

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

Maine's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012





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APR 28 2014

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Maine's Management of Homeland Security Grant
Program Awards for Fiscal Years 2010 Through 2012*

Attached for your action is our final report, *Maine's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012*. We incorporated the formal comments from the Federal Emergency Management Agency in the final report.

The report contains 10 recommendations aimed at improving the Federal Emergency Management Agency's and Maine's management of Department of Homeland Security Program Grants. Your office concurred with all of the recommendations. Based on information provided in your response to the draft report, we consider recommendation #1 resolved and closed. Recommendations #2 through #10 are resolved and open. Once your office has fully implemented the recommendations, please submit a formal closeout request to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please email a signed PDF copy of all responses and closeout requests to OIGAuditsFollowup@oig.dhs.gov.

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 Mark Bell, Deputy Assistant Inspector General, at (202) 254-4100.

Attachment



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Abbreviations

AEL	Authorized Equipment List
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
MEMA	Maine Emergency Management Agency
MOU	memorandum of understanding
OIG	Office of Inspector General
SHSP	State Homeland Security Program
SMART	specific, measurable, achievable, results-oriented, and time-limited
SPR	state preparedness report
THIRA	Threat and Hazard Identification and Risk Assessment



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Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, 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 Maine.

The audit objectives were to determine whether Maine used State Homeland Security Program grant funds in accordance with the law, program guidance, state homeland security strategies, and other applicable plans. We also addressed the extent to which grant funds enhanced the ability of grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. We reviewed approximately \$14.5 million in State Homeland Security Program grants awarded to Maine during fiscal years 2010 through 2012. Maine did not receive Urban Areas Security Initiative grant funds.

In most instances, the Maine Emergency Management Agency administered its grant programs in compliance with applicable Federal, state, and grant requirements, and State Homeland Security Program grant funds were spent on allowable items and activities. However, Maine could improve its grant management practices by developing a formal management process to measure performance, enhancing procurement procedures, and obligating grant funds within the required time period. Maine could also monitor its subgrantees' purchases better, enforce property management and inventory control requirements, and document employees' time accurately.

We made 10 recommendations to the Federal Emergency Management Agency (FEMA) which, if implemented, should strengthen program management, performance, and oversight. FEMA concurred with all of the recommendations.



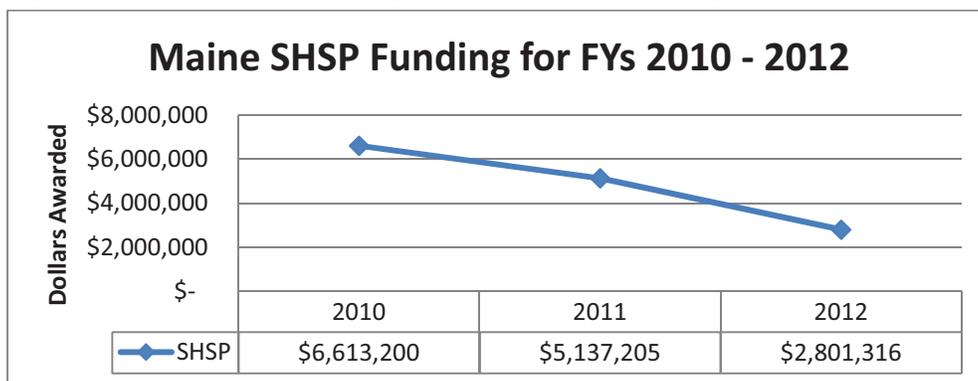
Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help state and local agencies enhance capabilities to prevent, deter, prepare for, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for administering the HSGP. The State Homeland Security Program (SHSP) and the Urban Areas Security Initiative fall under the HSGP and fund a wide range of preparedness activities. Such activities include planning, training, exercises, equipment purchases, management, and administration. Appendix D contains more information about the HSGP.

HSGP guidance requires a state administrative agency to administer and manage grant funding awarded under the HSGP. The state administrative agency also allocates funds to local, regional, and other state government entities. The Maine Emergency Management Agency (MEMA) is the state administrative agency for the SHSP. As such, it implements homeland security-related programs and is responsible for managing the HSGP according to established Federal guidelines. Maine does not receive Urban Areas Security Initiative grant funds. Maine has 6 metro areas, 16 counties, and other local jurisdictions that receive SHSP grant funds. In fiscal years (FY) 2010 and 2011, the counties, communities, and state agencies competed for SHSP grant funds; metro areas were awarded pre-allocated amounts of grant funds. In FY 2012, MEMA developed a funding formula to ensure grant funds were spread across Maine, taking into account population, historical averages, and numbers of communities in a given county. Appendix C contains a flowchart of the grant allocation process.

During FYs 2010 through 2012, FEMA awarded MEMA approximately \$14.5 million in SHSP funds as shown in figure 1.

Figure 1: Maine SHSP Funding Levels, FYs 2010 Through 2012



Source: DHS OIG analysis of FEMA data



Results of Audit

In most instances, MEMA administered its grant programs in compliance with applicable Federal, State, and grant requirements, and SHSP grant funds were spent on allowable items and activities. However, Maine could improve its grant management practices by:

- Developing a formal process to measure progress and improvements in preparedness and its ability to respond to disasters;
- Complying with Federal and state procurement regulations and documenting procurements better;
- Obligating grant funds in a more timely manner;
- Monitoring its subgrantees' grant-related purchases, activities, and performance better;
- Enforcing property management and inventory control requirements; and
- Documenting the time that employees spend on grant-related activities accurately.

We were unable to determine the extent to which SHSP grants enhanced Maine's ability to prepare for and respond to disasters and acts of terrorism because the State does not have a formal process to measure preparedness.

State Homeland Security Strategy

Maine's homeland security strategy (state strategy) for FYs 2010 through 2012 included goals and objectives that were linked to the National Priorities and mission areas in DHS' National Preparedness Guidelines, as required by FEMA guidance. A MEMA official explained that MEMA did not follow FEMA's guidance, thus the objectives were not always specific, measurable, achievable, results-oriented, and time-limited (SMART).

In July 2005, FEMA released the *State and Urban Areas Homeland Security Strategy: Guidance on Aligning Strategies with the National Preparedness Goal*. According to the guidance, states are to include goals and measurable objectives in their strategies that are:

- Specific, detailed, particular, and focused – help identify what is to be achieved and accomplished;
- Measurable – be quantifiable, provide a standard for comparison, and identify a specific achievable result;



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- Achievable – not beyond the ability of a state, region, jurisdiction, or locality;
- Results-oriented – identify a specific outcome; and
- Time-limited – have a target achievement date.

Of the 56 objectives in Maine’s state strategy for FYs 2010 through 2012, 53 did not include all of the required SMART elements. Fifty-one of 56 objectives were not measurable or quantifiable, and 43 of 56 were not time-limited. Table 1 shows some objectives that did not meet SMART criteria.

Table 1: Examples of Objectives in the State Strategy That Did Not Meet SMART

Criteria

Goal	Objective	Step(s)	Deficiency
Ensure that Maine is fully capable of preventing a terrorist event while working to reduce the State's vulnerability to such events.	Maine's citizens will be encouraged to adopt a mindset of homeland protection.	1) Expand public awareness campaigns to ensure the message of prevention is widespread throughout the state. (Target Date: ongoing) 2) Develop training partnerships with a focus on terrorism for all levels of Maine's citizens. (Target Date: ongoing)	The objective is not: <ul style="list-style-type: none"> • Specific • Measurable • Time-limited
Ensure that Maine is fully prepared to respond to any emergency or disaster, including the direct or indirect results of a terrorist event.	Agriculture: Maintain a cadre of agriculture response team members.	MEMA will work in conjunction with the Maine Department of Agriculture to maintain a team of veterinarians, plant specialists, and University researchers to train and respond to agricultural bioterrorism events. (Target Date: ongoing)	The objective is not: <ul style="list-style-type: none"> • Specific • Measurable • Time-limited
Ensure that Maine has the capability to recover quickly from any emergency or disaster including direct or indirect results of a terrorist event.	Use the statewide Recovery Plan to determine the additional equipment (if any) necessary to achieve goals of the Plan.	Make purchases as determined by Recovery Plan. (Target Date: ongoing)	The objective is not: <ul style="list-style-type: none"> • Specific • Measurable • Time-limited

Source: DHS OIG analysis of MEMA data



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Without objectives that are SMART, it is difficult for Maine to measure and report on improvements in preparedness and to evaluate progress toward completing goals and objectives. In addition, Maine is limited in its ability to measure how much of an objective has been completed over a given period of time, which directly affects monitoring the accomplishment of the objectives.

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. We did not review MEMA's THIRA process because it was outside the scope of our audit work. However, when it updates the THIRA annually, as required, MEMA should ensure that it includes SMART goals and objectives.

Performance Measurement

According to MEMA officials, MEMA has not developed a formal process to measure its performance, including performance measurements and benchmarks to evaluate progress and improvements in preparedness and in its ability to respond to acts of terrorism, and manmade and natural disasters. MEMA officials identified three reasons for not having a formal measurement process: insufficient guidance from FEMA; changes to the required measuring and reporting tool; and insufficient staffing levels.

According to Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal, 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.

States need to make certain that they have consistent standards and metrics against which to measure progress. Otherwise, Maine subgrantees cannot effectively determine whether SHSP funds have enhanced the state's ability to prevent, prepare for, protect against, and respond to acts of terrorism, and manmade and natural disasters.



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Compliance with Procurement Requirements

MEMA and the subgrantees we reviewed did not always follow Federal regulations when procuring equipment and services using SHSP funds. Specifically, MEMA did not ensure that subgrantees' procurement policies complied with Federal policies, and subgrantees did not properly document whether purchased equipment was authorized. MEMA also did not have memorandums of understanding (MOU) at the time purchases were made on behalf of local jurisdictions.

MEMA reimbursed grant funds to subgrantees without verifying that their procurement policies complied with Federal and state procurement regulations. According to the Code of Federal Regulations (CFR), subgrantees may use their own procurement procedures provided that procurements conform to applicable Federal law. MEMA's FYs 2010 through 2012 grant guidance also allows subgrantees to use either state or local procurement policies for purchasing items with SHSP grant funds.

According to MEMA officials, the agency does not review local procurement policies during the grant application or reimbursement process to determine whether the policies meet Federal and state requirements. For example, one subgrantee contracted to construct a radio tower for \$74,500. However, in the absence of any local procurement procedures the subgrantee did not acquire the required bids. In the grant fund application, the following reason was given for not acquiring the required bids, "Because this project is a construction project of a radio tower, it is not possible to get vendor quotes. The project needs to be designed and put out to bid in order to get figures." The county director said, "There is just one company in town that could help complete the project so we gave it to them." Another subgrantee used local procurement policies to purchase a \$15,000 online incident reporting system without following state procurement requirements for items valued at more than \$5,000. In both instances, MEMA reimbursed the subgrantees for the purchases even though competitive bids were not obtained as required by MEMA and state procurement policies. Thus, we identified \$89,500 in questioned costs.

MEMA and its subgrantees did not properly document that equipment purchased with SHSP funds was on the FEMA's Authorized Equipment List (AEL), as required. FEMA's grant guidance specifies that "equipment must meet all mandatory, regulatory and/or DHS-adopted standards to be eligible for purchase using these funds." The guidance includes 21 allowable equipment categories on the AEL. According to MEMA guidance to its subgrantees, when filling out grant



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applications, jurisdictions must ensure that the items they are requesting are on the AEL.

Of the eight equipment items purchased with grant funds that we reviewed during site visits, only one had the required AEL verification in its grant application. MEMA officials reviewed grant applications for AEL numbers, but acknowledged that, if information was missing, they did not try to obtain it from the subgrantee and did not halt requested reimbursements. Although we verified that the other seven equipment purchases were on the AEL, subgrantees could purchase non-authorized equipment because MEMA approved grant applications and reimbursed subgrantees for equipment purchases without required AEL documentation.

MEMA spent SHSP grant funds on behalf of local jurisdictions without required written documentation in place. According to the *DHS Homeland Security Grant Program Guidance and Application Kit*, states may retain some grant funds to expend on behalf of local units of government with the local unit's written consent specifying the amount of funds to be retained and their intended use. In FYs 2010 through 2012, MEMA spent grant funds on behalf of local jurisdictions without MOUs. On June 19, 2013, MEMA created MOUs covering FYs 2010 through 2012 and provided them to the 16 counties. However, during our audit, 6 of 16 county Emergency Management Agency directors had not signed the MOUs, and MEMA did not have signed MOUs with the six metro areas. Without completed MOUs, grant funds could potentially be spent incorrectly and may not reflect the highest priority of the receiving jurisdiction.

Obligation of Grant Funds

For FYs 2010 through 2012, MEMA did not obligate SHSP grant funds to the subgrantees within 45 days as required by FEMA, and FEMA did not verify whether MEMA had done so. A MEMA official believed that the pre-award letter, which informs the subgrantee how much funding it will receive, complied with the 45-day rule, but grant funds are actually obligated when the subgrantee receives the award letter.

FEMA HSGP guidance requires state administrative agencies to obligate funds awarded to subgrantees within 45 days of FEMA's award date. This includes the following requirements:

- There must be some action to establish a firm commitment on the part of the awarding entity.



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- The action must be unconditional (i.e., no contingencies for availability of funds) on the part of the awarding entity.
- There must be documentary evidence of the commitment.
- The award terms must be communicated to the official grantee.

In FYs 2010 through 2012, MEMA sent pre-award letters notifying subgrantees that grant funds were available. MEMA's metro areas were allocated a predetermined amount; the counties and other local jurisdictions went through a competitive process. All entities had to submit a grant application and/or a budget plan. After MEMA approved these documents, an award letter was sent to the entities, which officially obligated the grant funds. See appendix C for a flowchart of this process.

Contrary to the MEMA official's beliefs, grant funds were not in compliance with the 45-day rule when the pre-award letters were received by the subgrantees. Instead, grant funds were not obligated until after MEMA approved and sent the subgrantee an official award letter, specifying that the funding would be available from the date of the letter.

Table 2 shows the number of days it took MEMA to obligate funds to the four subgrantees we selected for our fieldwork. In FYs 2010 through 2012, it took MEMA 85 to 726 days to obligate funds to the subgrantees. As of September 2013, one subgrantee had yet to receive an official award letter from MEMA to obligate funds for a FY 2011 grant, and two subgrantees had not received award letters for FY 2012 grants. For those instances in which the official award letter had yet to be received, we used the end of our fieldwork, September 20, 2013, as the date used to calculate the number of days to obligate.



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Table 2: Timeliness of Obligations to Subgrantees, FYs 2010–2012				
Subgrantee	Grant Purpose	FEMA/State Agreement Date	Obligation Date (Official Award Letter)	Number of Days State Took to Obligate
FY 2010				
Cumberland	Exercise	9/17/2010	9/10/2012	726
Portland	Fire Department	9/17/2010	7/11/2012	665
Bangor	Fire Department	9/17/2010	2/10/2012	514
Cumberland	Planning	9/17/2010	2/3/2011	141
Waldo	Planning	9/17/2010	2/3/2011	141
Cumberland	VHS Repeaters and Generator and Training	9/17/2010	1/11/2011	118
Waldo	Transfer Switch, Base Stations, Exercise, Generator, and Radio Tower	9/17/2010	1/11/2011	118
FY 2011				
Bangor	Fire Department	10/6/2011	Not Received	716
Portland	Fire Department	10/6/2011	4/19/2013	562
Waldo	Mapping Software	10/6/2011	2/14/2012	132
Cumberland	Planning	10/6/2011	2/10/2012	128
FY 2012				
Bangor	Fire Department	8/16/2012	Not Received	401
Portland	Fire Department	8/16/2012	Not Received	401
Cumberland	Emergency Management Agency	8/16/2012	7/3/2013	322
Waldo	Emergency Management Agency	8/16/2012	11/8/2012	85

Source: DHS OIG analysis of MEMA data

As a result of MEMA’s delay in obligating funds, subgrantees may not have sufficient time to use grant funds to meet their approved needs. This could result in additional funds that would need to be deobligated when FEMA grant agreements for FYs 2010 through 2012 expire.

Monitoring of Subgrantees

MEMA neither sufficiently monitored its subgrantees to ensure they complied with applicable Federal requirements, nor did it measure subgrantee performance adequately. Although MEMA performed onsite financial audits of a sample of various Federal grant-related purchases during FYs 2010 through 2012, we could not determine whether the agency audited a sufficient number of SHSP subgrantees. In addition, MEMA’s onsite audits did not include programmatic monitoring of grant-related purchases, activities, and performance.



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The CFR, the Office of Management and Budget, FEMA, and MEMA all provide guidance and requirements for subgrantee monitoring. Specifically, according to 44 CFR §13.40, *Monitoring and Reporting Program Performance*, grantees are to manage the day-to-day operations of grant- and subgrant-supported activities and ensure that grant recipients comply with applicable Federal requirements and achieve program performance goals.

The Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Compliance Supplement, Part 3 – *Compliance Requirements, M. Subrecipient Monitoring* also requires grantees to monitor subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance of compliance with laws and regulations. FEMA's *DHS Homeland Security Grant Program Guidance and Application Kit* and MEMA's financial standard operating procedures both include monitoring guidance to ensure compliance with applicable requirements.

During FYs 2010 through 2012, MEMA performed onsite financial audits of a sample of Federal grant purchases and related documentation every year. Yet, we were unable to determine how many SHSP grant-related purchases were included in these audits because MEMA did not track which type of grants it monitored. MEMA's financial standard operating procedures require onsite monitoring of no less than 10 percent of all Federal grant-related purchases. MEMA officials did not document how it selected subgrantees to monitor; therefore, they were unable to provide information on which subgrantees received SHSP funding or the total percentage of SHSP subgrantees they audited. MEMA officials said they were unaware that they had to document their methodology for selecting subgrantees. Without knowing which SHSP subgrantees it audited, MEMA could not ensure that it adequately monitored SHSP subgrantees, or that SHSP subgrantees were complying with grant-related requirements.

MEMA's onsite audits of subgrantees were also limited to review of purchases and supporting documentation. MEMA did not conduct programmatic reviews of grant-related purchases, activities, and performance, as required by Federal guidance, to ensure subgrantees' compliance with Federal requirements and achievement of performance goals. According to MEMA officials, they did not have enough staff to monitor subgrantees' performance effectively. Unless MEMA monitors subgrantees as required, it cannot ensure they are complying with laws and regulations and their grant-related activities are improving their ability to prepare for and respond to acts of terrorism, and manmade and natural disasters.



Property Management and Inventory Controls

MEMA did not follow Federal and state inventory control policies for grant-funded equipment, and subgrantees did not always have inventory control policies in place. In addition, subgrantees did not include all required information on inventory lists and did not inventory equipment as required. Without adequate inventory controls, MEMA and its subgrantees could not ensure that equipment purchased with SHSP funds was adequately safeguarded to prevent its misuse, loss, damage, or theft.

Both the CFR and MEMA have inventory control procedures. According to 44 CFR §13.32, for grant-funded equipment, states are to maintain property records and develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of property. In addition, MEMA's financial standard operating procedures require that it maintain an electronic inventory of all fixed assets in the state accounting system, called the Advantage Information System. According to MEMA's procedures, inventory records must include specific information about assets, such as acquisition cost; make; model; serial number; location; useful life; and the grant, contract, or fund to which the asset is assigned. The CFR also requires property records to include certain elements, such as a description of the property, a serial number or other identification number, the source of property, and any ultimate disposition data.

MEMA officials were unable to provide an inventory list from the Advantage Information System. Instead, MEMA had a property list of the equipment it purchased with SHSP funds, and it tracked subgrantee equipment that it audited (valued at \$5,000 or more) on a spreadsheet, which was not SHSP-specific or all-inclusive. Neither the property list of MEMA-purchased equipment nor the spreadsheet used to track subgrantee equipment included all of the required data elements. MEMA officials reported that they were unaware they needed to implement and maintain inventory controls for property purchased with SHSP funds, although this requirement is included in MEMA's standard operating procedures.

A review of four subgrantees' property records showed that not all complied with Federal regulations. Specifically, none of the four subgrantees had an inventory control policy that included the CFR requirement to maintain property records. Based on subgrantee statements three of the four did not conduct a physical inventory of property at least once every 2 years as required by the CFR. This occurred because MEMA did not provide the subgrantees with inventory control requirements or guidance; therefore, the subgrantees were not aware



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that they needed to implement and maintain inventory controls for property purchased with SHSP funds.

One of the four subgrantees did not maintain an inventory list of any kind, and the other three subgrantees maintained an inventory list of their equipment, but the lists were not SHSP-specific. The three subgrantees' inventory records did not include all of the CFR-required data elements.

Documenting Employees' Time

According to a MEMA official, MEMA staff who work on several different grants did not allocate the exact amount of time spent working on SHSP grants. Because there are no records of the exact time that MEMA staff spent on various grants, we could not determine whether SHSP grant funds allocated for salaries were accurate, or were undercharged or overcharged. Furthermore, FEMA did not approve the system that MEMA uses to allocate salaries, as required by Federal regulations.

According to the CFR, personnel activity reports or equivalent documentation must, among other things, reflect an after-the-fact distribution of the actual activity of each employee and account for the total activity for which each employee is compensated. Budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges. Also according to the CFR, systems other than activity reports may be used to allocate salaries and wages, but they must be approved by the cognizant agency.

Under MEMA's system, staff members allocate their time according to predetermined percentages based on their job descriptions and the results of annual budget reviews. For example, one person might allocate 75 percent of his or her time to the HSGP and 25 percent to Emergency Management Performance Grants; another person might allocate 100 percent to HSGP. According to one MEMA official, allocating the exact amounts of time would be time consuming and not cost beneficial. However, the official acknowledged that because the time charges are just estimates, during each pay period, a person could actually spend less than the predetermined allocated percentage of time working on certain grants. As a result, SHSP grant funds could be funding other grant or state activities.



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Recommendations

We recommend the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Develop and provide states with consistent and comprehensive measurement tools that include baselines for measuring and demonstrating progress toward enhancing their level of preparedness through the use of SHSP grant funds.

Recommendation #2:

Require MEMA to verify that subgrantee procurement procedures are in compliance with Federal and state procurement regulations.

Recommendation #3:

Review and remedy the \$89,500 in questioned costs for the two purchases made by subgrantees that did not comply with Federal and state procurement policies, returning to FEMA the cost of any unallowable expenditures.

Recommendation #4:

Require MEMA to verify and document that equipment purchased by subgrantees is on the Authorized Equipment List, prior to reimbursement.

Recommendation #5:

Require MEMA to obtain written consent from local jurisdictions prior to spending funds on their behalf.

Recommendation #6:

Require MEMA to review and update its obligation and approval process to identify ways to shorten the process so subgrantees have sufficient time to procure and spend their grant funds.

Recommendation #7:

Require MEMA to document the methodology it uses to determine which subgrantees will be reviewed annually. This documentation should provide the



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total percentage of Federal funds that will be audited, as well as the percentage-breakdown of each Federal grant, including SHSP grant funding.

Recommendation #8:

Require MEMA to conduct and document onsite monitoring of subgrantee programs, functions, and activities to ensure compliance with applicable Federal requirements and progress toward achieving performance goals.

Recommendation #9:

Require MEMA to develop and implement procedures to ensure that all SHSP inventory records comply with the Code of Federal Regulations.

Recommendation #10:

Require MEMA to change its time allocation system to record the actual activity of staff, or get approval from FEMA on its current time allocation system.

Management Comments and OIG Analysis

FEMA and MEMA provided comments on the draft of this report. Appendix B includes a copy of the responses in their entirety.

Management Comments to Recommendation #1. FEMA concurred with the recommendation and has established and implemented a system to help states, territories, and urban areas establish measurable goals and objectives that will enable them to systematically measure improvements in first responder capabilities and statewide preparedness.

FEMA said that as part of the National Preparedness System, it has developed and is implementing performance assessments that measure progress toward achieving the National Preparedness Goal. According to FEMA, its 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.

According to FEMA, on August 29, 2013, it released a consistent methodology for determining risks in the *Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide Second Edition*. The



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guide details a four-step process that jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. According to FEMA, 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 HSGP funds were required to submit their THIRAs to FEMA. Also in 2012, states and territories were required to submit state preparedness reports (SPR) to FEMA. Lastly, per FEMA, the THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. The results of the capability assessments are reported annually in the National Preparedness Report.

According to FEMA, 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. Within the investment justifications submitted in the grant application, grantees must identify the core capability, the priority of the core capability, and the capability gaps noted in their SPR that investment intends to address. FEMA officials said they verify completion of the investment/projects through programmatic monitoring and the Biannual Strategy Implementation Report.

FEMA officials said they addressed OIG's recommendation for states to establish SMART goals and objectives to systematically measure improvements in first responder capabilities and statewide preparedness by requiring use of a set of tools including the THIRA, SPR, and investment justifications.

OIG Analysis. We consider FEMA's corrective actions to be responsive to the recommendation. The recommendation is considered resolved and closed. We did not include the enclosures to FEMA's response—Maine's THIRA and its SPR—in appendix B because they were too large and did not affect our analysis and conclusion.

Management Comments to Recommendation #2. FEMA concurred with the recommendation and will require MEMA to develop and implement a plan to verify that subgrantee procurement procedures are in compliance with 44 CFR §13.36 *Procurement*. The estimated completion date is June 20, 2014.

MEMA concurred with the recommendation. According to MEMA, for FY 2014 grants and all future grant awards, it will amend its guidance to ensure that subgrantees adhere to Federal and state purchasing guidelines.



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OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending completion of the corrective action.

Management Comments to Recommendation #3. FEMA concurred with the recommendation and will require MEMA to provide supporting documentation permitting FEMA to determine whether the questioned costs for the two purchases made by subgrantees complied with 44 CFR §13.36 *Procurement*. Should MEMA be unable to provide such supporting documentation, FEMA will require the recoupment of any disallowed costs. The estimated completion date is June 20, 2014.

MEMA disagreed with these questioned costs. According to MEMA, the subgrantees were following guidance current for the grant years in which they were spending funds. MEMA believed the local purchasing procedures were sufficient. In its response to recommendation #2, MEMA said it would ensure that future grant guidance contains requirements to follow Federal and state purchasing procedures.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action. We did not include the enclosure to MEMA's response—*Timeline and Rationale for Purchasing Decisions*—in appendix B because it included names and possible fiduciary information.

Management Comments to Recommendation #4. FEMA concurred with the recommendation and will require MEMA to develop policies and procedures to ensure and document that equipment purchased by subgrantees is on the AEL, prior to reimbursement. The estimated completion date is June 20, 2014.

MEMA concurred with this recommendation and stipulated that it is already being met. According to MEMA, grant applications and invoices from subgrantees pass through multiple layers of review at MEMA before being approved. Additionally, items purchased and reimbursed under the program are reviewed by MEMA staff during the subgrantee monitoring process, either in desk review or in a physical visit to the subgrantee's location.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action.



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Management Comments to Recommendation #5. FEMA concurred with the recommendation and will require MEMA to execute MOUs with local jurisdictions prior to spending funds on their behalf and provide copies of the MOUs to FEMA. The estimated completion date is June 20, 2014.

MEMA concurred with this recommendation. MEMA noted that it corrected this discrepancy on June 19, 2013, with the signing of MOUs by County Emergency Management Agency directors who agreed to the funding strategy of “statewide shared programs.” MEMA also reported that it has already executed a similar MOU for FY 2013 funds.

OIG Analysis. We consider FEMA’s proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action.

Management Comments to Recommendation #6. FEMA concurred with the recommendation and will require MEMA to review and update its obligation and approval process to identify ways to shorten the process so subgrantees have sufficient time to procure and spend grant funds. The estimated completion date is June 20, 2014.

MEMA disagreed with this recommendation. MEMA maintained it has communicated its current “pre-award notification letter” procedure to FEMA program staff through annual monitoring visits for as many years as the practice has been in place, and not once has the procedure been questioned. In addition, MEMA said that FEMA requires documentation of this 45-day pass-through period through filing of the Initial Strategy Implementation Plan. MEMA has filed each year’s Initial Strategy Implementation Plan on time, and FEMA program staff have not questioned the manner in which funding is released to subgrantees.

OIG Analysis. We consider FEMA’s proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action.

Management Comments to Recommendation #7. FEMA concurred with the recommendation. FEMA will require MEMA to develop and implement a subgrantee monitoring plan that complies with 44 CFR §13.40 and includes documentation of the methodology it uses to determine which subgrantees will be monitored. This documentation should provide the total percentage of Federal funds that will be audited, as well as the percentage-breakdown of each



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Federal grant, including SHSP grant funding. The estimated completion date is June 20, 2014.

MEMA concurred with this recommendation. According to MEMA, subgrantee monitoring is the historic weakness of its program, but MEMA officials believe they provide adequate controls throughout the application, review, awarding, and reimbursement processes, which limits the risk of improper spending by subgrantees. MEMA officials said they have made attempts to increase grant staffing through state budget processes, but have not been successful. MEMA officials contended that they conduct the best monitoring they can, with the limited resources available.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action.

Management Comments to Recommendation #8. FEMA concurred with the recommendation and will require MEMA to develop and implement a subgrantee monitoring plan that complies with 44 CFR §13.40 and ensures oversight of programs, functions, and activities, as well as progress toward achieving performance goals. The estimated completion date is June 20, 2014.

MEMA concurred with this recommendation, for the same reasons as stated previously.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action.

Management Comments to Recommendation #9. FEMA concurred with the recommendation and will require MEMA to develop and implement policies and procedures to ensure that all SHSP inventory records comply with 44 CFR §13.32 *Equipment*. The estimated completion date is June 20, 2014.

MEMA partially concurred with this recommendation. MEMA recognizes that inventory controls are inadequate as required by the CFR; however, it questions the level of detail required by grant regulations and the value of collecting and reporting this information to FEMA. MEMA said that it will develop a basic inventory tracking sheet that subgrantees will be required to complete and file with the agency.



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OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action.

Management Comments to Recommendation #10. FEMA concurred with the recommendation and will require MEMA to provide evidence that its time allocation system is in compliance with 2 CFR Part 225. The estimated completion date is June 20, 2014.

MEMA disagreed with this recommendation. According to MEMA, it accounts for employee time using an online accounting system, which includes multiple project codes that employees can choose to record their time. According to MEMA, FEMA has never raised any issues with this method. Where multiple FEMA grants have complementary and often overlapping, allowable activities, MEMA accounts for employee salaries and benefits using a percentage of time spent working for each program. This is done instead of requiring employees to record time spent on each grant to the fraction of an hour. MEMA believes this adequately ensures that employees are working and being paid for by their appropriate grant program.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered resolved and will remain open pending the completion of the corrective action.



Appendix A Objectives, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires DHS OIG to audit individual states' management of SHSP and Urban Areas Security Initiative grants. This report responds to the reporting requirement for Maine.

The audit objectives were to determine whether the State used SHSP grant funds in accordance with the law, program guidance, homeland security strategies, and other applicable plans; and the extent to which funds awarded enhanced the ability of grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The scope of this audit included about \$14.5 million in SHSP grants awarded for FYs 2010 through 2012 as shown in table 3.

Table 3: Maine SHSP Awards, FYs 2010 Through 2012

Grant Program	FY 2010	FY 2011	FY 2012	Total
State Homeland Security Program	\$6,613,200	\$5,137,205	\$2,801,316	\$14,551,721

Source: DHS OIG analysis of FEMA data

The HSGP encompasses several interrelated Federal grant programs as described in appendix D. We only reviewed the SHSP funding of equipment and programs for compliance during this audit.

Our audit methodology included work at MEMA and several subgrantees located throughout Maine. To achieve our audit objective, we analyzed data, reviewed documentation, and interviewed key state and local officials directly involved in the management and administration of the SHSP. We reviewed the plans developed by the State to improve preparedness and respond to hazards.

We met with four subgrantees and MEMA during our audit fieldwork and judgmentally selected and reviewed FYs 2010 through 2012 files of those SHSP subgrantees. These four subgrantees included the following two counties and two metro areas:



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- Bangor Metro Area
- Cumberland County
- Portland Metro Area
- Waldo County

The four local subgrantees accounted for about \$1.8 million in grant funds, totaling 12 percent of all local SHSP grant funds for FYs 2010 through 2012. MEMA accounted for \$4.4 million in grant funds, totaling 31 percent of all SHSP grant funds.

In addition to the data tests described above, we judgmentally selected equipment from subgrantee records and verified the existence of the equipment.

We relied on Maine's Advantage Information System for data on the grant funds awarded in FYs 2010 through 2012. We conducted limited tests on this data and compared it with source documentation to ensure that the data were sufficiently reliable to be used in meeting our audit objective.

We conducted this performance audit between May 2013 and September 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 audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Appendix B
Management Comments to the Draft Report

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



FEMA

JAN 27 2014

MEMORANDUM FOR: Mark Bell
Acting Assistant Inspector General for Audits
Office of Inspector General (OIG)
Department of Homeland Security

FROM:  David J. Kaufman 
Associate Administrator for
Policy, Program Analysis and International Affairs

SUBJECT: Federal Emergency Management Agency (FEMA) Response to
OIG's Draft Report: "Maine's Management of State Homeland
Security Program (SHSP) Grants Awarded During Fiscal Years
2010 Through 2012" OIG Project No. 13-139-AUD-FEMA

Thank you for the opportunity to comment on your Draft Report, "Maine's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012" OIG Project No. 13-139-AUD-FEMA. The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our program. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report. The following are our written response to the ten (10) recommendations for implementation, of which, FEMA concurs with all ten (10) recommendations.

Recommendation #1: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to develop and provide States with consistent and comprehensive measurement tools that include baselines for measuring and demonstrating progress toward enhancing their level of preparedness through the use of SHSP grant funds.

Response: Concur. The integrated preparedness system has its basis in the strategic plan and planning process. As part of this plan and process, OIG has recommended that FEMA help states, territories and urban areas establish measurable goals and objectives that will enable them to systematically measure improvements in first responder capabilities and statewide preparedness. FEMA has established and implemented a system to do exactly that, as 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 National Preparedness Goal. FEMA's strategy is to base assessments on the principles that the Nation needs to

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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.

On August 29, 2013, 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) Second Edition. CPG-201 details a four-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. In conjunction, 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 estimating 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. Within 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, grantees must identify the specific outcome(s) of each investment. FEMA verifies completion of the investment/projects through its programmatic monitoring and the Biannual Strategy Implementation Report (BSIR). Since the period of performance for the HSGP 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 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.

Based on this information, FEMA requests that this recommendation be resolved and closed.

Recommendation #2: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require Maine Emergency Management Agency (MEMA) to verify that subgrantee procurement procedures are in compliance with Federal and State procurement regulations.



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Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to develop and implement a plan to verify that subgrantee procurement procedures are in compliance with 44 CFR 13.36 Procurement.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #3: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to review and remedy the questioned costs for the two purchases made by subgrantees that did not comply with Federal and State procurement policies, returning to FEMA the cost of any unallowable expenditure.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require that MEMA provide supporting documentation permitting FEMA to determine whether the questioned costs for the two purchases made by subgrantees complied with 44 CFR 13.36 Procurement. Should MEMA be unable to provide such supporting documentation, FEMA will require the recoupment of any disallowed costs.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #4: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require MEMA to verify and document that equipment purchased by subgrantees is on the Authorized Equipment List, prior to reimbursement.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to develop policies and procedures to ensure and document that equipment purchased by subgrantees is on the Authorized Equipment List, prior to reimbursement.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #5: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require MEMA to obtain written consent from local jurisdictions prior to spending funds on their behalf.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to execute memorandums of understanding with local jurisdictions prior to spending funds on their behalf and provide copies of same to FEMA.



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FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #6: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require MEMA to review and update its obligation and approval process to identify ways to shorten the process so subgrantees have sufficient time to procure and spend their grant funds.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to review and update its obligation and approval process to identify ways to shorten the process so subgrantees have sufficient time to procure and spend grant funds.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #7: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require MEMA to document the methodology it uses to determine which subgrantees will be reviewed annually. This documentation should provide the total percentage of Federal funds that will be audited, as well as the percentage-breakdown of each Federal grant, including SHSP grant funding.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to develop and implement a subgrantee monitoring plan that complies with 44 CFR 13.40 and includes documentation of the methodology it uses to determine which subgrantees will be monitored. This documentation should provide the total percentage of Federal funds that will be audited, as well as the percentage-breakdown of each Federal grant, including SHSP grant funding.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #8: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require MEMA to conduct and document onsite monitoring of subgrantee programs, functions, and activities to ensure compliance with applicable Federal requirements and progress toward achieving performance goals.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to develop and implement a subgrantee monitoring plan that complies with 44 CFR 13.40 and ensures oversight over programs, functions, and activities as well as progress toward achieving performance goals.



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13.40 and ensures oversight over programs, functions, and activities as well as progress toward achieving performance goals.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #9: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require MEMA to develop and implement procedures to ensure that all SHSP inventory records comply with the Code of Federal Regulations.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to develop and implement policies and procedures to ensure that all SHSP inventory records comply with 44 CFR 13.32 Equipment.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Recommendation #10: We recommend the FEMA Assistant Administrator, Grant Programs Directorate to require MEMA to change its time allocation system to record the actual activity of staff, or get approval from FEMA on its current time allocation system.

Response: Concur: The Assistant Administrator, Grant Programs Directorate, will require MEMA to provide evidence that its time allocation system is in compliance with 2 CFR Part 225.

FEMA requests that this recommendation be resolved and open pending completion of the corrective action plan.

Estimated Completion Date (ECD): June 20, 2014

Again, we thank you for the work that you and your team did to inform us of measures we can take to enhance the program's overall effectiveness. We look forward to OIG's final report for "Maine's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012". Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.

Enclosures:

1. Maine THIRA
2. Maine SPR



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Department of Homeland Security



PAUL R. LePAGE
GOVERNOR
BG JAMES D. CAMPBELL
COMMISSIONER

STATE OF MAINE
DEPARTMENT OF DEFENSE, VETERANS AND EMERGENCY
MANAGEMENT
MAINE EMERGENCY MANAGEMENT AGENCY
72 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0072

PHONE: 207-624-4400/800-452-8735
FAX: 207-287-3180

BRUCE F. FITZGERALD
ACTING DIRECTOR

To: Mr. Mark Bell
Acting Assistant Inspector General for Audit, DHS-OIG Office of Audit
From: Bruce Fitzgerald
Acting Director, Maine Emergency Management Agency
Date: February 21, 2014
RE: Maine's response to OIG's *Draft Report: Maine's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012*

First please accept our thanks for the extended period of time to submit these comments. We have experienced a difficult winter in Maine, with a severe ice storm and ongoing recovery period, in the middle of a transition in leadership here at Maine Emergency Management Agency. We appreciate your consideration of these circumstances and the additional time provided to submit this response to OIG's Draft Audit Report.

Below are MEMA's comments regarding the OIG recommendations from the Draft Report:

Recommendation 1: MEMA concurs with this recommendation. Further, as the recommendation specifically directs FEMA to develop and provide consistent, comprehensive measurement tools to the States, we request that this recommendation be removed from the State of Maine's individual audit report.

Recommendation 2: Maine concurs with this recommendation. Prior grant guidance to subgrantees included requirements to follow the "local purchasing practices" of the subgrantee jurisdiction. Going forward, MEMA will amend its guidance to ensure that subgrantees adhere to Federal and State purchasing guidelines. This will be applied to FY2014 grants and all future grant awards.

Recommendation 3: MEMA disagrees with these questioned costs. The subgrantees were following guidance current for the grant years being spent, i.e. that their local purchasing procedures were sufficient:

1. In the case of Waldo County EMA, the Emergency Management Director has provided a clear timeline and justification for the rationale for his purchasing decisions. A copy of this timeline is included with this Memo. The Agency demonstrated cost savings by acting as the "general contractor" for a tower construction project, rather than contracting out the entire project at a significant mark-up. Additionally, the Agency can provide all back-up documentation and attempts to secure local bids for various components of the project. In some cases, there was only one local vendor that could provide the needed service.
2. In the case of the City of Bangor, the City demonstrated that they followed their own established purchasing rules. The City Council authorized the purchase of specific software by sole source procurement, waiving their normal bid process.



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As stated in the response to Recommendation 2, MEMA will ensure that future grant guidance contains requirements to follow Federal and State purchasing procedures.

Recommendation 4: MEMA concurs with this recommendation, and stipulates that it is already being met. Grant applications from subgrantees pass through multiple layers of review at MEMA before being approved. Once spending on specific items has been authorized, subgrantees purchase items and submit invoices to MEMA for reimbursement. At this point the invoices also receive multiple reviews by MEMA program and financial staff. Over many years of managing HSGP spending, MEMA staff are very familiar with the Allowable Equipment List (AEL), and ineligible expenses are not reimbursed. Additionally, the items purchased and reimbursed under the program are reviewed by MEMA staff during the subgrantee monitoring process, either in desk review or in a physical visit to the subgrantee's location.

OIG Audit Staff seemed focused on the few examples of grant application forms where subgrantees did not fill in a box for ALL number of specific items. MEMA counters that routine items such as "portable radios" and the like, which are clearly on the AEL, should not be held up or disallowed for an oversight in filling out a form. MEMA respectfully requests that this recommendation be removed from the final audit report.

Recommendation 5: MEMA concurs with this recommendation. OIG Audit Staff discovered a lack of documentation in MEMA's files regarding the spending of HSGP funds on "statewide shared programs" which benefit multiple counties or regional groups of responders. As noted by OIG staff, MEMA corrected this discrepancy on June 19, 2013 with the signing of MOUs by County EMA Directors that agreed to the funding strategy of "statewide shared programs." Furthermore, MEMA has already executed a similar MOU for FY2013 funds. With this correction in mind, MEMA respectfully requests that this recommendation be removed from the final audit report.

Recommendation 6: MEMA disagrees with this recommendation. For all grant years, MEMA provides a "pre-award notification letter" to subgrantee agencies within the 45 day period required by the grant. An application period ensues, in which subgrantees submit their projects for review by MEMA and an official award letter and MOU are executed. From the moment the pre-award letter is released, subgrantees are aware of their impending award and can begin to budget for their projects. MEMA has communicated this procedure to FEMA Program Staff through annual monitoring visits for as many years as the practice has been in place, and not once has the procedure been questioned. Furthermore, FEMA requires documentation of this 45 day pass-through period through filing of the Initial Strategy Implementation Plan (ISIP). MEMA has filed each year's ISIP on time, and with no questions from FEMA Program Staff about manner in which funding is released to subgrantees.

Recommendation 7: MEMA concurs with this recommendation. Subgrantee monitoring is the historic weakness of MEMA's program. We believe the Agency provides adequate controls throughout the application, review, awarding, and reimbursement processes, which limits the risk of improper spending by subgrantees. However, as has been documented in past audits, MEMA's financial and program staff consists of 3 full time employees managing seven or more annual federal grants, along with multiple state and other revenue streams. We believe that HSGP subgrantee monitoring could be strengthened with the addition of finance/grant management staff. The Agency has made attempts to increase grant staffing through state budget processes, and has not been successful. As a result, the Agency conducts the best monitoring that it can, with the limited resources available. We provided documentation of monitoring policies and procedures, along with reports from prior monitoring visits, to OIG Audit Staff.

Recommendation 8: MEMA concurs with this recommendation, for the same reasons as stated above.

Recommendation 9: MEMA partially concurs with this recommendation. The Agency recognizes that inventory controls are inadequate as required by the CFR. However, the Agency questions the level of



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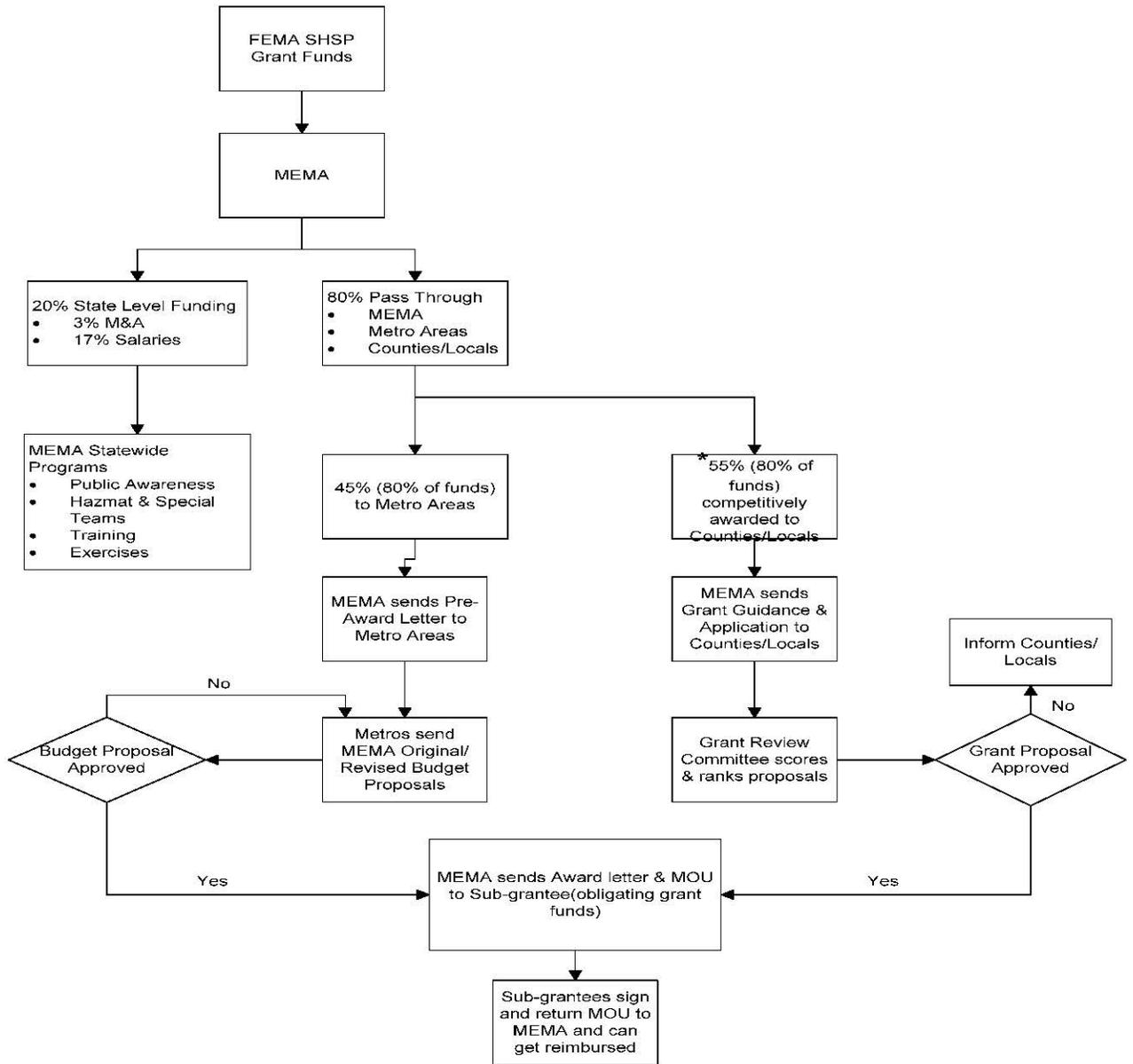
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detail required by grant regulations and the value of collecting and reporting this information to FEMA. Through the Agency's established monitoring process, and in accordance with the CFR regulation on reporting items valued at \$5,000 or more, subgrantees are asked to produce for inspection the items/equipment that were reimbursed grant expenses. Discrepancies are noted in the monitoring report and subsequently dealt with between MEMA and the subgrantee. To expect every subgrantee to document the level of detail for every single item purchased is an unnecessary level of data collection that we believe serves little purpose to FEMA. MEMA will develop a basic inventory tracking sheet that subgrantees will be required to complete and file with the Agency.

Recommendation 10: MEMA disagrees with this recommendation. Like all State of Maine agencies, MEMA accounts for employee time using the MS-TAMS online accounting system. The system provides for multiple project codes that employees can choose to record their time. The Agency funds its staff using a combination of State, Federal and Other revenue streams. We provided multiple examples of timekeeping and payroll certification sheets to OIG Audit Staff, and further believe this process to be adequate based on previous annual grant monitoring performed by FEMA Program Staff, who never raised any issues with the Agency's methods. MEMA believes it to be overly burdensome to require individual staff to record time spent on work products to the level recommended by OIG Audit Staff. Where multiple FEMA grants (such as EMPG and HSGP) have complimentary, and often overlapping, allowable activities, MEMA accounts for employee salaries and benefits using a percentage of time spent working for each program, rather than requiring employees to record time spent on each grant down to the fraction of an hour. Instead, payroll certification sheets are signed by the employee to account for the percentage of time spent on allowable grant activities under each program. We believe this to be adequate to ensure that staff are working, and being paid for, by their appropriate grant program.



Appendix C MEMA Grant Allocation Process



*FY 2012 Funding is based on formula not a competitive process. Process is similar to FY 2010/2011 Metro Awards.

Source: DHS OIG



Appendix D

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. It 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



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
Subgrantee purchases not in compliance with Federal and state procurement policy.	3	\$0	\$89,500	\$0	\$89,500

Source: DHS OIG



Appendix F

Major Contributors to This Report

Alexander Best, Director
Patrick Tobo, Audit Manager
Tessa May-Fraser, Auditor in Charge
Christopher Byerly, Program Analyst
Elaine Ferguson, Program Analyst
Megan McNulty, Program Analyst
Kelly Herberger, Communications Analyst
Stephanie Christian, Referencer



Appendix G

Report Distribution

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Department of Homeland Security
Office of Inspector General, Mail Stop 0305
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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.

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