

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

**South Dakota's Management of Homeland Security  
Grant Program Awards for Fiscal Years  
2010 Through 2012**



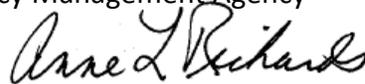


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Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://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: *South Dakota's Management of Homeland Security Grant  
Program Awards for Fiscal Years 2010 Through 2012*

Attached for your action is our final report, *South Dakota's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012*. We incorporated the formal comments from the Office of Policy, Program Analysis and International Affairs and the South Dakota Office of Homeland Security in the final report.

The report contains seven recommendations aimed at improving the overall effectiveness of South Dakota's management of Homeland Security Grant Program funds. 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, and recommendations #2 through #7 resolved and open. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions. Please email a signed PDF copy of all responses and closeout requests to [OIGAuditsFollowup@oig.dhs.gov](mailto: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 John E. McCoy, II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



April 21, 2014

Ms. Anne L. Richards  
Assistant Inspector General for Audits  
U.S. Department of Homeland Security  
Office of Inspector General, Mail Stop 0305  
245 Murray Lane, SW  
Washington, D.C. 20528

Dear Ms. Richards:

Foxx & Company performed an audit of South Dakota's management of the Department of Homeland Security's State Homeland Security Program grants for fiscal years 2010 through 2012. The audit was performed in accordance with our Task Order No. TPDFIGBPA100006-0020 dated June 20, 2013. This report presents the results of the audit and includes recommendations to help improve South Dakota's management of the audited State Homeland Security Program grants.

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

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of any further assistance, please call (513) 241-1616.

Sincerely,

Foxx & Company  
Cincinnati, OH



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### Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
MAA	mutual aid agreement
MOU	memorandum of understanding
OIG	Office of Inspector General
OHS	Office of Homeland Security
SAC	Senior Advisory Committee
SHSP	State Homeland Security Program
SAA	state administrative agency
SMART	specific, measurable, achievable, results-oriented, and time-limited
SPR	state preparedness report
THIRA	Threat and Hazard Identification Risk Assessment



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### 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' and territories' management of State Homeland Security Program and, where applicable, Urban Areas Security Initiative grants. This report responds to the reporting requirement for South Dakota.

The audit objectives were to determine whether the State distributed and spent State Homeland Security Program grant funds effectively and efficiently, and in compliance with applicable Federal laws and regulations. We also addressed the extent to which grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The Federal Emergency Management Agency (FEMA) awarded the State approximately \$14.6 million in State Homeland Security Program grants during fiscal years 2010 through 2012.

The State developed written procedures for program administration, generally spent the awards in compliance with applicable laws and regulations, and complied with Federal financial reporting requirements. However, we identified areas where the State can improve its management and oversight of the grant funds by:

- Identifying homeland security strategies with specific, time-limited goals and objectives and developing a process for measuring and evaluating the progress toward attaining those goals and objectives,
- Implementing an effective subgrantee monitoring program,
- Processing grant funding obligations to its grantees in a timelier manner,
- Spending grant funds within the required timeframes established by FEMA, and
- Improving property management and inventory control procedures.

We have made seven recommendations that call for FEMA and the State to initiate improvements, which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with all of the recommendations. Written comments to the draft report are incorporated as appropriate and are included in appendix B.



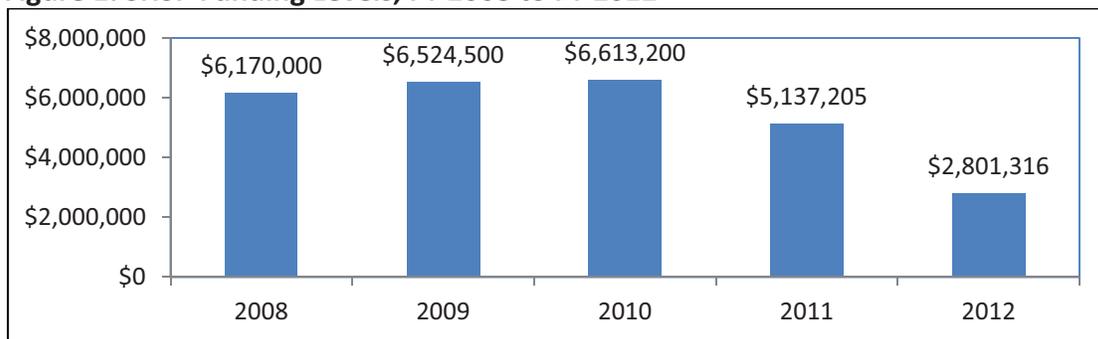
## Background

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

HSGP guidance requires the Governor of each state to designate a state administrative agency (SAA) to apply for and administer grant funding awarded under the HSGP. The SAA is the only entity eligible to apply for HSGP funds. The Governor of South Dakota designated the South Dakota Department of Public Safety, Office of Homeland Security (OHS) to serve as the SAA for the State. The SAA organization chart is included in appendix E.

The State was awarded \$14,551,721 in State Homeland Security Program (SHSP) funds during fiscal years (FYs) 2010 through 2012, the period covered by our audit. During this period, South Dakota awarded the SHSP grant funds to counties, state agencies, and Native American tribes. Figure 1 illustrates the level of SHSP funding the State received over a 5-year period. For the FYs in our review, the State received its highest level of SHSP funding in FY 2010, but received about \$4 million less from FY 2010 to FY 2012.

**Figure 1: SHSP Funding Levels, FY 2008 to FY 2012**



Source: Prepared by Foxx & Company from FEMA data.

Appendix A contains details on the objectives, scope, and methodology for this audit.



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### Results of Audit

The State developed written procedures for program administration, generally spent the awards in compliance with applicable laws and regulations, and complied with Federal financial reporting requirements.

However, the State can improve its management and oversight of the grant funds by:

- identifying specific, time-limited preparedness goals and objectives and developing a process for measuring and evaluating the progress toward attaining those goals and objectives.
- implementing an effective subgrantee monitoring program.
- processing grant funding obligations to its grantees in a timelier manner.
- spending grant funds within the required timeframes established by FEMA.
- improving property management and inventory control procedures.

These improvements will enhance South Dakota's effectiveness in the overall use of the grant funds to improve its preparedness and response capabilities.

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

#### Measurement of Goals and Objectives

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South Dakota's strategic plans did not establish measurable goals and objectives to address significant threats and vulnerabilities, or a context (baseline) for measuring capability improvements. The State prepared two strategic plans for the audit period of FY 2010 through FY 2012: a plan prepared in 2009 covered the period 2010 and 2011 and a plan prepared in 2011 covered 2012-14. Neither plan contained goals, objectives or a baseline that could be easily measured.

Accordingly, OHS could not demonstrate the extent to which FYs 2010-12 SHSP grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

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



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

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

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

According to State officials, the OHS first developed a strategic plan in 2003 and it was not updated or revised until 2009. The 2009 plan covered 2010 and 2011 and identified weaknesses and vulnerabilities throughout South Dakota. It did not contain adequately defined goals and objectives to use in measuring performance. The goal and objectives in the State’s strategy were not consistent with Federal requirements. The State’s goal and objectives were broad based and did not provide for tracking and measuring the impact of funds expended for equipment, training, and exercises. In response to the question “Did the state evaluate its allocations and spending each year in relation to the needs assessment, strategic plan, and funds previously provided?” the State’s response



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was that evaluations “were not documented but informally evaluated through decisions at the SAC (Senior Advisory Committee) meetings.”

The 2010-2011 strategy contained only one goal which was: “To ensure that all jurisdictions within South Dakota can detect, deter, mitigate, respond to, and recover from a natural or manmade disaster.” The strategy listed nine objectives under this goal. The objectives were not prioritized in any particular order, as all of the objectives were equally important to achieve the overall goal. Each objective contained a number of steps to be completed; steps for each objectives ranged from 6 to 24, and in total, there were more than 90 separate steps.

Our analysis of the goals, objectives and the steps to be completed identified that the 2010-2011 goals and objectives: (1) were not specific, detailed, particular, or focused; (2) did not identify outcomes; and (3) did not establish timeframes for the completion of the objectives. Several of the steps were identified as “completed” or for dates that were prior to the initiation of the 2010 and 2011 timeframe. Table 1 illustrates examples of objectives and some steps to be completed in the State’s strategy, as well as our assessment.

**Table 1: Examples from South Dakota’s 2010 – 2011 Strategic Plan**

Objective	Steps	Assessment
Coordinate local and tribal activities related to prevention, planning, mitigation, response, and recovery from a natural or manmade incident through mutual aid agreements (MAA), memorandums of understanding (MOU).	Nine steps including: <ul style="list-style-type: none"> <li>• Identify and assist jurisdictions with development, implementation, and evaluation of local and tribal MOUs and MAAs.</li> <li>• Ensure mobile command units are strategically placed throughout the State and ensure MOUs are in place.</li> </ul>	The objective is not: <ul style="list-style-type: none"> <li>• Specific</li> <li>• Measurable</li> <li>• Results-oriented</li> </ul> Time frame for completion not listed.
Promote and enhance security intelligence, and equipment at critical infrastructure sites in Federal, state, tribal and local levels of government as well as the private sector within South	Nine steps including: <ul style="list-style-type: none"> <li>• Enhance the capability of local emergency operation centers and the State emergency operation center through the acquisition of additional resources to include back</li> </ul>	The objective is not: <ul style="list-style-type: none"> <li>• Specific</li> <li>• Measurable</li> <li>• Results-oriented</li> </ul> Time frame for completion not listed.



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Objective	Steps	Assessment
Dakota to prevent, protect, prepare for, respond to and recover from a chemical, biological, radiological, nuclear, or explosive incident or other manmade incident.	up power supply. <ul style="list-style-type: none"> <li>Determine and acquire funding sources and other resources needed to conduct exercises at critical infrastructure sites.</li> </ul>	
Enhance the capability of state, local, tribal governments and private entities to detect, protect, respond to, recover from, and mitigate incidents of terrorism involving plants, livestock, other animals, and associated industries.	Seven steps including: <ul style="list-style-type: none"> <li>Review animal response plans to include control, destruction, and disposal.</li> <li>Continue to identify and analyze local at risk sites, events, animals, and animal products.</li> </ul>	The objective is not: <ul style="list-style-type: none"> <li>Specific</li> <li>Measurable</li> <li>Results-oriented</li> </ul> Time frame for completion not listed.

*Source:* Foxx & Company analysis of State Homeland Security Strategic Plan (2010 – 2011)

Our analysis of the State’s 2012-2014 strategic plan, dated January 2012, identified that this plan did not contain adequately defined goals and objectives to use in measuring performance. The goals and objectives in the State’s strategy were not consistent with Federal requirements. The State’s goals and objectives were broad-based and did not provide for tracking and measuring the impact of funds expended for equipment, training, and exercises.

The State officials acknowledged that they did not have a formal assessment tool to measure improvements or preparedness resulting from the use of grant funds. They said that the 2012-2014 strategic plan was written in narrative fashion and that specific performance measures were not the main objective.

Table 2 shows examples of the goals and objectives included in the State’s 2012-2014 strategy. These examples show that the goals and objectives: (1) were not specific, detailed, particular, or focused; (2) did not identify outcomes; and (3) did not establish timeframes for the completion of the objectives.



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**Table 2: Examples from South Dakota’s 2012-2014 Strategic Plan**

Goal	Objective	Assessment
Develop capabilities of first responders and homeland security partners to ensure a coordinated response to incidents.	<ul style="list-style-type: none"><li>• Continue to monitor potential threats.</li><li>• Provide training to first responders for all hazard threats.</li><li>• Provide continued support for multi-discipline/multi-agency exercises.</li></ul>	The goal is not measurable. Time frame for measuring goal not listed. The objective is not: <ul style="list-style-type: none"><li>• Specific</li><li>• Measurable</li><li>• Results-oriented</li></ul>
Facilitate and promote effective planning and preparation at all levels including assessment and evaluation.	<ul style="list-style-type: none"><li>• Conduct critical infrastructure and key resources vulnerability assessments.</li><li>• Incorporate risk assessment information into comprehensive plan.</li><li>• Evaluate preparedness through executives at all government levels.</li><li>• Conduct specialized team planning.</li><li>• Develop cyber security recommendations based on the Risk Management Framework Model.</li></ul>	The goal is not measurable. Time frame for measuring goal not listed. The objective is not: <ul style="list-style-type: none"><li>• Specific</li><li>• Measurable</li><li>• Results-oriented</li></ul>

Source: Foxx & Company analysis of State Homeland Security Strategic Plan (2012 – 2014)

Furthermore, the South Dakota state agencies received 20 percent of the total grant funding for FYs 2010-12. However, there was minimal reference to how the state agencies were supposed to address the goals and objectives stated in the strategies.

In April 2012, FEMA required state and local governments receiving FEMA preparedness grants to complete Threat and Hazard Identification and Risk Assessments (THIRA) by December 31, 2012. The THIRA provided a comprehensive approach for identifying and assessing risks and associated impacts, using the core capabilities identified in the National Preparedness Goal. In addition to the THIRA, states and territories receiving FEMA preparedness grants were required to annually submit a state preparedness report (SPR).

FEMA officials stated that THIRA results and the SPR would provide a quantitative summary of preparedness, document current capabilities and



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potential shortfalls, and set priorities for addressing shortfalls. FEMA officials also stated that the SPR results would be used by the states to identify funding requirements and set priorities for subgrantee project applications. The grant application (investment justification) must demonstrate how proposed projects address gaps and deficiencies in delivering one or more core capabilities outlined in the National Preparedness Goal and address capability gaps reported in the SPR.

We reviewed the State's THIRA and found that South Dakota OHS developed a THIRA in compliance with DHS Comprehensive Preparedness Guide 201 released in April 2012. We found that the State's THIRA development process:

- incorporated a whole community approach throughout the THIRA process,
- contained procedures that were sufficient for completing the THIRA, and
- documented the THIRA process, including support data used to complete the THIRA.

We also evaluated the THIRA document by comparing it to the State's 2012–2014 strategic plan. We found that the threats, risks, and capabilities in the THIRA were consistent with those listed in the strategic plan.

The State acknowledged that written specific performance measures were not the main objective of the strategies. In addition, the State had not documented its evaluations covering progress, compiling key management information, tracking trends, or keeping the strategies on track. FEMA's Region VIII July 30-21, 2012 on-site monitoring report for South Dakota stated that state personnel were tasked heavily with maintaining current capabilities and responding to disasters throughout the State. This left only a small amount of time to work on increased capabilities.

Without adequate measurable goals and objectives, the State does not have a sufficient basis to evaluate the effect of grant expenditures on its preparedness and response capabilities. Furthermore, it is difficult to provide a context for performing the strategic exercise of asking "How are we managing our homeland security programs?" and prevented the identification of baselines from which improvement could be measured and future funding needs assessed.



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### Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to:

#### Recommendation #1:

Comply with FEMA guidance to ensure that:

- a. the State's strategy is updated as required and includes goals and objectives applicable to capabilities that are specific, measurable, achievable, results oriented, and time limited (SMART),
- b. baselines are identified for the capabilities that will facilitate the measurement of progress toward achieving the goals and objectives, and
- c. formalize a plan to document progress, compile key management information, track trends, and keep the strategy on track.

### Management Comments and Auditor Analysis

FEMA and State Responses to Recommendation #1: FEMA concurred with this recommendation. FEMA has established and implemented a system to help states and urban areas establish measurable goals and objectives through its THIRA methodology, which was released in 2012. States were required to submit THIRAs by December 31, 2012. In addition, states are required to annually submit SPRs to FEMA. The THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. Grantees address documented capability requirements and gaps in their investment justifications submitted in the grant application. FEMA provided copies of South Dakota's FY 2012 THIRA and SPR.

FEMA stated that it addressed the recommendation for states to establish SMART goals and objectives by requiring the states to use a set of tools including the THIRA, SPR, and investment justifications. These tools enable the states to systematically measure improvements in capabilities and statewide preparedness. Based on this information, FEMA requested that this recommendation be resolved and closed.

The State agreed with the recommendation. Since the completion of fieldwork in December 2013, the State published and implemented in January 2014, a strategic plan for FY 2014 – 2017 that incorporates SMART goals and objectives. The plan identifies baseline capabilities that the State plans to use to measure



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progress towards goals and objectives. It included specific and measurable objectives and timelines for assessing progress.

Auditor Analysis: The corrective actions taken by FEMA and the State are responsive to the intent of recommendation #1. This recommendation is resolved and closed.

### **Subgrantee Monitoring**

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The OHS did not adequately monitor subgrantee activities for the FYs 2010-12 DHS awards. Although the State provided a list of 19 subgrantee monitoring reviews for the funding in our audit scope, only 10 were completed; the other 9 were marked incomplete. The last monitoring report completed was on September 20, 2011 (see table 3). As a result, the State could not be assured that subgrantees' operations and grant related activities complied with Federal requirements.

Specific guidance on grantee monitoring requirements is provided by the CFR, Office of Management and Budget, FEMA, and the State:

- 44 CFR §13.40, *Monitoring and Reporting Program Performance*: Grantees are responsible for managing the day-to-day operations of grant- and subgrantee-supported activities and ensuring grant recipients comply with applicable Federal requirements and achieve program performance goals. This regulation also specifies that grantees' monitoring programs must cover each program, function, or activity.
- Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, Compliance Supplement, Part 3-M: Grantees are responsible for monitoring subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means. Grantee monitoring should provide reasonable assurance the subgrantee administers Federal awards in compliance with laws and regulations, as well as the provisions of contracts or grant agreements and that performance goals are achieved.
- FEMA, *Homeland Security Grant Program Guidance and Application Kit*: Grant recipients are responsible for monitoring award activities, including subawards, to provide reasonable assurance that the Federal award is administered in compliance with requirements.
- South Dakota's *Grants Management Manual*, Section 10: The responsibilities and procedures for monitoring subgrantees to ensure fiscal, compliance, and programmatic responsibilities are fulfilled based



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upon the regulations cited in CFR Title 44. Monitoring includes on-site visits and desk audits, and addresses programmatic, financial, and capital asset/equipment monitoring. The State has standard forms to use to document monitoring activities and includes guidance for on-site and desk monitoring.

Although the State had a subgrantee monitoring schedule, it was not being followed. As shown in table 3, 9 of the 19 scheduled monitoring visits were incomplete and there has been no subgrantee monitoring since September 2011. Some of the completed monitoring reviews were for awards prior to 2010.

**Table 3: Status of Subgrantee Monitoring**

South Dakota's Office of Homeland Security Monitoring			
County	City	Date Monitored	Status
Brown	Aberdeen	08/09/2011	Complete
Clark	Clark	07/18/2012	Incomplete
Clark	Raymond	07/18/2012	Incomplete
Clark	Willow Lake	07/18/2012	Incomplete
Codington	Watertown	07/19/2012	Incomplete
Codington	Wallace	07/19/2012	Incomplete
Deuel	Clear Lake	07/18/2012	Incomplete
Edmunds	Roscoe	08/09/2011	Complete
Faulk	Faulkton	08/10/2011	Complete
Grant	Milbank	07/18/2012	Incomplete
Haakon	Midland	08/23/2011	Incomplete
Haakon	Phillip	08/23/2011	Incomplete
Lincoln	Canton	09/20/2011	Complete
Lincoln	Harrisburg	09/20/2011	Complete
Meade	Sturgis	08/23/2011	Complete
Minnehaha	Sioux Falls	09/19/2011	Complete
Minnehaha	Renner	09/19/2011	Complete
Pennington	Rapid City	02/04/2011	Complete
Pennington	Rapid City	08/25/2011	Complete

Source: South Dakota's OHS.

We reviewed the monitoring reports completed for Minnehaha and Pennington, two counties included in our review. The Minnehaha monitoring was completed in September 2011 and covered grant years 2007-10. The report contained no findings. The Pennington reports covered grant year funding prior to the scope of our review and did not contain any significant findings.



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Officials told us during the audit field work that the State planned to have six regional coordinators perform the monitoring function. However, we found that this had not occurred. In interviews with the regional coordinators responsible for the counties and municipalities we reviewed, we were told that they have not performed any subgrantee monitoring. Also, the regional coordinators told us that they had not received any guidance or instructions from the State on how the monitoring was to be performed.

### Monitoring Completed by other Entities

We reviewed the South Dakota's Department of Legislative Audit reports of counties and municipalities for the grant years 2010-12 to determine if there were any findings or deficiencies identified for the jurisdictions included in our review, and identified two: Beadle County and Rapid City.

The Beadle County audit report for the two years ended December 31, 2010, identified significant deficiencies in the preparation of the Schedule of Expenditures of Federal Awards, maintaining of Federal grant files, and monitoring of Federal award subrecipients. In response to the report, Beadle County agreed and stated that it had established grant files and implemented procedures and controls to correct the audit findings.

The Rapid City audit report for the fiscal year ended December 31, 2012, identified that the City did not have an overall review process to ensure that all grant requirements were met. The report stated that without proper review and tracking processes, the City could fail to maintain compliance with Federal grants. It recommended strengthening its grant monitoring procedures. The City's corrective action plan stated that it would improve the grant reporting review process and comply with grant requirements.

In addition, we reviewed a FEMA Region VIII site visit report (monitoring completed July 2012) of the South Dakota DHS grant funding. The report made no reference to the fact that OHS was not performing the required monitoring of subrecipients.

We also reviewed an April 2011 assessment of the regional response teams, conducted by the University of South Dakota. The report stated that improvement was needed in the coordination and standardization of the response teams. In particular, the teams wanted greater communications, information, and direction from OHS in order to prioritize their spending and preparations. The report concluded that the regional response teams have



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evolved largely as a function of available funding and existing capacity, and in a vacuum without a great deal of vision, standardization, or direction from the State.

The above examples of monitoring completed by outside entities identified findings and areas needing improvement in the State's management of the HSGP and illustrate the importance of monitoring.

According to OHS officials, monitoring and desk reviews have been infrequent. None have been performed in almost two years because of a shortage of staff. State officials told us that prior to 2011 monitoring was "hit or miss." There were not enough personnel to complete monitoring and that there had also been a lot of staff turnover. In addition, the State officials said that documentation of monitoring had been inadequate and that tracking performance had not been done. The OHS program manager also told us that plans to have the regional coordinators complete monitoring had not occurred because of time constraints. He cited disaster declarations as the coordinators' priority.

#### State Plans for Monitoring

During our pre-exit conference with the State in December 2013, State officials told us that the State had retained the services of its former finance officer and dedicated a team of staff from the Department of Public Safety's Finance Office, Office of Homeland Security, Office of Emergency Management, and Office of Highway Safety to address monitoring activities. During the July through December 2013 timeframe, this team developed new office-based and on-site monitoring procedures. Accomplishments included:

- Development of a comprehensive office-based grant monitoring questionnaire that will be completed by selected grant subrecipients. The questionnaire includes detailed CFR references in an attempt to better educate subrecipients in their grant responsibilities. The team tested the questionnaire and will test its on-site monitoring procedures in early 2014.
- Consulted with the Iowa Homeland Security and Emergency Management Department and obtained information on their monitoring practices, monitoring documents, and selection criteria. The team is assessing the information for use in the State's monitoring activities.



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- Established a department-wide grant equipment database that includes equipment exceeding \$5,000 funded from Homeland Security, Emergency Management, and Highway Safety grants.

The State was unable to obtain first-hand knowledge of specific subgrantee administrative problems or other significant issues due to ineffective on-site or desk reviews. The OHS could not provide adequate assurance that subgrantees adhered to Federal requirements and grant guidelines, or whether SHSP funding was achieving programmatic goals and objectives. Because the State had not fully implemented its revised monitoring plan during the audit field work, we did not evaluate its effectiveness.

### Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to:

#### Recommendation #2:

Ensure that the new office based and on-site monitoring procedures provide an adequate protocol for monitoring subgrantees to include:

- a. tools, such as performance monitoring checklists, for evaluating subgrantee compliance with Federal requirements, and
- b. criteria and methodologies for assessing subgrantees efficiency and effectiveness in accomplishing program objectives.

#### Recommendation #3:

Provide sufficient resources to fully implement the new monitoring procedures.

### Management Comments and Auditor Analysis

FEMA and State Responses to Recommendations #2 and #3: FEMA concurred with these recommendations. FEMA will require the Director of OHS to ensure that its subgrantee monitoring policies and procedures comply with 44 CFR § 13.40, *Monitoring and Reporting Program Performance*. The estimated completion date for these recommendations is August 27, 2014.

The State agreed with these recommendations. Since the completion of fieldwork in December 2013, the State developed and implemented new monitoring procedures and tested the procedures from January through March



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2014. The State reported that the office-based and on-site monitoring (1) found no major noncompliance findings and (2) made recommendations to include additional information in property records to be compliant with Federal regulations.

Regarding resources for implementing the new monitoring procedures, the State responded that the monitoring will be coordinated by the State's finance office. Physical verification of equipment will be covered by the State's six regional coordinators and four law enforcement liaisons, and that their progress will be monitored on a quarterly basis.

Auditor Analysis: FEMA's and the State's proposed corrective actions are responsive to the intent of recommendations #2 and #3. These recommendations are resolved and will remain open until the proposed corrective actions are fully implemented.

#### **Obligations of Grant Funds to Subgrantees**

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The SAA did not always meet the requirements for obligating SHSP funds to local units of government within 45 days of the receipt of the funds for the FYs 2010 and 2012 awards. As a result, the SAA was not in compliance with FEMA requirements. Local governments and first responders were not provided Federal funding in a timely manner to help enhance capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies.

According to *FEMA Homeland Security Grant Program Guidance*, state administrative agencies must obligate and make available to local government units at least 80 percent of SHSP grant funds within 45 days of FEMA's award date. The obligation must include the following requirements:

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

Table 4 shows the State communicated the award terms to the subgrantees generally within the 45 day timeframe in FY 2011. However, it took the State



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from 77 to 188 days in FY 2010 and from 60 to 108 days in FY 2012 to communicate the terms and fulfill the obligation requirements.

**Table 4: Days Between Award to State and Agreements with Subgrantees**

Grant Year	County	Date of Agreement	Days between Award to State and Agreement with Subgrantees	Amount of SHSP funding
2010	Beadle	12/21/10	84	\$602,694
2010	Davison	12/14/10	77	\$408,800
2010	Minnehaha	12/14/10	77	\$1,438,907
2010	Perkins	12/28/10	91	\$366,087
2010	Hughes	04/04/11	188	\$83,663
2010	Pennington	03/15/11	168	\$701,600
2011	Beadle	11/22/11	47	\$364,464
2011	Davison	11/15/11	40	\$300,632
2011	Hughes	11/21/11	46	\$50,335
2011	Minnehaha	11/22/11	47	\$849,187
2011	Pennington	11/15/11	40	\$437,943
2011	Perkins	11/08/11	33	\$299,173
2012	Beadle	10/31/12	60	\$26,098
2012	Davison	12/18/12	108	\$26,098
2012	Minnehaha	11/13/12	73	\$272,236
2012	Pennington	11/09/12	69	\$106,000
2012	Hughes	11/08/12	68	\$28,000

Source: Foxx summary of South Dakota grant documentation.

The State’s OHS program manager said that the State’s lengthy process for obligating funds to the subgrantees caused the delays. This process involved executing grant agreements to document the awards to the subgrantees – the state agencies, counties, and tribes. See appendix D for a detailed description.

To utilize the funding for FYs 2010 and 2011, the SAA established a regional leadership structure of eight regions and selected a lead county for each region. The lead county then procured items for subrecipients - county, city, municipality, and/or tribal entities.

For FY 2012, the SAA changed the funding utilization process. The SAA established six regions and regional coordinators. The regional coordinators met with review committees consisting of two people invited from each county and tribe – a law enforcement official and emergency manager – who then awarded the funds competitively, based on the applications.



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The State was not always complying with FEMA grant obligation requirements. When the 45 day requirement was not met, the subgrantees had less time to spend the grant funds and react to problems or areas needing attention.

#### **Recommendation**

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to

#### **Recommendation #4:**

Review the process used to obligate SHSP funding to subgrantees to identify ways to shorten the process to ensure that funds are available to subgrantees in a timelier manner.

#### **Management Comments and Auditor Analysis**

FEMA and State Responses to Recommendation #4: FEMA concurred with the recommendation. FEMA will require the Director of OHS to review the process used to obligate SHSP funding to subgrantees to identify ways to shorten the process. The estimated completion date for this recommendation is August 27, 2014.

The State responded that it currently obligates funds to subgrantees on a regional level within the 45-day obligation period. To formalize the obligation of funding within 45 days for future grant awards, the State will have the regional representatives and the State sign an agreement that declares the regional award amount and the project period.

Auditor Analysis: FEMA's and the State's proposed corrective actions are responsive to the intent of recommendation #4. This recommendation is resolved and will remain open until the proposed corrective actions are fully implemented.

#### **Timeliness of Grant Expenditures**

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The State was not expending SHSP funds in a timely manner. As of June 30, 2013 the State still had 34 percent of its 2011 award and 72 percent of its 2012 award remaining. The period of performance for both awards ends on August 31,



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2014.<sup>1</sup> The State or its subgrantees could lose the opportunity to enhance their capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies. According to FEMA guidance, extensions for periods of performance will require more information than in the past in order to obtain FEMA approval.

Table 5 shows the amount awarded, expenditures, and percentage of funds not spent of SHSP funds for each of the three grant years included in our audit, based on the State's June 30, 2013 expenditures.

**Table 5: FY 2010-12 SHSP Expenditures as of June 30, 2013**

Grant Year	Period of Performance End Date	Amount Awarded	Expenditures as of June 30, 2013	Unspent	Percent Unspent as of June 30, 2013
2010	07/31/13	\$6,613,200	\$6,487,343	\$125,857	2%
2011	08/31/14	\$5,137,205	\$3,392,009	\$1,745,196	34%
2012	08/31/14	\$2,801,316	\$773,995	\$2,027,321	72%

*Source:* Foxx summary of South Dakota grant documentation.

Comparing the period of performance ending date with the unspent amounts showed that the State had not been efficient in its expenditures of grant funds. The State would be required to spend more than \$3.7 million in one year for the FYs 2011 and 2012 grant years.

The State's expenditure rate was also cited in a FEMA Region VIII report for a monitoring visit July 30-31, 2012. This report stated that for the FY 2010 grant funding, with about one year remaining on the grant, almost half (more than \$3 million) of the funds were unspent.

The timelines of expenditures was especially acute for the South Dakota state agencies that receive SHSP funding. As of June 30, 2013, state officials informed us that none of the funds awarded to the state agencies had been expended for the last two fiscal years in the scope of our review. As shown in table 6, the state agencies have slightly more than 1 year to spend all of their FY 2011 and 2012 grant funds.

<sup>1</sup> The FY 2012 period of performance was reduced from 36 months to 24 months.



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**Table 6: FY 2010-2012 SHSP South Dakota State Agency Award Expenditures**

Fiscal Year	Award Amount	Expenditures	Unspent	Percent Unspent as of June 30, 2013
2010	\$1,322,640	\$1,218,702	\$103,939	8%
2011	\$1,157,929	\$0	\$1,157,929	100%
2012	\$672,316	\$0	\$672,316	100%

Source: Foxx summary of South Dakota grant documentation

Historically, spending SHSP grant funds in a timely manner has been an issue for South Dakota. Minutes from SAC meeting in 2011 and 2013 indicated that the State’s local agencies were unable to spend SHSP grant funds, and that significant unexpended balances existed. The SAC meetings were the only place that we could identify where the inability to spend funds was discussed.

While the SAA was tracking the rate of expenditures, it needed to be more proactive in identifying priorities and developing spending plans to meet the grant fund deadlines. In addition, the SAA was without a director from June to September 2013, which may have impacted expenditure decision making. A new director was named in September.

Because FEMA has strengthened the requirements for obtaining grant period extensions, the State may not be provided grant extensions. Also, delays in expenditures of grant funds can impede state and subgrantees’ opportunities to enhance the most critical preparedness and response capabilities. Delays may result in reallocating of funding to lesser priorities to ensure funding does not expire. Spending funds in a relatively short period of time raises questions about the effectiveness of processes and procedures, and whether the grant funds would be spent on projects or equipment that will best address the State’s homeland security needs.

**Recommendation**

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to:



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### **Recommendation #5:**

Develop and implement procedures, with appropriate controls such as enforced deadlines, to ensure that grant funds are expended in a timely manner, with special emphasis on the state agencies.

### **Management Comments and Auditor Analysis**

FEMA and State Responses to Recommendation #5: FEMA concurred with the recommendation. FEMA will require the Director of OHS to develop and implement procedures, with appropriate controls such as enforced deadlines, to ensure that grant funds are expended in a timely manner. Special emphasis will be placed on the state agencies. The estimated completion date for this recommendation is August 27, 2014.

The State responded that it currently provides subgrantees enforced deadlines for their projects, and that if a project is not completed in time, the money is reallocated to other projects. It also stated the fact that the State has never returned any Homeland Security Federal funding and that it will ensure that grant funds are expended by the end of the project period.

Auditor Analysis: FEMA's and the State's proposed corrective actions are responsive to the intent of recommendation #5. This recommendation is resolved and will remain open until the proposed corrective actions are fully implemented.

### **Property Management**

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State subgrantees did not always maintain inventory records in accordance with Federal requirements. Of the subgrantees we included in our review, we found:

- the counties and the state agencies we visited said they performed periodic monitoring of the equipment purchased with SHSP funding, but none were able to provide documentation of the monitoring visits, and
- three of the six counties were not maintaining inventory records in accordance with Federal requirements.

The Native American tribe selected for review did not provide any inventory or monitoring information.



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We did find that the SAA was maintaining inventory records that met Federal requirements for the six state agencies that we reviewed.

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

- Maintain property records that include the property's cost, description, identification number, serial number, location, use, condition, and ultimate disposition, as well as the percentage of Federal participation in the cost of the property.
- A physical inventory of the property must be taken and the results reconciled with the property records at least every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

The South Dakota Grant Administration manual states that records management is essential to ensure requirements are achieved and documented. All records must be kept for a minimum of three years after the grant closes unless superseded by Federal or state statute. Equipment records must be maintained for the life of the equipment and after disposition of the equipment for three years. Equipment valued at \$5,000 or more at time of purchase is considered a capital asset and subject to specific Federal property regulations. The manual also states that property records (including equipment) must be maintained using 44 CFR § 13.32 (d) *Management requirements* cited above.

In addition, South Dakota's Grant Administrative Manual states that at least once every two years, the subgrantee is required to perform a physical inventory of the property and reconcile the results with the property records. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. Adequate maintenance procedures must be developed to keep the property in good condition.

For the 13 subgrantees in our review (6 counties, 6 state agencies, and 1 Native American tribe), table 7 indicates whether their property records included the required Federal information. As shown, subgrantee property records were missing required information.



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**Table 7: Summary of Subgrantee Inventory Record Information**

Information Required by 44 CFR 13.32	Did Subgrantee Inventory Records Contain Required CFR Information?	
	Yes	No
Title holder	11	2
Item description	11	2
Cost	11	2
Date of acquisition	10	3
Location	9	4
Serial number	11	2
Use of the property	9	4
Condition	9	4
Identification number	11	2
100% Federal funded	10	3

*Source:* Foxx summary of South Dakota grant documentation.

In September 2013, we requested documentation from the one Native American tribe to support acquisition, inventory, and monitoring efforts for items and services acquired with SHSP funding. Subsequently, the audit team made four follow up requests for this information between September and November. As of the completion of field work (December 2013), the tribe had not provided the information. We notified the State officials of this issue in December 2013.

Beginning with 2012, OHS had planned for the regional coordinators to monitor assets acquired with SHSP funding as part of their duties. At the time of our review, the coordinators we talked to said that they had not completed any monitoring. The regional coordinators also told us they needed guidance and direction from the state office on how often to monitor and what information to include. The coordinators also said that they had little time available to devote to monitoring, given their other responsibilities.

Subgrantees did not maintain required property management records to identify equipment procured with Federal funds. This type of internal control is needed to ensure proper maintenance, safeguarding, and accounting for millions of dollars of assets procured with Federal funds. In addition, without this information, the subgrantees and OHS could not make sound management decisions regarding the existence of or need for equipment.



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### Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to:

#### Recommendation #6:

Communicate and reinforce Federal requirements for subgrantees to maintain property management systems and property records for equipment purchased with Federal funds.

#### Recommendation #7:

Verify subgrantee compliance with property management requirements.

### Management Comments and Auditor Analysis

FEMA and State Responses to Recommendations #6 and #7: FEMA concurred with these recommendations. FEMA will require the State to ensure that its subgrantee property management systems and records comply with 44 CFR § 13.32 *Equipment*. FEMA will also require the Director of OHS to verify subgrantee compliance with property management requirements. The estimated completion date for these recommendations is August 27, 2014.

The State agreed with these recommendations and referred to the newly implemented monitoring procedures and activities completed from January through March 2014. As part of these actions, the State has begun to (1) communicate and reinforce Federal requirements for subgrantees to maintain property management systems and records and (2) verify that subgrantees are in compliance with these requirements.

Auditor Analysis: FEMA's and the State's proposed corrective actions are responsive to the intent of recommendations #6 and #7. These recommendations are resolved and will remain open until the proposed corrective actions are fully implemented.



## Appendix A Objectives, Scope, and Methodology

The Department of Homeland Security Office of Inspector General 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.

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

The HSGP and its five interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, only SHSP funding, equipment, and supported programs were reviewed for compliance. The scope of the audit included the SHSP grant awards for FYs 2010, 2011, and 2012. The HSGP awards to South Dakota for FYs 2010 through 2012 are included in table 8.

**Table 8: State Homeland Security Program Funding**

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

Source: FEMA.

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

We reviewed the designated SAA and the subgrantees of FYs 2010 through 2012 grant funds. The subgrantees included:



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### State Agencies:

- State Animal Industry Board
- State Bureau of Information and Telecom
- State Department of Criminal Investigation
- State Driver's Licensing Agency
- State Office of Homeland Security
- State Highway Patrol

### Counties/Tribe:

- Beadle
- Davison
- Hughes
- Minnehaha
- Oglala Sioux Tribe
- Pennington
- Perkins

In South Dakota, the SAA awarded SHSP funding to subgrantees - counties and tribes - who then acquired capital assets and equipment, or provided funding for training and exercises for the counties or tribes, or for subrecipients – cities, municipalities, or first responders.

We visited the following to verify the existence of assets acquired by the subgrantees for these subrecipients:

### Cities, Municipalities, or First Responders:

- City of Hartford
- City of Huron Fire Department
- City of Huron Police Department
- City of Mitchell Fire and Police
- City of Pierre Police Chief
- City of Sioux Falls Public Safety, Metro Communications
- City of Sioux Falls Public Safety, Law Enforcement
- City of Sioux Falls Red Cross
- City of Sioux Falls Water Purification Plant
- Davison County Public Safety
- Pennington County Sheriff Department
- Perkins County Sheriff Department
- Rapid City Fire Department
- Rapid City School District



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We also visited the State's fusion center in the City of Sioux Falls.

For each subgrantee, we interviewed responsible officials, reviewed documentation supporting state and subgrantee management of grant funds, and physically inspected some of the equipment procured with the grant funds. We also met with city and municipality officials and representative first responder organizations such as fire, police, and emergency medical services. In these meetings, we verified the existence of items procured with SHSP funding and discussed benefits the grant funds have brought to their organization and communities.

In accordance with the audit guide provided by the DHS OIG, Foxx & Company auditors met with FEMA officials and conducted reviews and interviews at FEMA Headquarters at the beginning of the audit and, as needed, during the audit. The FEMA officials provided important background information and key documentation concerning South Dakota's management and expenditure of the SHSP grants.

We conducted this performance audit between July 2013 and January 2014, 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.

Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. This was a performance audit as defined by Chapter 2 of the *Standards*, and included a review and report of program activities with a compliance element.

Foxx & Company was not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, Foxx & Company was neither required to review, nor express an opinion on, the costs claimed for the grant programs included in the scope of the audit. Had Foxx & Company been required to perform additional procedures, or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to their attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of South Dakota.



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While the audit was performed and the report prepared under contract, the audit results are being reported by the DHS OIG to appropriate FEMA and South Dakota officials.



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Appendix B  
Management Comments to the Draft Report

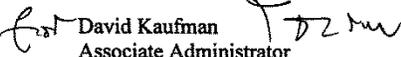
U.S. Department of Homeland Security  
Washington, DC 20472



FEMA

MAR 26 2014

MEMORANDUM FOR: Anne L. Richards  
Assistant Inspector General for Audits  
Office of Inspector General

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

SUBJECT: FEMA Response to Draft Report: "South Dakota's Management of  
Homeland Security Grant Program Awards for Fiscal Years 2010  
Through 2012" OIG Project No. 13-136-AUD-FEMA

Thank you for the opportunity to comment on the draft report, "South Dakota's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 through 2012." 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 responses to the seven recommendations for implementation, of which, FEMA concurs with all recommendations.

**Recommendation #1:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to comply with FEMA guidance to ensure that:

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

**FEMA's Response to Recommendation #1:** 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.

[www.fema.gov](http://www.fema.gov)



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#### 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 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.

Starting on December 31, 2012 and thereafter annually, states, territories, and major urban areas receiving Homeland Security Grant Program (HSGP) funds are 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, states and territories are required to submit State Preparedness Reports (SPRs) to FEMA annually. 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

After 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.



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

**Recommendation #2:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to ensure that the new office-based and on-site monitoring procedures provide an adequate protocol for monitoring subgrantees to include:

- a. Tools, such as performance monitoring checklists, for evaluating subgrantee compliance with Federal requirements, and
- b. Criteria and methodologies for assessing subgrantees efficiency and effectiveness in accomplishing program objectives.

**Recommendation #3:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to provide sufficient resources to fully implement the new monitoring procedures.

**FEMA's Response to Recommendations #2 and #3: Concur.** FEMA will require the Director, South Dakota Office of Homeland Security to ensure that its subgrantee monitoring policies and procedures comply with 44 CFR 13.40 Monitoring and Reporting Program Performance. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

**Estimated Completion Date (ECD):** August 27, 2014

**Recommendation #4:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to review the process used to obligate SHSP funding to subgrantees to identify ways to shorten the process to ensure that funds are available to subgrantees in a timelier manner.

**FEMA's Response to Recommendation #4: Concur.** FEMA will require the Director, South Dakota Office of Homeland Security to review the process used to obligate SHSP funding to subgrantees to identify ways to shorten the process to ensure that funds are available to subgrantees in a timelier manner.

**Estimated Completion Date (ECD):** August 27, 2014

**Recommendation #5:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to develop and implement procedures, with appropriate controls such as enforced deadlines, to ensure that grant funds are expended in a timely manner, with special emphasis on the state agencies.

**FEMA's Response to Recommendation #5: Concur.** FEMA will require South Dakota Office of Homeland Security to develop and implement procedures, with appropriate controls such as enforced deadlines, to ensure that grant funds are expended in a timely manner, with special



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emphasis on the state agencies. FEMA requests that this recommendation be considered resolved and open pending completion of the corrective action plan.

**Estimated Completion Date (ECD):** August 27, 2014

**Recommendation #6:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to communicate and reinforce Federal requirements for subgrantees to maintain property management systems and property records for equipment purchased with Federal funds.

**FEMA Response to Recommendation #6:** Concur. FEMA will require the State to ensure that subgrantee property management systems and records comply with 44 CFR 13.32 Equipment. FEMA requests the recommendation remain open and resolved pending the successful implementation of the corrective action plan.

**Estimated Completion Date (ECD):** August 27, 2014

**Recommendation #7:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, South Dakota Office of Homeland Security to verify subgrantee compliance with property management requirements.

**FEMA Response to Recommendation #7:** Concur. FEMA will require the Director, South Dakota Office of Homeland Security to implement a procedure to verify subgrantee compliance with property management requirements as required in 44 CFR Part 13.32 Equipment. FEMA requests that this recommendation be considered resolved and open pending the implementation of the corrective action plan.

**Estimated Completion Date (ECD):** August 27, 2014

Again, we thank you for the opportunity for comment on your draft report. Please feel free to contact Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308 with any questions or concerns.



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March 17, 2014

Ms. Nancy E. Fultz  
Foxx and Company  
324 West 9<sup>th</sup> Street #5  
Cincinnati, Ohio 45202

Dear Ms. Fultz,

Thank you for the opportunity to respond to your Draft Report: South Dakota's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 through 2012-For Official Use Only. Please find our responses to the recommendations as outlined below:

**Recommendation #1:**

Comply with FEMA guidance to ensure that:

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

**Response:**

The state agrees with this recommendation. A strategic plan for FY 2014-2017 was published and implemented in January 2014 incorporating goals and objectives that are specific, measurable, achievable, results oriented, and time limited. This included identification of baseline capabilities to measure progress towards stated goals and objectives and exercises to test capabilities and identify shortcomings. A copy of the plan has been provided to FEMA.

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**Recommendation #2:**

Ensure that the new office based and on-site monitoring procedures provide an adequate protocol for monitoring subgrantees to include:

- a. Tools, such as performance monitoring checklists, for evaluating subgrantee compliance with Federal requirements, and
- b. Criteria and methodologies for assessing subgrantees efficiency and effectiveness in accomplishing program objectives.

**Response:**

The state agrees with this recommendation. Prior to the close of this audit, the finance office developed and tested protocol for on-site monitoring procedures which will be adopted for implementation. This includes the development of a checklist for subgrantees to utilize prior to on-site visits to ensure compliance with Federal requirements. The state is developing a process to evaluate progress and performance.

**Recommendation #3:**

Provide sufficient resources to fully implement the new monitoring procedures.

**Response:**

The State agrees with the recommendation. At this time we are working with our current resources in order to implement our monitoring procedures. This may or may not include the use of the Regional Coordinators. Management will make the decision of their "availability of time" to participate in the monitoring activities.

**Recommendation #4:**

Review the process used to obligate SHSP funding to subgrantees to identify ways to shorten the process to ensure that funds are available to subgrantees in a timelier manner.

**Response:**

The State has obligated funding to subgrantees on a regional level within the 45 day obligation period. Those awards were documented through the Initial Strategy Implementation Program report, through open application period announcements, and at regional meetings. To formalize the obligation awards to subgrantees within 45 days of receipt of future grant awards, an agreement will be signed between regional representatives and the State declaring the regional award amount and project period.



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**Recommendation #5:**

Develop and implement procedures, with appropriate controls such as enforced deadlines, to ensure that grant funds are expended in a timely manner, with special emphasis on the state agencies.

**Response:**

All subgrantees are provided with adequate time for project completion. The state does have enforced deadlines, in that if a project is not completed in time, the money is then reallocated to other projects. Further, although the grant years run two years, the state enforces a one year project completion schedule. State projects are generally larger projects but less in number. Larger projects can take longer to complete. The Office of Homeland Security will ensure that grant funds are expended by the end of the project period but flexibility in expenditure timelines can be beneficial to the final quality of the projects. The state has never returned any Homeland Security federal funding in its history. Further, the state utilizes a competitive process in order to ensure better use of funds on projects that have a greater impact on each region.

**Recommendation #6:**

Communicate and reinforce Federal requirements for subgrantees to maintain property management systems and property records for equipment purchased with Federal funds.

**Response:**

The state believes the response to this recommendation is reflective of responses 2 and 3.

**Recommendation #7:**

Verify subgrantee compliance with property management requirements.

**Response:**

The state believes the response to this recommendation is reflective of responses 2 and 3.

Should you have any questions, please feel free to contact me at 605-773-4088.



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Sincerely,

A handwritten signature in black ink, appearing to read "Stefan A. Pluta".

Stefan A. Pluta, Director  
Office of Homeland Security



## **Appendix C**

### **Description of the Homeland Security Grant Program**

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

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

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

- **Metropolitan Medical Response System**
- **Citizen Corps**
- **Operation Stonegarden**



## **Appendix D**

### **South Dakota Office of Homeland Security**

### **Grant Obligation and Allocation Process**

For the three fiscal years in our review, following receipt of the SHSP award from FEMA, the SAA awarded 20 percent of the grant funds to the state agencies and 80 percent to local entities - the States' 66 counties and 9 Native American tribes.

For the 80 percent awarded to the Local entities, the SAA awarded each county and tribe a base amount totaling 30 percent of the 80 percent, and the remaining 70 percent of the allocation was based upon population per county and tribe.

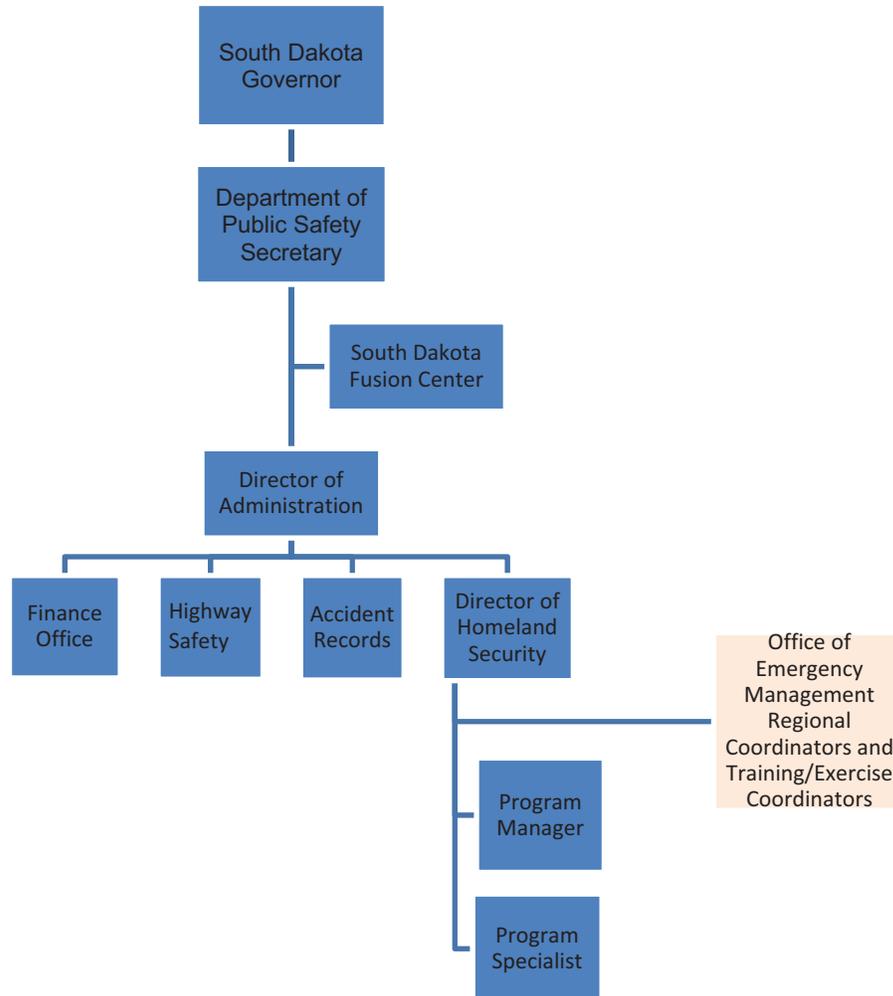
To complete the SHSP obligation process, the SAA executes grant agreements to document the awards to the subgrantees – the state agencies, counties, and tribes. The agreements were signed by the SAA and the subgrantees.

To utilize the funding for FYs 2010 and 2011, the SAA established a regional leadership structure of eight regions and selected a lead county for each region. The lead county then procured items for subrecipients - county, city, and municipality entities, and/or first responders (such as city fire and police departments) entities.

For FY 2012, the SAA changed the funding utilization process. The SAA established six regions and regional coordinators. The regional coordinators met with review committees consisting of two people invited from each county and tribe—a law enforcement official and emergency manager. The committees reviewed applications received from the counties and tribes, and then awarded the funds competitively, based on the applications. The counties and tribes receiving funding then procured items for counties, tribes, cities, or municipalities. Some counties and tribes did not receive funds because they did not apply or the committees did not consider their proposed expenditures a priority.



**Appendix E**  
**South Dakota Office of Homeland Security**  
**State Administrative Agency Organization Chart**





## **Appendix F**

### **Threat and Hazard Identification and Risk Assessment**

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

1. Identify threats and hazards;
2. Give threats and hazards context (assess vulnerability, how 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 56 states and territories receiving HSGP and Emergency Management Performance Grant funds and 31 eligible UASIs. The first THIRA submission was due December 31, 2012. Subsequent submissions will be an annual performance requirement for FEMA preparedness grant awards. South Dakota's THIRA was issued in June 2012. The State hired an outside firm, Dewberry, to facilitate the planning process, perform the technical analysis, and to prepare the THIRA report.

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

The State developed its THIRA in compliance with DHS Comprehensive Preparedness Guide 201 released in April 2012. The report cited that it would be used to inform ongoing planning efforts among state agencies including, but not limited to, the following:



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- 2014 update of the State multi-hazard mitigation plan
- State preparedness report due in December 2012
- State homeland security strategic plan
- State training and exercise plan
- State emergency operations plan

The report also stated that the following DHS and FEMA guidance was used to prepare its THIRA:

- Comprehensive Preparedness Guide 201-Threat and Hazard Identification and Risk Assessment Guide: <http://www.fema.gov/library/viewRecord.do?od=5823>
- National Preparedness Goal: <http://www.fema.gov/pdf/prepared/npg.pdf>
- FEMA 452-Risk Assessment: A How-To Guide to Mitigate Potential Terrorist Attacks: <http://www.fema.gov/plan/prevent/rms/rmsp452.shtm>
- FY 2011 Homeland Security Grant Program Guidance: [http://www.fema.gov/pdf/government/grant/2011/fy11\\_hsgp\\_kit.pdf](http://www.fema.gov/pdf/government/grant/2011/fy11_hsgp_kit.pdf)
- FEMA 386-7, Integrating Manmade Hazards into Mitigation Planning: <http://www.fema.gov/library/viewRecord.do?id=1915>



## **Appendix G**

### **Report Distribution**

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

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Chief, Homeland Security Branch  
DHS OIG Budget Examiner

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