent SHSP and UASI grant funds (1) effectively and efficiently, and (2) in compliance with applicable Federal laws and regulations. We also addressed the extent to which funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

The HSGP and its five interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, only SHSP and UASI funding, equipment, and supported programs were reviewed for compliance. The scope of the audit included the SHSP and UASI grant awards for FYs 2009, 2010, and 2011. The HSGP awards to the State of Hawaii for FYs 2009 through 2011 are included table 7. Funding was not provided to Hawaii for the HSGP Operation Stonegarden program.

Table 7: Homeland Security Grant Program Funding

Homeland Security Grant Program FYs 2009 through 2011				
Funded Activity	FY 2009	FY 2010	FY 2011	Total
State Homeland Security Program	\$6,524,500	\$6,613,200	\$5,137,205	\$18,274,905
Urban Areas Security Initiative Program	\$4,754,800	\$4,754,800	-0-	\$9,509,600
Citizen Corps Program	\$145,965	\$124,876	\$99,702	\$370,543
Metropolitan Medical Response System Program	\$321,221	\$317,419	\$281,693	\$920,333
Grand Total	\$11,746,486	\$11,810,295	\$5,518,600	\$29,075,381

Source: Federal Emergency Management Agency



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

We reviewed the plans developed by the State to improve its preparedness and response to all types of hazards, the goals set within those plans, the measurement of progress toward the goals, and the assessments of performance improvement that result from this activity.

We visited the designated State Administrative Agency and the recipients of FYs 2009 through 2011 grant funds. The recipients/subgrantees included:

State Agencies:

- Department of Accounting and General Services
- Department of Land & Natural Resources
- Department of Public Safety
- Department of the Attorney General
- Department of Transportation
- State Civil Defense
- University of Hawaii

Counties:

- Hawaii
- Honolulu
- Kauai
- Maui

Note: There were no other local subgrantees.

At each location, we interviewed responsible officials, reviewed documentation supporting State and subgrantee management of grant funds, and physically inspected some of the equipment procured with the grant funds. We met with representative first responder organizations such as fire, police, and emergency medical services to discuss the grant process, and the benefits the grant funds have brought to their organization and communities. We interviewed City of Honolulu officials responsible for the management of UASI grant funds received from FYs 2009 and 2010 grants. Our UASI-related work was similar to the work performed for the SHSP grants.

We also interviewed FEMA headquarters and Region IX officials at the beginning of the audit and, as needed, during the audit. The FEMA officials provided important background information and key documentation concerning the State of Hawaii's management and expenditure of the SHSP and UASI grants.

We conducted this performance audit between January and June 2013, 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



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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.

Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. This was a performance audit as defined by Chapter 2 of the Standards, and included a review and report of program activities with a compliance element. Foxx & Company was not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, Foxx & Company was neither required to review, nor express an opinion on, the costs claimed for the grant programs included in the scope of the audit. Had Foxx & Company been required to perform additional procedures, or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to their attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the State of Hawaii.

While the audit was being performed and the report prepared under contract, the audit results are being reported by the DHS Office of Inspector General to appropriate Federal Emergency Management Agency and State of Hawaii officials.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
Management Comments to the Draft Report

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

 **FEMA**

NOV 04 2013

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General
Office of Audits
Department of Homeland Security

FROM:  David J. Kaufman 
Associate Administrator for
Policy, Program Analysis and International Affairs
Federal Emergency Management Agency (FEMA)

SUBJECT: FEMA's Response to OIG-12-174-AUD-FEMA "Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 through 2011".

Thank you for the opportunity to review and comment on OIG Draft Report OIG-12-174-AUD-FEMA "Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 through 2011". The draft report contains 26 recommendations for which FEMA concurs with 25 recommendations; 1-23, and 25-26, FEMA non-concur with recommendation 24.

OIG Recommendation 1:

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to develop and implement policies and procedures to ensure that:

- The State's strategy is updated as required and includes goals and objectives applicable to capabilities that are specific, measurable, achievable, results-oriented, and time-limited;
- Baselines are identified for the capabilities that will facilitate the measurement of progress toward achieving the goals and objectives; and
- A plan is formalized to monitor progress, compile key management information, track trends, and keep the strategy on track.

FEMA Response to Recommendations 1: Concur. (See consolidated response below for recommendations 1-2)

www.fema.gov



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

OIG Recommendation 2: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to include the progress achieved in accomplishing goals and objectives, along with the assessment of risk, in the decision making process for future grant funding decisions.

FEMA Consolidated Response to Recommendations 1 & 2: Concur. FEMA has established and implemented a system to help states, territories and urban areas develop strategic plans that establish measurable goals and objectives that will enable them to systematically measure improvements in first responder capabilities and statewide preparedness. The system established and implemented is described below.

Measuring Grant Effectiveness

As part of the National Preparedness System, FEMA has developed and is implementing performance assessments that measure progress toward achieving the Goal. FEMA's strategy is to base assessments on the principles that the Nation needs to understand existing risks, use those risks to determine required capabilities, assess current capability levels against those requirements, and track its progress in closing identified capability gaps.

In 2012, FEMA released a consistent methodology for determining risks in the *Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide (CPG-201)*. CPG-201 details a five-step process jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. This approach allows a jurisdiction to establish its own capability targets based on the risks it faces.

On December 31, 2012, states, territories, and major urban areas receiving Homeland Security Grant Program (HSGP) funds were required to submit their THIRAs to FEMA. Once each jurisdiction has determined capability targets through the THIRA process, it estimates its current capability levels against those targets. Also in 2012, states and territories were required to submit State Preparedness Reports (SPRs) to FEMA. The THIRA and SPR processes are scalable to allow sub-jurisdictions, sub-grantees and subject matter experts to provide input to the state or territory. Taken together, the THIRA results and the SPR identify capability needs and gaps. The THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report (NPR).

Sustaining, Building and Delivering Capabilities

Having estimated capability requirements, the next component of the National Preparedness System is to build and sustain capabilities. This step ties grant investments directly to needs and shortfalls. Grantees address documented capability requirements and gaps in their grant applications. In the investment justifications (IJ) submitted in the grant application, grantees must specifically identify the core capability or capabilities, the priority of the core capability as well as the capability gaps noted in their SPR that investment intends to address. In addition, the grantee must identify the specific outcome(s) that the investment will yield. FEMA verifies completion of the investment/project through its programmatic monitoring and spending on the investment through the Biannual Strategy Implementation Report (BSIR), also a tool used in the



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

monitoring process. Since the period of performance for the Homeland Security Grant Program is two years, a time limit is set for completion of the project once it is funded.

FEMA addressed the OIG recommendation for States to establish SMART goals and objectives that will enable States and Territories to systematically measure improvements in first responder capabilities and statewide preparedness by requiring states to use a set of tools including the THIRA, SPR, and Investment Justifications (IJs). Strategy updates are encouraged but not required as the THIRA, SPR and IJ methodology provide the goals and assessment of progress against those goals.

Finally, CPG 201: Threat and Hazard Identification and Risk Assessment Guide Supplement 1: Toolkit provides all the required templates to complete the THIRA process including information and documentation used to develop and compile threat and hazard information. As the THIRA will be an annual iterative process, subsequent iterations will build on the documents from previous years.

Hawaii has submitted their FY 2012 THIRA (attachment 1A) and SPR (attachment 1B). In accordance with the FY 2013 Homeland Security Grant Program Funding Opportunity Announcement, Hawaii has submitted investment justifications based on their THIRA and SPR. (See attached THIRA and SPR submitted by the State).

FEMA addressed the recommendation for assessment and reporting systems by requiring States and Territories to use the THIRA, SPR, and IJs as the basis for statewide assessment and reporting. The methodology and tools for THIRA and SPR are scalable and available to local jurisdictions and sub-grantees.

FEMA believes that use of the THIRA, SPR and IJ satisfies the intent of this recommendation and requests that recommendations be closed.

OIG Recommendation 3: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to evaluate the effectiveness of the manual issued in November 2012 to ensure that the day-to-day activities within the Grant Management Office are performed in accordance with Federal requirements, and update the manual as necessary.

FEMA Response to Recommendations 3: **Concur.** FEMA will verify with the State that the updated Grants Management System and associated policies and procedures it uses are current and applicable to applicable Federal requirements and conform to HSGP.

OIG Recommendation 4: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to use the documented policies and procedures as tools for training new staff, succession planning, and ensuring consistent and uniform handling of day-to-day activities.

FEMA Response to Recommendations 4: **Concur.** FEMA will confirm that the State has a management tool in place, and that it includes policies and procedures to ensure that day to day activities for grants management, staff training and planning is uniformly executed.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Recommendation 5: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to establish and implement policies and procedures to ensure compliance with Federal and State regulations for sole source procurements.

FEMA Response to Recommendations 5: **Concur.** FEMA will work with the State to ensure adequate policies are in effect for sole source and other types of procurements that ensures compliance with applicable Federal and State regulations in situations where grant funds are used to acquire or purchase goods and services.

OIG Recommendation 6: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to ensure that cost analyses are performed in accordance with Federal regulations when sole source procurements are justified.

FEMA Recommendations 6: **Concur.** FEMA will require the State to include cost analysis reviews consistent with 44 C.F.R. § 13.36 in the Procurement policies and procedures they develop.

OIG Recommendation 7: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to conduct the required cost analysis for all sole source procurements made under the FY 2009 through FY 2011 SHSP and UASI awards, and disallow and recover any unreasonable amounts.

FEMA Response to Recommendation 7: **Concur.** FEMA will provide the State an opportunity to submit an explanation of why, under the pertinent facts and the applicable legal authority, it disagrees with OIG's recommendation including why any debt amount referenced is not owed and unpaid in the amount specified. The grantee will be instructed to include this as part of its Corrective Action Plan Update to FEMA within 90 days of receipt of the grantee notification memo and to also include any and all supporting evidence. The grantee will be advised that it can refer to any previously submitted evidence in lieu of resubmitting such evidence. This submission must be made in a timely manner to the grantee's Grant Programs Directorate Program Analyst.

OIG Recommendation 8: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to implement procedures in accordance with the November 2012 policies and procedures manual to ensure compliance with Federal time reporting requirements for personnel costs by activity reports or by a substitute system that identifies time expended on Federal awards by grant.

FEMA Response to Recommendation 8: **Concur.** FEMA will require the State to develop policies and procedures that accurately record time worked by personnel on allowable activities paid for by grant funds.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Recommendation 9: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to verify that the unsupported personnel costs claimed against FYs 2009 through 2011 HSGP grant awards were expended on activities identifiable to the individual grants by providing documentation that adequately supports the \$857,209 questioned as valid charges, or recover the amount not supported and return to FEMA.

FEMA Response to Recommendation 9: Concur. Based on initial analysis of the questioned costs identified in this recommendation FEMA will initiate its Debt Collection process (FEMA Directive 116-1, "Submission of Debt to the FEMA Finance Center") to determine if the questioned cost identified is allowable, or is disallowed, and therefore will be recouped.

OIG Recommendation 10: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to implement the subgrantee monitoring procedures developed in October 2012.

FEMA Response to Recommendation 10: Concur. FEMA will require the State to comply with the prescribed monitoring protocols it developed in 2012, and use these protocols in monitoring subgrantees.

OIG Recommendation 11: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to develop and comply with a schedule for monitoring subgrantees using the subgrantee monitoring procedures.

FEMA Response to Recommendation 11: Concur. FEMA will require the State to include a monitoring schedule as part of their policies and procedures for subgrantee monitoring.

OIG Recommendation 12: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to evaluate the effectiveness of the November 2012 policies and procedures manual and the October 2012 subgrantee monitoring manual regarding property management, and revise as necessary.

FEMA Response to Recommendation 12: Concur. FEMA will review the 2012 policies and procedures manual to ensure it adequately supports the implementation of a comprehensive monitoring program.

OIG Recommendation 13: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to monitor subgrantee compliance with property management requirements.

FEMA Response to Recommendation 13: Concur. FEMA will ensure that the State develops policies and procedures consistent with the requirements 44 C.F.R. § 13.32 to monitor subgrantee property records accurately and in a timely manner.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Recommendation 14: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to direct subgrantees to establish and maintain property management records in accordance with Federal requirements, conduct the required 2-year inventory inspections, and reconcile the results to the property records.

FEMA Response to Recommendation 14: Concur. FEMA will require the State to institute a sub grantee property records management and verification process to reconcile and document property records that is consistent with the requirements 44 C.F.R. § 13.32.

OIG Recommendation 15: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to develop and implement procedures to ensure compliance with the SHSP grant requirements concerning written consent from subgrantees when funds are retained by the State.

FEMA Response to Recommendation 15: Concur. FEMA will ensure that the State implements and follows a memorandum of agreement (MOU) process for obtaining subgrantee approval if/when The State retains SHSP funding on behalf of a local jurisdiction or subgrantees.

OIG Recommendation 16: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to determine what the retained funds of \$3,275,509 were used for and evaluate if the funding and expenditures were for the benefit of each respective subgrantee.

FEMA Response to Recommendation 16: Concur. Based on initial analysis of the questioned costs identified in this recommendation FEMA will initiate its Debt Collection process (FEMA Directive 116-1, "Submission of Debt to the FEMA Finance Center") to determine if the questioned cost identified is allowable, or is disallowed, and therefore will be recouped.

OIG Recommendation 17: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to if the funds that were retained were not used for the benefit of the subgrantees, the funds from expired grants should be returned to FEMA and the unexpired grant funds should be awarded to the appropriate subgrantees for their use.

FEMA Response to Recommendations 17: Concur. FEMA will provide the State an opportunity to submit an explanation of why, under the pertinent facts and the applicable legal authority, it disagrees with OIG's recommendation including why any debt amount referenced is not owing and unpaid in the amount specified. The grantee will be instructed to submit this along with any and all supporting evidence as part of its Corrective Action Plan Update to FEMA within 90 days of receipt of the grantee notification memo.

The grantee will be advised that it can refer to any previously submitted evidence in lieu of resubmitting such evidence. This submission must be made in a timely manner to the grantee's Grant Programs Directorate Program Analyst.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Recommendation 18: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to develop and implement procedures, with appropriate controls (such as enforced deadlines), to ensure that grant funds are expended in a timely manner.

FEMA Response to Recommendation 18: Concur. FEMA will work with the State to ensure that sub awards are executed within the required time frame, and that they include appropriate control mechanisms to protect against improper uses of the funds.

OIG Recommendation 19: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to complete a reconciliation of the expenditures in the Grant Management System to determine the accuracy and timeliness of the recordings. Funds for any claimed expenditures that cannot be supported should be returned to FEMA.

FEMA Response to Recommendation 19: Concur. FEMA will provide the State an opportunity to submit an explanation of why, under the pertinent facts and the applicable legal authority, it disagrees with OIG's recommendation including why any debt amount referenced is not owing and unpaid in the amount specified. The grantee will be instructed to submit this along with any and all supporting evidence as part of its Corrective Action Plan Update to FEMA within 90 days of receipt of the grantee notification memo.

The grantee will be advised that it can refer to any previously submitted evidence in lieu of resubmitting such evidence. This submission must be made in a timely manner to the grantee's Grant Programs Directorate Program Analyst.

OIG Recommendation 20: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to develop and implement procedures to ensure that future expenditures are accurately recorded in a timely manner in the Grant Management System, properly supported with appropriate documentation, and are readily reconcilable to supporting invoices and other related documents.

FEMA Response to Recommendation 20: Concur. FEMA will work with the State to ensure it has policies and procedures in place to adequately reconcile accounts and the State's Grants Management System.

OIG Recommendation 21: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to determine what the retained funds of \$3,275,509 were used for and evaluate if the funding and expenditures were for the benefit of each respective subgrantee.

FEMA Response to Recommendation 21: Concur. We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to establish and implement procedures to ensure that financial status reports are prepared, certified, and submitted in accordance with Federal requirements and signed by appropriate Hawaii Grant Management Office officials.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

OIG Recommendation 22: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to establish and implement procedures to ensure that equipment procured is needed and ready for use as intended in a timely manner.

FEMA Response to Recommendation 22: Concur. FEMA will work with the State to ensure that their equipment purchases are needs based and available for utilization when procurements are made and the equipment is received.

OIG Recommendation 23: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to for the unused equipment observed during the audit:

- Determine if the equipment is needed;
- If the equipment is needed, ensure that appropriate maintenance is routinely conducted and that it is ready for use when needed;
- If not needed, reassign the equipment to other subgrantees who do need it; or
- If not needed in Hawaii, consult with FEMA on the best use for the unused equipment.

FEMA Response to Recommendation 23: Concur. FEMA will require the State to confirm that all grant funded equipment remains needed for uses that are authorized by federal law and regulations. In cases where grant funded equipment is not currently being used for a proper purpose, or is excess or no longer needed, FEMA will require the State to make use of the equipment for a proper purpose or make disposition of the equipment as required by 44 C.F.R. § 13.32.

OIG Recommendation 24: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to develop a sustainability plan that includes future funding sources and options for achieving the federally required national information sharing capabilities.

FEMA Response to Recommendation 24: Non-Concur. FEMA encourages HSGP recipients who use grant funding to operate fusion centers to consider fusion center sustainability and develop plans to continue fusion center operations in the absences of federal funds. FEMA will request that the State provide any plan for fusion center sustainability that it may have developed. But, as explained below, FEMA cannot require HSGP grant recipients to sustain fusion center operations in the absence of federal funding as a condition of receiving HSGP awards. For this reason, while FEMA can request that the State provide any plan it may have, and can encourage the state to develop such a plan, FEMA cannot require sustainability of the fusion center in the event the State is unwilling to develop a sustainability plan, or responds that it cannot sustain the fusion center in the absence of continuing federal funding.

Congress statutorily created the UASI and SHSP grant programs in Title XX of the *Homeland Security Act of 2002*, as amended. As enacted by Congress, the UASI and SHSP programs do not require state and local level grant recipients to provide any cost sharing or cost matching contributions, nor are grant recipients statutorily required to sustain and maintain grant funded projects for any length of time beyond the grant's period of performance. The result is that these



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

programs, as designed by Congress, allow grantees to achieve target capabilities using 100% federal funding, and require grantees to sustain and maintain those capabilities only during the grant's period of performance. FEMA does not have the statutory authority under these programs to require grantees to sustain grant funded projects beyond the grant's period of performance as a condition of applying for or receiving SHSP or UASI award funding.

Notwithstanding the lack of legal authority to require States and other HSGP grant recipients to maintain and sustain capabilities in the absence of continuing federal grant funding, since FY 2011, FEMA has required that each state, territory and urban area eligible for funding under the UASI program prioritize grant funding for fusion centers through the submission of a mandatory investment justification for this purpose. Further, since FY 2012, FEMA has required that HSGP grantees prioritize sustainment of existing capabilities over utilizing grant funding to build new capabilities and requires that grantees supply information substantiating this prioritization in their investment justifications and Biannual Strategy Implementation Reports (BSIR). Despite the lack of legal authority to require States to maintain and sustain capabilities in the absence of federal grant funding, FEMA has used administrative and policy mechanisms to ensure that grant funded capabilities are sustained to the extent that grant funding is available.

OIG Recommendation 25: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to focus the Center's goals and objectives to include supporting national information sharing capabilities as contained in the FY 2011 Homeland Security Grant Program Guidance and Application Kit.

FEMA Response to Recommendation 25: Concur. FEMA will work with the State and the DHS Office Intelligence and Analysis (I&A) to determine options available to the State to ensure its fusion center is an integral part of the national intelligence and information sharing network.

OIG Recommendation 26: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Office of the Adjutant General, Grant Management Office to establish and enforce a protocol for assessing the Center's progress in achieving the goals and objectives included in the sustainability plan.

FEMA Response to Recommendation 26: Concur. As noted in the response to Recommendation #24, FEMA does not have the legal authority to mandate that the State sustain the fusion center in the absence of federal funding. For this reason, FEMA cannot mandate that the State develop a sustainability plan and, in the event the State chooses not to develop a plan, FEMA does not have the authority to require the establishment or enforcement of such a protocol. But, FEMA does encourage the States to consider sustainability and to develop a sustainability plan. To the extent the State chooses to develop a sustainability plan, FEMA will work with the State, and the DHS Office of Intelligence and Analysis (I&A) to ensure that the State is meeting the goals and objectives contained in its plan and will assess the State's progress under its plan.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Thank you again for the opportunity to comment on OIG-12-174-AUD-FEMA "Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 through 2011" and for the work that you and your team have done to better inform us throughout this audit so that we may enhance the program's overall effectiveness. We look forward to your final report for this audit. Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

NEIL ABERCROMBIE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF DEFENSE
OFFICE OF THE ADJUTANT GENERAL
3948 DIAMOND HEAD ROAD
HONOLULU, HAWAII 96816-4495

DARRYLL D. M. WONG
MAJOR GENERAL
ADJUTANT GENERAL

JOSEPH K. KIM
BRIGADIER GENERAL
DEPUTY ADJUTANT GENERAL

November 19, 2013

Anne L. Richard
Assistant Inspector General for Audits
Office of the Inspector General
U.S. Department of Homeland Security
Washington, D.C. 20472

Dear Ms. Richards:

Please accept this letter with attachment as an official response to *Draft Report: Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 through 2011 – For Official Use Only*, for audit conducted by Foxx and Company.

The audit was conducted during an opportune time in that I had moved the entire grant function directly under my direction six months prior. In addition, I have secured legislative approval for an Office of Homeland Security where the Grants Management Office will reside. I would like to thank Foxx and Company for providing me a gauge as to where the program requires additional oversight. Overall, I will maintain that some of these recommendations are valid and steps have been taken to improve many of the recommendations. I also feel we have a successful program and our responders and response agencies are better prepared to prevent, protect, respond, and recover from man-made or natural disaster.

We have reviewed the findings thoroughly and have determined the following:

Finding Numbers	Related To	Estimated Completion Date	Agree/Disagree with Findings
1, 2	Strategic Planning	May 31, 2014	Agree with findings
3, 4	Internal Grant Management Office Procedures	December 31, 2013	Disagree with findings
5, 6, 7	Sole Source	Completed	Agree with findings
8, 9	Certification	Completed	Agree with findings; disagree with synopsis
10, 11	Monitoring Plan	December 31, 2013	Agree with findings
12, 13, 14	Inventory	Ongoing	Agree with findings
15, 16, 17	Funding distribution	Completed	Disagree with findings
18	Encumbrance	Ongoing	Agree with findings
19, 20	Grants Management System Inventory	September 30, 2014	Agree but disagree with the synopsis
21	Reports	Completed	Agree with findings
22, 23	Maintenance and Equipment Use Procedure	March 31, 2014	Agree with findings
24, 25, 26	Fusion Center	Ongoing	Disagree with findings



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Ms. Anne L. Richards
Page 2
November 19, 2013

Based on the above chart, I would like to comment on a few of the findings:

1. We are very concerned with the inventory findings. Based on the concerns as well as preparing for other opportunities, the Grants Management Office is preparing to embark on a 100 percent inventory beginning with grant year 2009. The inventory of the Homeland Security equipment could potentially be completed prior to the date identified but we realize this is a large project and will require a concentrated effort.
2. Completing the strategic plan is the top priority. With the foundation completed, the remainder strategic plan should be completed by May 31, 2014. A second priority is the re-establishment of the Homeland Security Office. Once formed, the concerns of the Auditors related to the Fusion Center are expected to be mitigated.
3. The audit was quite critical of the Hawaii State Fusion Center. We are very mindful of the criticisms related to sustainment of the fusion center. Once we have the Office of Homeland Security established, we will be requesting funding from the State Legislature to support the core Fusion Center staff. In the meantime, having the Hawaii State Fusion Center co-located with our High Intensity Drug Trafficking Area (HIDTA) saves significant funding requirements. A long-term goal for the state is to build a Joint Emergency Management Center where the Hawaii State Fusion Center will be located.

The Grants Management Office continues to improve its management and oversight for the Homeland Security Grant Program. They have implemented policies and procedures for the Homeland Security Grant Program, as well as other federal grant programs managed by State Department of Defense. The Grants Management Office coordinates and collaborates very closely with each of its sub-grantees to ensure they have the tools they need and the assistance to manage their programs.

On behalf of all the sub-grantees we continue to be concerned with the two-year performance period for grant programs. The two-year period is insufficient to complete the federal requirements as well as obtaining Governor or Council approvals before funds can be expended. It continues to be a concern as we approach the closeout of the 2011 and 2012 grant years.

If there are additional questions, please have your staff contact Ms. Dolores Cook, Grants Management Office, at email dolorescook@dod.hawaii.gov or by phone, 808-733-4205.

Sincerely,


FOR DARRYLL D. M. WONG
Major General
Hawaii National Guard
Adjutant General



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Ms. Anne L. Richards
Page 3
November 19, 2013

Attachment

c. Mr. Brian E. Kamoie, Assistant Administrator, Grants Program Directorate, Federal Emergency Management Agency, Room 5007 Techworld Building, 500 C Street, S.W., Washington, D.C. 20472

Mr. David Nichols, Program Analyst, Grants Management Directorate, Federal Emergency Management Agency, Room 5007 Techworld Building, 500 C Street, S.W., Washington, D.C. 20472

Fox & Company, 700 Goodall Complex, 324 West Ninth Street, Cincinnati, Ohio 45202



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

State of Hawaii
Department of Homeland Security
Office of the Inspector General
Audit Report

General Comments:

Details missing to challenge Foxx and Company – We have it highly unfair to provide the critique toward our operations without having visibility of the analysis completed by Foxx and Company. As we all know, figures can say whatever we want them to say. Therefore to be fair to the State, we should have access to each and every analysis.

Findings 1 and 2

1. Develop and implement policies and procedures to ensure that:
 - The State's strategy is updated as required and includes goals and objectives applicable to capabilities that are specific, measurable, achievable, results-oriented, and time-limited;
 - Baselines are identified for the capabilities that will facilitate the measurement of progress toward achieving the goals and objectives; and
 - A plan is formalized to monitor progress, compile key management information, track trends, and keep the strategy on track.
2. Include the progress achieved in accomplishing goals and objectives, along with the assessment of risk, in the decision making process for future grant funding decisions.

The State Department of Defense agrees with both findings.

Corrective Action: Contract awarded by December 31, 2013; strategy completed by May 31, 2014

The State Homeland Security Strategic Plan is under developments. Once completed, a copy will be provided to Department of Homeland Security Preparedness Analyst as well as being updating in the Reporting Portal.

Estimated completion: May 31, 2014

Discussion: The strategic plan framework has been provided to Foxx and Company. The plan will continue to use the implementation plan as a process for determining grant funding decisions. The Threat Hazard Identification Risk Identification Plan will be used with the strategic plan.

Findings 3 and 4

3. Evaluate the effectiveness of the manual issued in November 2012 to ensure that the day-to-day activities within the Grant Management Office are performed in accordance with Federal requirements, and update the manual as necessary.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

4. Use the documented policies and procedures as tools for training new staff, succession planning, and ensuring consistent and uniform handling of day-to-day activities.

The State Department of Defense does not fully agree with these findings.

Corrective Actions: An internal Standard Operating Procedure is under development. A table of contents was provided to Foxx and Company. The City and County of Honolulu will also be developing an operational manual.

Estimated Completion: December 31, 2013

Discussion: Page 8 contained misleading statements. The last three bullets were presented to Foxx and Company during the exit conference to document the comments however to date these have not been clarified.

The first two bullets are a result of the control breakdowns – the Initial Strategy Implementation Plan and reporting issues were correct and provided to Foxx and Company; the strategic plan is under development.

The Procedural Manual is not meant to be a day-to-day guide for the staff.

Findings 5, 6, 7

5. Establish and implement policies and procedures to ensure compliance with Federal and State regulations for sole source procurements.
6. Ensure that cost analyses are performed in accordance with Federal regulations when sole source procurements are justified.
7. Conduct the required cost analysis for all sole source procurements made under the FY 2009 through FY 2011 SHSP and UASI awards, and disallow and recover any unreasonable amounts.

The State Department of Defense agrees with the findings.

Corrective Action: Completed

Corrective Action: A Price-Cost Analysis form has been added to the Grants Management Procedural Manual. A copy of the Procedural Manual has been provided to the Department of Homeland Security Preparedness Analyst.

Discussion: The four documents identified by Foxx and Company have been documented and details provided to the Auditors.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Findings 8 and 9

8. Implement procedures in accordance with the November 2012 policies and procedures manual to ensure compliance with Federal time reporting requirements for personnel costs by activity reports or by a substitute system that identifies time expended on Federal awards by grant.
9. Verify that the unsupported personnel costs claimed against FYs 2009 through 2011 HSGP grant awards were expended on activities identifiable to the individual grants by providing documentation that adequately supports the \$857,209 questioned as valid charges, or recover the amount not supported and return to FEMA.

The State Department of Defense agrees with the finding related to the certifications but does not agree with the amount questioned.

Corrective Action: Corrected; certificates were provided to Foxx and Company

Discussion: This finding relates to individuals who were paid by the grant in most cases by State Civil Defense and the Urban Area Security Initiative. A standard work analysis record and certification is being used by grantee and sub-grantees. Several of those individuals previously paid under the grant are no longer associated with the grant program – measures have been successful to provide funding from other sources.

In review of the payroll expended during the period in question our payroll computation does not match the Foxx and Company computation. However, without having the details related to the finding, it is difficult to analyze. These were legitimate payroll expenses.

Findings 10 and 11

10. Implement the sub-grantee monitoring procedures developed in October 2012.
11. Develop and comply with a schedule for monitoring sub-grantees using the sub-grantee monitoring procedures.

The State Department of Defense agrees with both findings.

Corrective Action: A new sub-monitoring schedule is being coordinated; completed by December 31, 2013

Discussion: The Grants Management Office continually collaborates with all sub-grantees. The primary issue is documenting all the different monitoring processes conducted by the Grants Management Office. The Grant Management Office is acutely aware of each sub-grantees status.

Findings 12, 13, and 14

12. Evaluate the effectiveness of the November 2012 policies and procedures manual and the October 2012 sub-grantee monitoring manual regarding property management, and revise as



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

necessary.

13. Monitor sub-grantee compliance with property management requirements.
14. Direct sub-grantees to establish and maintain property management records in accordance with Federal requirements, conduct the required 2-year inventory inspections, and reconcile the results to the property records.

The State Department of Defense agrees with the findings.

Corrective Action: On-going

Estimated Completion: 100% inventory completed September 2014

Discussion: Inventory is conducted annually which includes the Homeland Security purchases. What has been lacking is the control such as identification of equipment as fair, wear, and tear, lost, destroyed, transferred equipment. These procedures are identified in the procedural manual but admittedly, inventory practices have not been enforced by leadership.

The Grants Management Office has a standard inventory form for Homeland Security Grant purchases. Homeland Security purchases are included with state/county inventory and does not record the depth required by the FF 428 or the Grant Management Office Procedural Manual. The Grants Management Office is working on producing an inventory from grant records to standardize the inventory. The initial report was generated for the FY 2010 Homeland Security Grant Program. Additional work is necessary on the tool.

The Homeland Security purchased equipment is integrated with all property owned by county/state agencies. The Office of Information Management and Technology is implementing plans to upgrade all the core functions within the State. The inventory system is scheduled for 2017. By upgrading the Grants Management System with an inventory tool, a complete history will be possible. Eventually, a photo of equipment will be integrated with the purchase. The Grants Management will be part of the ERP development.

Findings 15, 16, and 17

15. Develop and implement procedures to ensure compliance with the SHSP grant requirements concerning written consent from sub-grantees when funds are retained by the State.
16. Determine what the retained funds of \$3,275,509 were used for and evaluate if the funding and expenditures were for the benefit of each respective sub-grantee.
17. If the funds that were retained were not used for the benefit of the sub-grantees, the funds from expired grants should be returned to FEMA and the unexpired grant funds should be awarded to the appropriate sub-grantees for their use.

State Department of Defense does not agree with these findings.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Corrective Action: The 2009, 2010, 2011 Memorandums of Agreement have a Grant Adjustment Notice identifying the specific state attribution.

Estimated Completion: Completed; documentation was provided to Foxx and Company.

Discussion: Each grant year, the distribution of funds is provided with the Memorandums of Agreements that are signed by the County Mayors. In the years questioned the distribution was discussed with each of the Mayor's prior to the distribution of the Memorandums of Agreement. Areas such as training and exercises, Search and Rescue, the Asia Pacific Economic Conference, Shelter Improvement Project are examples where funds agreed upon to be managed by the state on behalf of the counties.

The situation in the State of Hawaii is that most functions reside at the state level, not the county. Many of the state agencies have a large presence in each jurisdiction. State agencies in each of the jurisdiction are part of the county response and sit in county emergency operation center. Therefore, state agency support provided to county staff is aligned at the end of the grant as a benefit to the county. Each county has benefited immensely from the homeland security grant program funding, however the 80-20 split does not align well with only four counties, with limited response agencies and top heavy state where these resources work in the county supporting the county teams.

Grant Adjustment Notices have now been issued for each grant year and the four counties identifying the state contribution to each jurisdiction. New Memorandums of Agreement have the distribution of funding clearly identified.

Finding 18

18. Develop and implement procedures, with appropriate controls (such as enforced deadlines), to ensure that grant funds are expended in a timely manner.

State Department of Defense agrees with this finding.

Corrective Action: Continuous; on going

Estimated Completion: Short-term is December 31, 2013 encumbrance dates for 2011 and 2012 programs.

Discussion: Encumbrance dates are established for each grant program. Enforcement is key.

Findings 19 and 20

19. Complete a reconciliation of the expenditures in the Grant Management System to determine the accuracy and timeliness of the recordings. Funds for any claimed expenditures that cannot be supported should be returned to FEMA.
20. Develop and implement procedures to ensure that future expenditures are accurately recorded



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

in a timely manner readily reconcilable to supporting invoices and other related documents.

State Department of Defense agrees with the examples presented but not the foundation of the finding.

Corrective Action: Conduct a 100 percent inventory completed by September 30, 2014

Estimated Completion: September 30, 2014

Discussion: We are quite proud of the Grants Management System. It has proven to grow and expand as the programs have grown. The two examples presented for the State Blended System and the Buffer Zone are in fact correct observations. These errors occurred during 2011 and have not yet been resolved. Actions are being taken to correct entailing a complete inventory and contract closeout adjustments. There is also a teaching point to the staff by constant and consistent review of such entries as "JV" or listing contract numbers. The Grants Management System contains over 8,000 entries; it requires continuous review. Luckily it can be modified internally based on new guidance, compliances, oversight, etc. The Grants Management System is as correct as the information being reported. Reconciliations are conducted with sub-grantees on a regular basis. Reconciliations have begun with the quarterly report with each sub-grantee. This is already being conducted with the Department of Defense Fiscal Office to ensure the data for both entities are correct. This also identifies unobligated funds and provides opportunity to investigate prior to beginning closeout. Closeout reconciliation will normally begin six months prior.

The Grants Management System is reviewed with invoices on a regular basis and is in fact checked during closeout.

Findings 21

21. Establish and implement procedures to ensure that financial status reports are prepared, certified, and submitted in accordance with Federal requirements and signed by appropriate Hawaii Grant Management Office officials.

State Department of Defense agrees with finding.

Corrective Action: Completed; signed reports for 2011 provided to Foxx and Company

Discussion: Reports are considered very important and dedicated time is taken to complete reports. Reports issued during 2011 were reviewed since they were not being signed. All reports were reviewed with SAA for signature. Unfortunately some were missed in the file but are now signed. Copies were provided to Foxx and Company. Reports are maintained by quarter and grant program. Only the Grant Management Administrator completes all reports.

It is unknown what reports through December 2012 were late. We do take exception after July 2012 that the reports were on schedule, signed by the SAA and copies provided to the appropriate federal entities.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Findings 22 and 23

22. Establish and implement procedures to ensure that equipment procured is needed and ready for use as intended in a timely manner.
23. For the unused equipment observed during the audit:
- Determine if the equipment is needed;
 - If the equipment is needed, ensure that appropriate maintenance is routinely conducted and that it is ready for use when needed;
 - If not needed, reassign the equipment to other sub-grantees who do need it; or
 - If not needed in Hawaii, consult with FEMA on the best use for the unused equipment.

State Department of Defense agrees with these findings.

Corrective Action: A procedural guide is being developed to address maintenance and equipment use.

Estimated Completion: March 31, 2014

Discussion: The procedural guide will provide guidance for maintenance of equipment, ensuring equipment is ready for deployment when required. Sub-grantees are also being encouraged to discuss equipment maintenance plans, service, and support with Public Works/Facilities Maintenance. Policies exist for receipt of equipment; as indicated, the Homeland Security equipment should not be treated any differently than county/state equipment. All equipment identified in the Audit has been checked. Several of the items were in various stages of preparations to issue which has since been issued to responsible parties. No equipment is deemed excess for reissue.

Findings 24, 25, and 26

24. Develop a sustainability plan that includes future funding sources and options for achieving the Federally required national information sharing capabilities.
25. Focus the Center's goals and objective to include supporting national information sharing capabilities as contained in the FY 2011 Homeland Security Grant Program Guidance and Application Kit.
26. Establish and enforce a protocol for assessing the Center's progress in achieving the goals and objectives included in the sustainability plan.

The State Department of Defense does not agree with these findings.

Corrective Action: Continue the development of the Hawaii State Fusion Center.

Discussion: The Director of the Hawaii State Fusion Center started a week after the beginning of the Audit. We understand the situation the Fusion Center must continue its growth. We are also keenly sensitive to sustaining the Fusion Center. The new Homeland Security Office



OFFICE OF INSPECTOR GENERAL

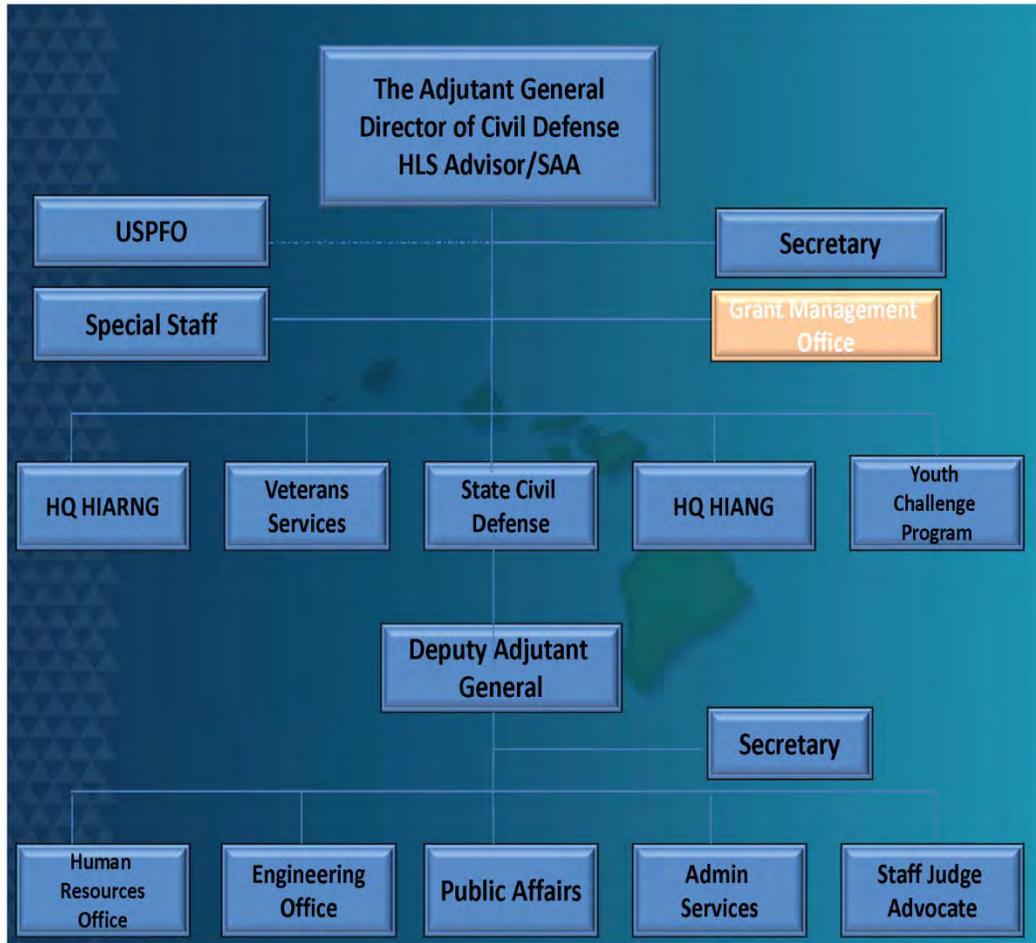
Department of Homeland Security

organizational structure is ready for submission which identifies permanent positions. The State is planning a Joint Emergency Management Center that when built, will also house the Hawaii State Fusion Center. This is a long-term solution; short-term is to continue building the Center so it is self-sufficient.

A sustainment outline was provided to Foxx and Company.



Appendix C Hawaii Grant Management Office Organization Chart



Source: Hawaii Grant Management Office



Appendix D

Description of the Homeland Security Grant Program

The HSGP provides Federal funding to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The HSGP encompasses several interrelated Federal grant programs that together fund a range of preparedness activities, including planning, organization, equipment purchase, training, and exercises, as well as management and administration costs. Programs include the following:

- **The State Homeland Security Program** provides financial assistance directly to each of the States and Territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address identified planning, equipment, training, and exercise needs.
- **The Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas, and to assist in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism and other disasters. Allowable costs for the urban areas are consistent with the SHSP. Funding is expended based on the Urban Area Homeland Security Strategies.

The HSGP also includes other interrelated grant programs with similar purposes. Depending on the fiscal year, these programs include the following:

- **Metropolitan Medical Response System**
- **Citizen Corps Program**
- **Operation Stonegarden** (beginning FY 2010)



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix E
Potential Monetary Benefits

Classification of Monetary Benefits					
Finding	Rec. No.	Funds To Be Put to Better Use	Questioned Costs – Unsupported Costs	Questioned Costs – Other	Total
Total funds awarded by sole source contracts	7			\$1,551,000	\$1,551,000
Personnel time charges claimed without supporting documentation	9		\$857,209		\$857,209
80 percent of the SHSP awards was not awarded to local governments as required	16, 17			\$3,275,509	\$3,275,509
Equipment Purchased but not used	23	\$1,725,000			\$1,725,000
Total		\$1,725,000	\$857,209	\$4,826,509	\$7,408,718

Source: Foxx & Company



Appendix F

Threat and Hazard Identification and Risk Assessment

The National Preparedness System establishes the process to define and achieve specific capability targets and meet the National Preparedness Goal. One of the six components of the National Preparedness System includes identifying and assessing risk. The THIRA provides a comprehensive approach for identifying and assessing risks and associated impacts, using the core capabilities identified in the National Preparedness Goal and employing the following five-step process:

1. Identify threats and hazards;
2. Give threats and hazards context (assess vulnerability, how affects the community);
3. Examine core capabilities using the threats and hazards (estimate consequences, impacts to the community);
4. Set capability targets; and
5. Apply the results (use results for planning and preparedness activities, identify means to deliver target level of capability).

THIRA submission is required of all 56 States and territories receiving HSGP and Emergency Management Performance Grant funds and 31 eligible UASIs. The first THIRA submission was due December 31, 2012. Subsequent submissions will be an annual performance requirement for FEMA preparedness grant awards.

In addition to the THIRA, States and territories receiving FEMA preparedness grants are required to annually submit a State Preparedness Report. FEMA officials state that THIRA results and the State Preparedness Report will provide a quantitative summary of preparedness, document current capabilities and potential shortfalls, and set priorities for addressing shortfalls. FEMA officials also state that the State Preparedness Report results will be used by the States to identify funding requirements and set priorities for subgrantee project applications. The grant application (investment justification) must demonstrate how proposed projects address gaps and deficiencies in delivering one or more core capabilities outlined in the National Preparedness Goal, and as FEMA official's state, address capability gaps reported in the State Preparedness Report.

FEMA officials said that the FY 2013 Homeland Security Grant Program funding announcement will require applicants to map proposed investments to specific core capabilities and capability gaps identified in the State Preparedness Reports, linking investments to actions that build and sustain capabilities aligned with the National Preparedness Goal. We have not had the opportunity to audit this process or the outcomes for this State.



Appendix G

Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
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
Chief Privacy Officer

Federal Emergency Management Agency

Administrator
Assistant Administrator, Grant Programs Directorate
Federal Emergency Management Agency Audit Liaison
Grant Programs Directorate Audit Liaison

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

For additional information, visit our website at: www.oig.dhs.gov, or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

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:

Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Office of Investigations Hotline
245 Murray Drive, SW
Washington, DC 20528-0305

You may also call 1(800) 323-8603 or fax the complaint directly to us at (202) 254-4297.

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