

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

Alabama's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012





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Department of Homeland Security

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

MAY 2 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: *Alabama's Management of State Homeland Security
Program Grants Awarded During Fiscal Years 2010
Through 2012*

Attached for your action is our final report, *Alabama's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012*. We incorporated the formal comments from the Grant Programs Directorate in the final report.

The report contains six recommendations aimed at enhancing the program's overall effectiveness. Your office concurred with all six recommendations and is taking action to implement them. Based on information provided in your response to the draft report, we consider recommendations #1 through #3 and #5 through #6 unresolved and open. Recommendation #4 is resolved and closed. As prescribed by the *Department of Homeland Security Directive 077-01, Follow-up and Resolution 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.

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 for Audits, at (202) 254-4100.

Attachment



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Abbreviations

ALDHS	Alabama Department of Homeland Security
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
MOU	memorandum of understanding
OIG	Office of Inspector General
SHSP	State Homeland Security Program
SPR	state preparedness report
THIRA	Threat and Hazard Identification and Risk Assessment



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 Alabama. The audit objectives were to determine whether Alabama used State Homeland Security Program and Urban Areas Security Initiative Grant funds in accordance with the law, program guidance, and state homeland security strategies and other applicable plans. 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.

In most cases, the Alabama Department of Homeland Security used State Homeland Security Program funds according to the law and program guidance. However, Alabama did not obligate 80 percent of these funds to local units of government as required. The majority of State Homeland Security Program funds were allocated to support statewide initiatives, such as information sharing and interoperable communications. After the Federal Emergency Management Agency (FEMA) reduced the amount of awards in fiscal years 2011 and 2012, Alabama decided that funding statewide initiatives to assist all local jurisdictions was more beneficial than allocating smaller amounts to individual jurisdictions. The Alabama Department of Homeland Security’s investment in statewide projects may have been more beneficial and a good use of limited grant funds. Alabama, however, did not obtain the required consent of local units of government before funding the statewide initiatives. It also did not have a current state homeland security strategy and a method to measure preparedness, nor did it always follow an established internal control to approve expenditures. In most cases, subgrantees complied with procurement requirements, but they did not always comply with inventory and property record requirements.

We made six recommendations for FEMA to improve grant program management, performance, and oversight. FEMA concurred with all six recommendations and is taking action to implement them. Written comments to the draft report were incorporated where necessary.



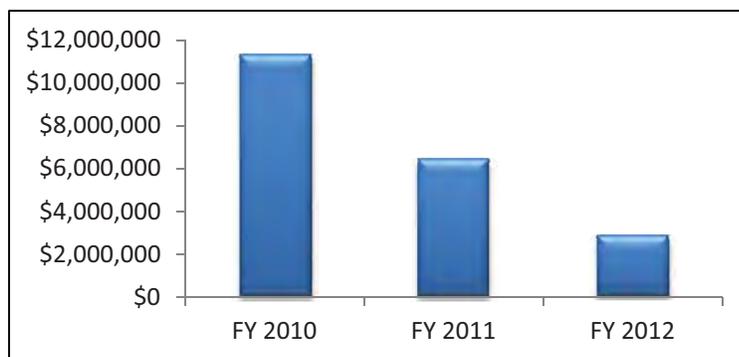
Background

DHS provides funding through the Homeland Security Grant Program (HSGP) to assist state and local agencies in enhancing their capabilities to prevent, protect, mitigate, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for the administration of the HSGP. FEMA supports preparedness by developing policies, ensuring there are adequate plans, defining capabilities to address threats, providing resources and technical assistance to states, and synchronizing the Nation’s preparedness efforts. Appendix D contains a description of the grant programs under the HSGP.

FEMA’s 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. The Governor of Alabama designated the Alabama Department of Homeland Security (ALDHS) as the agency to provide administrative oversight of the HSGP. Oversight includes responsibility over grant funding for state and local disbursement. FEMA awarded Alabama about \$20.5 million in HSGP funds, including \$17.8 million for the State Homeland Security Program (SHSP), for fiscal years (FY) 2010 through 2012. See table 1 for annual awards from FEMA. Alabama did not receive Urban Areas Security Initiative grant awards in FYs 2010 through 2012.



Table 1: FEMA Grant Awards to Alabama FYs 2010–2012



Source: OIG analysis of FEMA awards

Alabama is divided into 7 regions with 67 jurisdictions (counties) and one federally recognized Native American tribal government. In FY 2010, ALDHS allocated HSGP funds to its jurisdictions, regions, the state administrative agency, and other state agencies. In FYs 2011 and 2012, ALDHS allocated funds to state priorities such as interoperable



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communications and information sharing; funds were also allocated to law enforcement regional teams and training and mutual aid teams.

Appendix A describes the audit objectives, scope, and methodology.

Results of Audit

Alabama's Grant Management Practices

In most cases, ALDHS used SHSP funds according to the law and program guidance. However, it did not meet fund obligation requirements and did not follow an established internal control for approving expenditures. ALDHS also did not have a current state homeland security strategy or a method to measure preparedness. In most cases, subgrantees complied with procurement requirements, but they did not always comply with property inventory and record requirements.

Obligation of Grant Funds

ALDHS did not obligate 80 percent of SHSP funds to local units of government as required. In FY 2010, it allocated 54 percent of funds to local units of government; in FY 2011, 14 percent; and in FY 2012, ALDHS allocated 21 percent. ALDHS allocated the majority of SHSP funds to support statewide initiatives, such as information sharing and interoperable communications. From FY 2010 to FY 2012, FEMA reduced the award from \$9.8 million to \$2.8 million. ALDHS then decided to fund statewide initiatives to benefit all local jurisdictions rather than allocate smaller amounts to individual jurisdictions. ALDHS' plan to invest in statewide initiatives may have been more beneficial and a good use of limited grant funds, but ALDHS did not obtain consent from local units of government before allocating the funds.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007* and FEMA's HSGP guidance require that state administrative agencies obligate and make available to local government units at least 80 percent of SHSP funds. According to HSGP guidance, states may retain more than 20 percent of SHSP funding for expenditure by the state on behalf of a local unit of government with the unit's written consent, which specifies the amount and intended use of funds.

From FYs 2010 through 2012, ALDHS created memorandums of understanding (MOU) with a sheriff's department for about \$8.2 million. The MOUs authorized



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state agencies, such as ALDHS, to make purchases on behalf of the sheriff's department. The MOUs also specified the amount and intended use of funds, which included statewide initiatives, such as information sharing and interoperable communications.

According to ALDHS, the MOUs met the requirement to obligate 80 percent of funds to local units of government. The sheriff's department was a local unit of government providing written consent to allocate funds for state priorities. ALDHS officials also said that during the annual Homeland Security Task Force meeting, its stakeholders, including the other jurisdictions, consented to the allocations by voting. However, task force meeting minutes from FYs 2011 and 2012 indicated that local jurisdictions were not adequately represented and did not always consent to the allocations.

45-day Pass-through Requirement

When ALDHS allocated funds to local units of government, it did not always obligate funds within 45 days of FEMA's award date. According to HGSP guidance, state administrative agencies must obligate and make SHSP funds available to local government units within 45 days of FEMA's award date. The obligation includes 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 draw down must be removed);
- There must be documentary evidence of the commitment; and
- The award terms must be communicated to the official grantee.

ALDHS considered the date it issued grant agreements to subgrantees the obligation date. However, because subgrantees had to follow an ALDHS process before expending funds, issuing grant agreements did not constitute obligation. Subgrantees had to provide a signed grant agreement, approved budget, and stakeholder signatures (showing approval) to ALDHS before obligating funds, making commitments, or purchasing items. According to ALDHS, the process ensures that subgrantees do not purchase nonreimbursable items, which subgrantees had done in the past. Upon approving the documents, ALDHS notified the subgrantees that they could spend the funds. Although ALDHS'



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intent was to protect subgrantees, obligation of funds was delayed an average of 2 to 6 months.

In addition, ALDHS did not always follow its own approval process. For example, in FY 2010, five subgrantees did not submit the required documents or receive approval to spend funds. They incurred, however, about \$511,000 in SHSP expenses in the grant period. Because the subgrantees developed a budget after they incurred expenses and purchased items that were on FEMA's Authorized Equipment List, ALDHS reimbursed them even though they had not received consent to spend.

State Homeland Security Strategy

ALDHS did not have a current, FEMA-approved homeland security strategy, but its outdated strategy had measurable goals, objectives, and implementation steps. ALDHS provided an FY 2010 strategy to FEMA, but the component did not approve it because it had no record of its submission to the Grant Reporting Tool. According to FEMA, Alabama's 2006 strategy was the last one it approved.

Although outdated, in most cases, the 2006 strategy met the requirements for developing strategy goals and objectives. In July 2005, FEMA released guidance to states on aligning their homeland security strategies with the National Preparedness Goal. The *Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal* requires that states include measurable goals and objectives, as well as implementation steps, in their strategies. According to the guidance, an objective should be:

- Specific, detailed, particular, and focused – help identify what is to be accomplished;
- Measurable – be quantifiable, provide a standard for comparison, and identify a specific achievable result;
- Achievable –not beyond the ability of a state, region, jurisdiction, or locality;
- Results-oriented – identify a specific outcome; and
- Time-limited – have a target date to identify when the objective will be achieved.



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The 2006 strategy included 4 goals and 20 objectives. Fourteen of the 20 objectives did not meet all the FEMA requirements, but the objectives did include 67 implementation steps. Of the 67 implementation steps, 56 (84 percent) met all the requirements. The objectives and steps that did not meet all the requirements were not time-limited. Without a timeline, ALDHS cannot identify when its goals will be achieved. Although the implementation steps were measurable, ALDHS did not have a process to measure how much SHSP awards enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

In April 2012, FEMA required that, by December 31, 2012, state and local governments receiving preparedness grants complete a Threat and Hazard Identification and Risk Assessment (THIRA). The THIRA provides a comprehensive approach to identify and assess risks and associated impacts, using the core capabilities identified in the National Preparedness Goal. FEMA also requires states and territories that receive FEMA preparedness grants to submit a state preparedness report (SPR) annually. According to FEMA officials, THIRA results and the SPR will provide a quantitative summary of preparedness. We did not review the THIRA process because it was not within the scope of our audit. See appendix E for more information about the THIRA.

Inventory Requirements

ALDHS subgrantees did not always comply with the Code of Federal Regulations (CFR) grant inventory and property record requirements. Title 44 CFR § 13.32(d), *Equipment, Management requirements*, establishes procedures for managing equipment acquired in whole or part with grant funds. It includes the following requirements:

- Property records must be maintained and include the property's description, identification number, source of the property, title holder, acquisition date, cost and percentage of Federal funds used in the cost, location, use and condition, and ultimate disposition.
- A physical inventory of the property must be taken and the results reconciled with the property records at least every 2 years.
- A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.



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We visited seven subgrantees and reviewed their inventory practices to determine whether they met these requirements. According to our analysis:

- Two of the subgrantees did not maintain an inventory list or other type of control system. Of the remaining five subgrantees, four maintained an inventory but did not include all of the required elements; and
- Three subgrantees did not conduct a physical inventory every 2 years.

Unless Alabama adheres to inventory management requirements, it cannot ensure that assets procured with grant funds are adequately accounted for and safeguarded to prevent loss, damage, or theft, and are used as intended.

Procurement Practices

In most cases, subgrantees complied with procurement requirements for goods and services purchased with HSGP funds. According to the grant agreements, subgrantees had to comply with competitive bidding procedures in the Code of Alabama. The code requires that state agencies competitively bid transactions more than \$7,500 and local jurisdictions competitively bid transactions more than \$15,000. Of the 58 transactions we reviewed that met the competitive bid threshold, 7 (12 percent) did not comply with this requirement. ALDHS did not oversee subgrantee procurement practices to ensure that these transactions were bid competitively.

Recommendations

We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Require ALDHS to obligate 80 percent of SHSP funds to local units of government or obtain written consent from local units of government before funding statewide initiatives.



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Recommendation #2:

Require ALDHS to assess and streamline the current processes and procedures for obligating funds to subgrantees so that funds are obligated within 45 days.

Recommendation #3:

Require ALDHS to deny reimbursement claims for subgrantees that do not follow ALDHS' approval process as required by the grant agreements.

Recommendation #4:

Require ALDHS to submit a current homeland security strategy that includes objectives that are specific, measurable, achievable, results-oriented, and time-limited.

Recommendation #5:

Require ALDHS to ensure that subgrantees maintain property records and perform a physical inventory as required by 44 CFR § 13.32(d).

Recommendation #6:

Require ALDHS to provide oversight of subgrantees' procurement practices to ensure competitive bidding for transactions over the established thresholds.

Management Comments and OIG Analysis

We obtained written comments on the draft report from FEMA's Associate Administrator for Policy, Program Analysis and International Affairs and from the Alabama Law Enforcement Agency on behalf of the State. We reviewed the comments and, where appropriate, made changes to the report. FEMA concurred with all six recommendations. We included a copy of FEMA's management comments in their entirety in appendix B and a copy of the State's management comments in appendix C. The following is an evaluation of FEMA's and the State's official responses.

FEMA's and the State's responses to recommendation #1 – FEMA concurred with the recommendation. It will require ALDHS to execute Memorandums of Agreement with local jurisdictions for all statewide initiatives. This will demonstrate that 80 percent of SHSP funds were obligated to local units of government. According to Alabama, it uses the Alabama Homeland Security Task



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Force to secure written consent of local units of government. The task force is composed of local representatives from county governments, municipal governments, law enforcement agencies, fire departments, local management agencies, and local emergency communications districts.

OIG analysis – We consider FEMA’s actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions.

FEMA’s and the State’s responses to recommendation #2 – FEMA concurred with the recommendation and will require ALDHS to assess whether it can identify additional efficiencies. The State will explore streamlining its current process to obligate funds within 45 days.

OIG analysis – We consider FEMA’s actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions.

FEMA’s and the State’s responses to recommendation #3 – FEMA concurred with the recommendation and will require ALDHS to alter future sub-agreements to ensure all expenditures follow the ALDHS approval process; failure to do so will result in denial of the reimbursement claim. Alabama concurred with this recommendation.

OIG analysis – We consider FEMA’s actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions.

FEMA’s and the State’s responses to recommendation #4 – FEMA concurred with the recommendation. FEMA has established and implemented a system to help states, territories, and urban areas establish goals and objectives to measure improvements in first responder capabilities and statewide preparedness.

FEMA has made substantial progress in measuring grant effectiveness. It uses the National Preparedness Goal (the goal) and the National Preparedness System to assess grant effectiveness. FEMA’s strategy for developing metrics and assessing grant performance begins with the goal. The goal defines the core capabilities necessary to prepare for threats and hazards that pose the greatest risk to the Nation’s security. It also includes concrete, measurable objectives to manage those risks. For each core capability, the targets are concrete statements of the Nation’s requirements.



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As part of the National Preparedness System, FEMA has performance assessments that measure progress toward achieving the goal. Assessments are based on understanding and using risks to determine required capabilities, assessing current capabilities against requirements, and tracking progress in closing identified capability gaps.

In 2012, FEMA released the *Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide*. Jurisdictions can use the guide's five-step process to achieve desired outcomes and capability targets for each core capability. Thus, a jurisdiction can establish its own capability targets based on its risks.

On December 31, 2012, states, territories, and major urban areas receiving HSGP funds had to submit their THIRA to FEMA. Once each jurisdiction determines capability targets through the THIRA, it estimates its current capabilities against those targets. Also in 2012, states and territories were required to submit SPRs to FEMA. Sub-jurisdictions, subgrantees, and subject matter experts provide input through the THIRA and SPRs. The results identify capability needs and gaps, as well as grantees' progress in closing those gaps. FEMA reports the results of the capability assessments annually in the National Preparedness Report.

The National Preparedness System also builds and sustains capabilities by tying grant investments directly to needs and shortfalls. Grantees address capability requirements and gaps in grant applications, which also include investment justifications. In investment justifications, grantees must identify core capabilities and priorities, as well as the capability gaps noted in SPRs. The grantee must also identify the specific outcome(s) of the investment. Through its Biannual Strategy Implementation Report, FEMA verifies completion of the project. The performance period for the HSGP is 2 years, so FEMA sets a time limit for project completion, once it is funded.

FEMA addressed our recommendation for states to establish goals and objectives that are specific, measurable, achievable, results-oriented, and time-limited. States and territories can measure improvements in first responder capabilities and statewide preparedness through the THIRA, SPRs, and investment justifications. FEMA encourages, but does not require, strategy updates because the THIRA, SPRs, and investment justifications include goals and assessment of progress. FEMA has provided all required templates to complete the THIRA. Subsequent iterations of the THIRA will build on documents from previous years.



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FEMA reported that Alabama had submitted its FY 2012 THIRA and its SPR as well as its investment justifications.

According to FEMA, using the THIRA, SPRs, and investment justifications satisfies the intent of recommendation #4; FEMA requested this recommendation be closed.

Alabama concurred with this recommendation.

OIG analysis – We consider FEMA’s actions responsive and consider the recommendation resolved and closed.

FEMA’s and the State’s responses to recommendation #5 – FEMA concurred with the recommendation. It will require ALDHS to adopt a policy to certify property records during subgrantee monitoring. The policy will also require subgrantees to perform physical inventories. According to Alabama, ensuring that subgrantees maintain property records and perform physical inventory is part of its grant monitoring. The State will explore efforts to strengthen monitoring.

OIG analysis – We consider FEMA’s actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions.

FEMA’s and the State’s responses to recommendation #6 – FEMA concurred with the recommendation. It will require ALDHS to include a provision in sub-agreements that it will deny reimbursement to subgrantees that do not follow its procurement processes. According to Alabama, oversight of subgrantee procurement practices is part of grant monitoring. The State will explore efforts to strengthen its monitoring.

OIG analysis – We consider FEMA’s actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions.



Appendix A

Objectives, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107–296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department. The report objectives were to determine whether the State used SHSP and Urban Areas Security Initiative funds in accordance with the law, program guidance, and state homeland security strategies and other applicable plans. 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.

To answer our objectives, we reviewed FYs 2010 through 2012 documentation supporting management of grant funds, reviewed procurement and inventory documentation, inspected selected equipment purchased with grant funds, and interviewed state and local officials directly involved with Alabama’s management of SHSP. We also visited the designated administrative agency (ALDHS) and nine subgrantees that received SHSP funds.

State Agencies

- Alabama Criminal Justice Information Center
- Alabama Fire College

Counties

- Butler
- Jefferson
- Lawrence
- Macon
- Madison
- Mobile
- Washington

We conducted this performance audit between November 2012 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 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

NOV 21 2013

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

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

SUBJECT: FEMA's Response to OIG-13-119-AUD-FEMA DRAFT
REPORT "Alabama's Management of State Homeland Security
Program Grants Awarded During Fiscal Years 2010 Through
2012"

Thank you for the opportunity to review and comment on OIG Draft Report OIG-13-119-AUD-FEMA DRAFT REPORT "Alabama's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012".

The draft report contains six (6) recommendations, of which FEMA concurs with all recommendations, 1 through 6. This memorandum serves as FEMA's official written response to your draft report.

OIG Recommendation 1: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require Alabama Department of Homeland Security (ALDHS) to obligate 80 percent of State Homeland Security Program (SHSP) funds to local units of government or obtain written consent from its local units of government before funding statewide initiatives.

FEMA Response to Recommendation 1: Concur. The FEMA Assistant Administrator, Grant Programs Directorate will require that ALDHS execute Memorandums of Agreement with local jurisdictions for all statewide initiatives sufficient to demonstrate that 80 percent of SHSP funds were ultimately obligated to local units of government.

OIG Recommendation 2: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require ALDHS to assess and streamline the current processes and procedures for obligating funds to subgrantees so that funds are obligated within 45 days.

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FEMA Response to Recommendation 2: Concur. ALHDS issues the grant awards within 45 days. The subgrantee acceptance of the award and final budget submission (versus the proposed budget) does not breach the obligation requirements. However, the FEMA Assistant Administrator, Grant Programs Directorate will require that the ALDHS assess whether additional efficiencies can be identified.

OIG Recommendation 3: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require ALDHS to deny reimbursement claims for subgrantees that do not follow ALDHS' approval process required by the grant agreements.

FEMA Response to Recommendation 3: Concur. The FEMA Assistant Administrator, Grant Programs Directorate will not require ALDHS to deny reimbursement claims however, will require that ALDHS have sub-grantees provide evidence that the items in question are on the Authorized Equipment List and were allocable, allowable and reasonable. The FEMA Assistant Administrator, Grant Programs Directorate will also require that ALDHS alter future sub-agreements to ensure all expenditures follow the ALDHS approval process and failure to do so will result in denial of the reimbursement claim.

OIG Recommendation 4: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require ALDHS to submit a current State Homeland Security Strategy that includes objectives that are specific, measurable, achievable, results oriented, and time limited.

FEMA Response to Recommendation 4: Concur. FEMA has established and implemented a system that 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 made substantial progress in measuring grant effectiveness. Among other changes, the National Preparedness Goal (the Goal) and the National Preparedness System now serve as the framework for assessing grant effectiveness. FEMA's strategy for developing metrics and assessing grant performance begins with the Goal. The Goal defines the core capabilities necessary to prepare for the threats and hazards that pose the greatest risk to the security of the Nation, and includes concrete, measurable objectives to manage those risks. The Goal's capability targets provide concrete statements of the Nation's requirements in each core capability.

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.



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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 THIRA 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 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 IJ. 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.



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Alabama has submitted their FY 2012 THIRA (Attachment 1) and SPR (Attachment 2). In accordance with the FY 2013 Homeland Security Grant Program Funding Opportunity Announcement, Alabama has submitted IJs based on their THIRA and SPR.

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 recommendation 4 and requests this recommendation be closed.

OIG Recommendation 5: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require ALDHS to ensure that subgrantees maintain property records and perform a physical inventory as required by 44 CFR §13.32(d).

FEMA Response to Recommendation 5: Concur. The FEMA Assistant Administrator, Grant Programs Directorate will require ALDHS to adopt a written policy to certify property records during the ALDHS subgrantee monitoring process and to include a requirement in future sub-agreements that subgrantees will perform physical inventories as required by 44 CFR §13.32(d).

OIG Recommendation 6: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require ALDHS to provide oversight of sub-grantees' procurement practices to ensure competitive bidding for transaction over the established thresholds.

FEMA Recommendation 6: Concur. The FEMA Assistant Administrator, Grant Programs Directorate will require that ALDHS to alter their sub-agreements to include a provision requiring ALDHS to deny any reimbursement claims from subgrantees that do not follow ALDHS' procurement processes.

Thank you again, for the opportunity to review and comment on OIG Draft Report OIG-13-119-AUD-FEMA DRAFT REPORT "Alabama's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012" 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. His contact number is 202-646-1308.

See Attachments:

1. Alabama THIRA
2. Alabama SPR



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C
ALDHS Comments to the Draft Report



Robert Bentley
Governor

State of Alabama
Law Enforcement Agency



Spencer Collier
Secretary

March 7, 2014

MEMORANDUM

FOR: Sean Pettersen, Audit Manager
Office of Inspector General, US Department of Homeland Security

FROM: Shirrell Roberts *ASR*
Deputy Director for Homeland Security, Alabama Law Enforcement Agency

SUBJECT: Response to *Draft Report: Alabama's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012 - For Official Use Only*
OIG Project No. 13-119-AUD-FEMA

I have reviewed the draft report and make the following comments as the State Administrative Agency (SAA):

Recommendation #1:

Our current method to secure the written consent of the local units of government is through the Alabama Homeland Security Task Force (Attachment, pp. 14-16). This task force is composed of local representatives from county governments, municipal governments, county law enforcement agencies (Sheriffs), municipal law enforcement (Police Chiefs), paid fire departments (Fire Chiefs), volunteer fire departments, local emergency management agencies, local emergency communications districts (911). These individual are given notice to attend the meeting. If they do not attend or send a representative, we cannot compel them to attend.

I do not know of a better way to obtain consent with 67 counties, 1 federally recognized tribe, and 462 municipalities. I hope OIG is not advocating getting individual consent from all 530 local units of government.

Recommendation #2:

The SAA will explore possible courses of actions to streamline the current process to obligate funds within 45 days.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Recommendation #3

Concur

Recommendation #4

Concur

Recommendation #5

The requirement for the SAA to ensure that subgrantees maintain property records and perform a physical inventory is currently a part of the grant monitoring program. Possible efforts to strengthen the monitoring program will be explored.

Recommendation #6

The requirement for the SAA to provide oversight of subgrantees' procurement practices are currently a part of the grant monitoring program. Possible efforts to strengthen the monitoring program will be explored.



Appendix D

Description of the Homeland Security Grant Program

The HSGP provides Federal funding to help state and local agencies enhance capabilities to prevent, protect, mitigate, 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, protect, mitigate, 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, protect, mitigate, respond to, and recover from threats or acts of terrorism and other disasters. Funding is expended based on 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:

- Operation Stonegarden,
- Metropolitan Medical Response System (through FY 2011), and
- Citizen Corps Program (through FY 2011).



Appendix E

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 they affect 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 states and territories receiving HSGP and Emergency Management Performance Grant funds, and eligible urban areas. The first THIRA submission was due December 31, 2012. Subsequent submissions will be annual performance requirements for FEMA preparedness grant awards.

In addition to the THIRA, states and territories receiving FEMA preparedness grants are required to submit an SPR annually. According to FEMA officials, THIRA results and the SPR will provide a quantitative summary of preparedness, document current capabilities and potential shortfalls, and set priorities for addressing shortfalls. Also, according to FEMA officials, states will use SPR results 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, according to FEMA officials, must address capability gaps reported in the SPR.

FEMA officials said that the FY 2013 HSGP funding announcement will require applicants to map proposed investments to specific core capabilities and capability gaps identified in SPRs, 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 F

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Appendix G

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