

**Maryland's Management  
of Homeland Security  
Grant Program Awards for  
Fiscal Years 2011-13**





# DHS OIG HIGHLIGHTS

## Maryland's Management of Homeland Security Grant Program Awards for Fiscal Years 2011-13

April 6, 2016

### Why We Did This Audit

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the Department of Homeland Security (DHS) Office of Inspector General (OIG) to audit individual states' management of Homeland Security Grant Program (HSGP) awards. We audited the State of Maryland, which was awarded \$35 million from the Federal Emergency Management Agency (FEMA) for fiscal years 2011-13.

### What We Recommend

We recommend that FEMA and Maryland ensure compliance with Federal requirements for property management, procurement, the timely distribution of funds, and tracking costs. Actions include developing a monitoring plan and procedures, streamlining its application and award process, and implementing a system to track Management and Administration costs.

#### For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

In most instances, Maryland distributed and spent the HSGP awards in compliance with applicable laws and regulations; however, the State lacked adequate controls over more than \$10.8 million in grant funds we reviewed. This occurred because FEMA and the State did not ensure adequate management and oversight of HSGP funds. Specifically, FEMA and Maryland need to improve the following areas:

- Subgrantee Monitoring,
- Property Management,
- Subgrantee Procurement,
- Obligations to Subgrantees, and
- Management and Administration Costs.

Improvements in these areas will enhance Maryland's effectiveness in the overall use of the grant funds to improve preparedness and response capabilities. Better management and oversight will also reduce the risk associated with the State's management of FEMA grant funds, such as property misuse, loss, damage, or theft.

### FEMA and Maryland's Response

FEMA appreciated the OIG's work and concurred with all five recommendations.



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Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

APR 6 2016

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

FROM: Mark Bell *Mark Bell*  
Assistant Inspector General for Audits

SUBJECT: *Maryland's Management of Homeland Security Grant  
Program Awards for Fiscal Years 2011-13*

Attached for your action is our final report, *Maryland's Management of Homeland Security Grant Program Awards for Fiscal Years 2011-13*. We incorporated the formal comments provided by your office.

The report contains five recommendations identifying action FEMA can take to enhance Maryland's effectiveness in the overall use of the grant funds to improve preparedness and response capabilities. Your office concurred with all five recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 through 5 open and resolved. 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 and of the disposition of any monetary amounts. Please send your response or closure request 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 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 Don Bumgardner, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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**Abbreviations**

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
ECD	estimated completion date
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
M&A	Management and Administration
MEMA	Maryland Emergency Management Agency
OIG	Office of Inspector General
SHSP	State Homeland Security Program
UASI	Urban Areas Security Initiative



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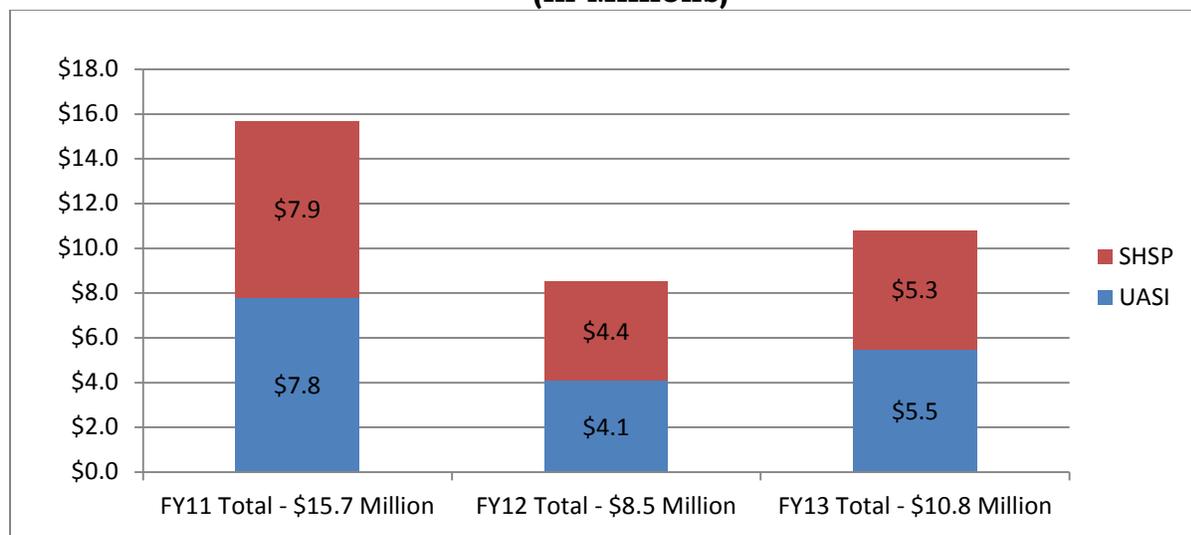
## Background

The Department of Homeland Security (DHS) provides Federal funding through the Homeland Security Grant Program (HSGP) to assist state and local agencies with capabilities to prevent, prepare for, protect against, and respond to acts of terrorism, major disasters, and other emergencies. Within DHS, the Federal Emergency Management Agency (FEMA) is responsible for administering the HSGP. The State Homeland Security Program (SHSP) and the Urban Areas Security Initiative (UASI) are part of the HSGP and fund a wide range of preparedness activities such as planning, organization, equipment purchases, training, and exercises. Appendix E provides more information about HSGP.

HSGP guidance requires a state administrative agency to administer and manage grant funding awarded under HSGP. The Maryland Emergency Management Agency (MEMA) is the state administrative agency for Maryland's HSGP. As such, MEMA is responsible for managing the SHSP and UASI grants in accordance with established Federal guidelines and regulations. MEMA received SHSP grant funds for the State, as well as UASI grant funds for the Baltimore urban area. MEMA distributes the grant funds through sub-awards to municipalities, counties, and state agencies.

As illustrated in figure 1, during fiscal years (FY) 2011–13, FEMA awarded MEMA approximately \$16 million, \$9 million, and \$11 million, respectively, in UASI and SHSP grant funding.

**Figure 1: FYs 2011–2013 Maryland SHSP and UASI Grant Awards (in Millions)**



Source: DHS Office of Inspector General analysis of FEMA data



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This is the second DHS Office of Inspector General (OIG) review of Maryland's management of SHSP and UASI grants. The previous review was conducted for FYs 2005–07.<sup>1</sup> The report, released in 2010, had five recommendations directed at improving strategic planning and performance measurement; submitting accurate financial status reports; monitoring subgrantees; and supporting expenditures submitted for reimbursement. The 2010 report recommendations are resolved and closed. We identified subgrantee monitoring as the only reoccurring issue. See appendix F for a listing of the recommendations and resolution activities related to the 2010 report.

### Results of Audit

In most instances, MEMA distributed and spent HSGP awards we reviewed in compliance with applicable laws and regulations; however, we determined that MEMA still needed adequate monitoring controls over more than \$10.8 million in grant funds. This occurred because FEMA and MEMA did not ensure adequate management and oversight of SHSP and UASI grants in the following areas:

- Subgrantee Monitoring,
- Property Management,
- Subgrantee Procurement,
- Obligations to Subgrantees, and
- Management and Administration Costs.

Improvements in these areas will enhance Maryland's effectiveness in the overall use of the grant funds to improve preparedness and response capabilities. Better management and oversight will also reduce the risk associated with the State's management of FEMA grant funds, such as property misuse, loss, damage, or theft.

### Subgrantee Monitoring

MEMA did not adequately monitor its SHSP and UASI subgrantee activities during FYs 2011–13 to ensure funds were spent in accordance with requirements. Specifically, MEMA did not provide reasonable assurance that the subgrantees administered Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. We question

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<sup>1</sup> *The State of Maryland's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2005 through 2007*, OIG-10-116, September 2010



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more than \$1.7 million of funds that grantees spent that did not align with the program's requirements. We question \$904,534 expended in the area of property management and \$826,705 in subgrantee procurements.

According to 44 Code of Federal Regulations (CFR) § 13.40, *Monitoring and reporting program performance*, grantees are required to (1) provide day-to-day management of all grant and subgrant supported activities and (2) assure that subgrantees comply with applicable Federal requirements and achieve program performance goals. The Office of Management and Budget Circular A-133, Part 3-M states that grantees are responsible for monitoring subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means. This monitoring is done to provide reasonable assurance that the subgrantees administer Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and the performance goals are achieved.

MEMA officials acknowledged the insufficient monitoring and explained that for the audit review period, the staffing numbers and experience levels only allowed MEMA to dedicate one individual to conduct all onsite monitoring activities for the SHSP and UASI grants. This individual was also responsible for managing the Emergency Management Performance Grant and the on-site monitoring responsibilities for that grant program. MEMA officials said that this individual also performed desk monitoring regularly, but there was inadequate documentation supporting that the desk monitoring was actually completed.

As a result, MEMA cannot provide assurance that the subgrantees were efficiently and effectively using SHSP and UASI grant funds to accomplish program objectives, meet program goals, and expend funds as intended for FYs 2011-13.

#### Property Management

The State of Maryland did not always adhere to property management requirements prescribed by the Federal Government. Neither MEMA nor the seven subgrantees visited provided documentation supporting that the equipment inventory purchased with \$904,534 HSGP funds was reconciled via a physical inventory at least once every 2 years during FYs 2011-13 as required. Five of the seven subgrantees we visited maintained the required equipment listings; however, none of the five locations provided equipment listings that included all required data elements.



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Although we did not notice inventory shortages, we discovered several instances where equipment listings were either nonexistent or inaccurate. For example, at one subgrantee visited, the equipment listing was missing \$527,987 of equipment purchases:

- \$289,582 in FY 2011;
- \$105,676 in FY 2012; and
- \$132,729 in FY 2013.

Additionally, MEMA's equipment listing excluded about \$309,282 worth of MEMA purchased SHSP and UASI equipment. We identified this discrepancy by comparing equipment acquisitions listed in the MEMA Grant Management System to the MEMA equipment listing. This discrepancy would have been discovered if MEMA had performed a physical inventory and reconciled it to MEMA's equipment listing and Grant Management System.

Finally, as illustrated in figure 2, we discovered 22 computers purchased with \$67,265 of UASI funds. These computers remained in boxes nearly 16 months after the purchase date.

**Figure 2: Computers purchased May 2014, still in boxes September 2015**



Source: DHS OIG

Subgrantee officials said that the cause for the delayed deployment and use of the computer equipment was due to additional analysis needed on camera equipment and other priorities, such as large scale special events and unrest related to riots.

According to 44 CFR § 13.32(d) (2), a physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years. Further, CFR Title 44 § 13.20(b) (3) requires that effective control and accountability be maintained for all grant and subgrant cash, real and



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personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Also, CFR Title 2 § 215.34(f) (4) requires that a control system be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Additionally, 44 CFR § 13.32(d) (1), *Equipment*, requires that property records be maintained that include:

- a description of the property;
- a serial number or other identification number;
- the source of property;
- who holds title;
- the acquisition date;
- the cost of the property;
- percentage of Federal participation in the cost of the property;
- the location, use, and condition of the property; and
- any ultimate disposition data including the date of disposal and sale price of the property.

MEMA did not provide clear written guidance and oversight to ensure that its subgrantees' property management accountability requirements were implemented and maintained. More targeted monitoring by both FEMA and MEMA would help ensure that requirements, such as completed physical inventory reconciliations, are met in future years by MEMA and its subgrantees.

Without having adequate controls in place, such as physical inventory reconciliations and detailed equipment lists, MEMA and its subgrantees may be at greater risk for property misuse, loss, damage, or theft.

### Subgrantee Procurement

MEMA did not ensure that all subgrantee procurements were made using full and open competition. For example, four of the seven subgrantees were unable to provide adequate evidence of competitive procurements. Specifically, subgrantees did not:

- obtain an adequate number of qualified quotes or formal bids;
- provide evidence of competitive invitation for bids, publicly advertised proposals, or bids solicited from an adequate number of known suppliers;
- provide evidence that a cost analysis was conducted; or
- provide adequate documentation justifying noncompetitive (sole source) procurements.



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Of the 66 procurement transactions we reviewed, 17 (26 percent) totaling \$826,705 did not comply with Federal, state, and local procurement guidance. See appendix C for details.

44 CFR § 13.36, *Procurement Standards*, stipulates that subgrantees may use their own procurement procedures, which reflect applicable state and local laws and regulations, provided the procurements conform to applicable Federal law. Federal, state, and local procurement regulations governing subgrantees require:

- full and open competition for all procurement transactions;
- proper approvals from purchasing officials and Board of Directors for certain dollar thresholds;
- price or rate quotes from an adequate number of qualified sources for small purchases; and
- a cost analysis when there is inadequate price competition and for sole source procurements, unless price reasonableness can be established.

Noncompetitive awards may be allowed under varying circumstances, such as when the award of a contract is infeasible under small purchases, use of sealed bids, or receipt of numerous competitive proposals. However, the subgrantees should document and maintain evidence of these decisions.

The lack of documentation needed to substantiate that full and open competition occurred is due in part because MEMA did not take a more proactive role to instruct subgrantee officials to maintain records sufficient to detail the history of the procurements. MEMA did not require subgrantees to submit documentation supporting procurement activity when processing and approving reimbursement requests. Also, when visiting subgrantees and conducting desk reviews, the MEMA official did not adequately ensure that full and open competition actually occurred.

Without full and open competition, cost analyses, or sole source justifications, MEMA cannot assure that procurements are made in the taxpayers' best interest by receiving the best price for equipment and services purchased.

### **Obligations to Subgrantees**

MEMA did not obligate \$10,838,390 in SHSP and UASI funds to subgrantees within the required 45 days, ranging from 15 to 1,003 days late. Specifically:



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- For 16 of the 21 (76 percent) SHSP awards we reviewed, MEMA did not obligate funds—totaling more than \$5.4 million—within the required timeframe; and
- For 8 of the 16 (50 percent) UASI awards we reviewed, MEMA did not obligate funds—totaling approximately \$5.4 million—within the required timeframe.

FEMA’s FYs 2011–13 grant guidance required that the state administrative agency obligate funds awarded under SHSP and UASI to local units of government (subgrantees) within 45 days. MEMA’s delay in obligating funds to subgrantees was attributed to both the State and subgrantees’ need to obtain several levels of approval before grant funds were obligated. The delay in making funds available for expenditure may have reduced the State’s ability to promptly prevent, protect against, respond to, and recover from acts of terrorism, major disasters, and other emergencies.

**Management and Administration Costs**

We were unable to quantify how much MEMA spent on Management and Administration (M&A) during FYs 2011–13. MEMA did not have a system in place to track the amount of SHSP and UASI grant funds spent for M&A costs during our review period. Although MEMA was able to provide expenditure reports, there was no distinction in those reports identifying which expenditures were allocated as M&A costs. MEMA officials stated that they believed M&A expenditures were well under the allowable limit of \$1.8 million; however, they could not support the amount spent on M&A (see table 1).

**Table 1: Management and Administration Amount Allowable for FYs 2011–13**

<b>Fiscal Year</b>	<b>SHSP and UASI Grant Award</b>	<b>Amount Allowed for M&amp;A (5%)</b>
2011	\$15.7 million	\$ 786 thousand
2012	\$ 8.6 million	\$ 428 thousand
2013	\$10.8 million	\$ 541 thousand
<b>Totals</b>	<b>\$35.1 million</b>	<b>\$1.8 million*</b>

Source: DHS OIG analysis of FEMA data

\* The total amount allowed for M&A does not match due to rounding.

According to FEMA grant guidance, the State may retain a maximum of up to 5 percent of the HSGP funds awarded, and any funds retained are to be used solely for M&A purposes associated with the HSGP awards. MEMA did not have a system to track M&A costs to ensure expenditures did not exceed the 5 percent limit. Without a system to track M&A costs associated with the HSGP funds, MEMA officials may be unable to assess any potential increase in



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administrative costs; identify grants management and operational areas in need of cost reductions; identify ways to better control costs; and evaluate needed updates to policies and procedures for M&A costs to ensure compliance with FEMA grant guidelines.

### Recommendations

**Recommendation 1:** We recommend that the Federal Emergency Management Agency Assistant Administrator for Grant Programs require the Maryland Emergency Management Agency to develop and implement a monitoring plan to ensure that subgrantees comply with all applicable Federal requirements. The monitoring plan should align resources to appropriately accomplish subgrantee monitoring and require the documentation of the State Homeland Security Program and Urban Areas Security Initiative subgrantee desk reviews.

**Recommendation 2:** We recommend that the Federal Emergency Management Agency Assistant Administrator for Grant Programs ensure that the State and its subgrantees develop and implement specific written procedures to ensure compliance with Federal property management requirements. The procedures should resolve the \$904,534 inconsistency we questioned in this review, and:

- provide clear guidance and details for oversight to ensure that property management accountability requirements are implemented and maintained; and
- require more targeted monitoring to ensure that requirements, such as completed physical inventory reconciliations, are met.

**Recommendation 3:** We recommend that the Federal Emergency Management Agency Assistant Administrator for Grant Programs:

- provide outreach to ensure compliance with procurement requirements in 44 CFR § 13.36;
- direct the Maryland Emergency Management Agency to take a more proactive role to ensure subgrantee officials submit and maintain documentation supporting procurement activity when processing and approving reimbursement requests, including the \$826,705 in noncompliant procurements discovered during our review; and
- require the Maryland Emergency Management Agency to review supporting procurement documentation for compliance with procurement requirements when subgrantees submit requests for reimbursement, and ensure that full and open competition requirements are understood by these subgrantee officials.



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**Recommendation 4:** We recommend that the Federal Emergency Management Agency Assistant Administrator for Grant Programs require the Maryland Emergency Management Agency to assess and streamline its grant application and award processes and procedures to allow for the timely obligation of funds to subgrantees within the required 45-day pass-through period, which would have ensured a timely obligation of the \$10,838,390 in funds identified in our review.

**Recommendation 5:** We recommend that the Federal Emergency Management Agency Assistant Administrator for Grant Programs ensure that the Federal Emergency Management Agency and the Maryland Emergency Management Agency work together to develop a system to track the amount of State Homeland Security Program and Urban Areas Security Initiative grant funds spent toward Management and Administration costs and determine if all of the fiscal years 2011–13 funds are allowable, and if not, recover the unallowable expenditures.

#### **FEMA's and MEMA's Comments and OIG Analysis**

FEMA and MEMA appreciated the OIG's work. FEMA concurred with all five recommendations while MEMA concurred with recommendations 1, 2, 4, and 5. MEMA partially concurred with recommendation 3. Once FEMA implements the planned actions, the component should be in a better position to ensure compliance with Federal requirements for property management, procurement, the timely distribution of funds, and tracking costs. Actions include developing a monitoring plan and procedures, streamlining its application and award process, and implementing a system to track M&A costs. FEMA also provided technical comments separately, which we incorporated in the report as appropriate. The following is a summary of FEMA's and MEMA's response and our analysis.

**Recommendation 1:** FEMA and MEMA concurred with recommendation 1. FEMA agreed to direct MEMA to revise its existing monitoring plan to ensure that subrecipients comply with all applicable Federal requirements and to include procedures for documenting the results of subrecipient desk reviews. FEMA's estimated completion date (ECD) is August 31, 2016.

**OIG Analysis:** FEMA's plans meet the intent of the recommendation. This recommendation will remain resolved and open until MEMA develops and implements a monitoring plan to ensure that subgrantees comply with all applicable Federal requirements. The monitoring plan should align resources to appropriately accomplish subgrantee monitoring and require the documentation of subgrantee desk reviews.



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**Recommendation 2:** FEMA and MEMA concurred with recommendation 2. FEMA agreed to direct MEMA to demonstrate its processes and procedures for complying with state laws and procedures on equipment management, pursuant to 44 CFR § 13.32(b). FEMA also agreed to direct MEMA to revise its existing monitoring plan to include specific procedures for ensuring compliance with Federal equipment management requirements. FEMA's ECD is August 31, 2016.

**OIG Analysis:** FEMA's plans meet the intent of the recommendation. This recommendation will remain resolved and open until MEMA and its subgrantees develop and implement specific written procedures to ensure compliance with Federal property management requirements. The procedures should resolve the \$904,534 inconsistency we questioned in this review. The procedures should also provide clear guidance and details for oversight to ensure that property management accountability requirements are implemented and maintained; and require more targeted monitoring to ensure that requirements, such as completed physical inventory reconciliations, are met.

**Recommendation 3:** FEMA concurred with recommendation 3 while MEMA partially concurred. FEMA agreed to provide outreach to MEMA on procurement requirements in accordance with 44 CFR § 13 and 2 CFR § 200. FEMA will provide outreach to ensure cognizance with 44 CFR § 13.36. FEMA will ensure MEMA demonstrates its processes and procedures for complying with state laws and procedures on procurement. MEMA will provide adopted procedures or protocols that demonstrate stronger internal controls regarding procurement conducted by its subrecipients in accordance with 44 CFR § 13 and 2 CFR § 200. MEMA disagreed that full procurement reviews are justifiable or feasible at the time of expenditure request for reimbursement. FEMA's ECD is August 31, 2016.

**OIG Analysis:** FEMA's planned actions meet the intent of the recommendation. This recommendation will remain resolved and open until:

- FEMA provides outreach to ensure MEMA compliance with procurement requirements in 44 CFR § 13.36;
- MEMA demonstrates that it takes a more proactive role to ensure subgrantee officials submit and maintain documentation supporting procurement activity when processing and approving reimbursement requests, including the \$826,705 in noncompliant procurements discovered during our review; and
- MEMA demonstrates it reviews supporting procurement documentation for compliance with procurement requirements when subgrantees



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submit requests for reimbursement, and ensure that full and open competition requirements are understood by these subgrantee officials.

**Recommendation 4:** FEMA and MEMA concurred with recommendation 4. FEMA will direct MEMA to assess and streamline its grant application and award processes and procedures to allow for the timely obligation of funds to subrecipients as required by the terms of the HSGP Notice of Funding Opportunity. FEMA's ECD is June 30, 2016.

**OIG Analysis:** FEMA's planned actions meet the intent of the recommendation. This recommendation will remain resolved and open until FEMA confirms that MEMA assesses and streamlines its grant application and award processes and procedures to allow for the timely obligation of funds to subgrantees within the required 45-day pass-through period.

**Recommendation 5:** FEMA and MEMA concurred with recommendation 5. FEMA agreed to review all M&A funds spent under MEMA's FY 2011–13 HSGP awards. FEMA also agreed to direct MEMA to demonstrate stronger controls for managing M&A expenditures in accordance with all applicable Federal requirements. FEMA's ECD is August 31, 2016.

**OIG Analysis:** FEMA's planned actions meet the intent of the recommendation. This recommendation will remain resolved and open until FEMA and MEMA develop a system to track the amount of SHSP and UASI grant funds spent toward M&A costs and determine if all of the fiscal years 2011–13 funds are allowable, and if not, FEMA should recover the unallowable expenditures.



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### **Appendix A**

#### **Objective, 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*.

Public Law 110–53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires DHS OIG to audit individual states' management of SHSP and UASI grants. This report responds to the reporting requirement for Maryland. The audit objectives were to determine whether Maryland distributed, administered, and spent HSGP funds, including SHSP and UASI funds, strategically; effectively; and in compliance with laws, regulations, and guidance. We also addressed the extent to which funds awarded enhanced Maryland's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The scope of the audit included the SHSP and UASI grant awards for FYs 2011–13. During these years, FEMA awarded MEMA approximately \$15.7 million, \$8.5 million, and \$10.8 million, respectively, in UASI and SHSP grant funding.

We reviewed prior reports and developed researchable questions to use during the audit as a followup to potential existing findings. The audit team reviewed FEMA's FYs 2011–13 grant guidance and Funding Opportunity Announcements; 44 CFR § 13; Office of Management and Budget Circular A-133; and industry standards for managing fraud and risk from the Government Accountability Office.

We met with various FEMA officials including: Audit Resolutions Branch staff, FEMA Program Analyst responsible for the State of Maryland; FEMA Region III staff; and FEMA National Integration Center and National Preparedness Assessment Division staff. The audit team visited MEMA, the designated state administrative agency; the Baltimore UASI officials; and seven selected recipients of FYs 2011–13 SHSP and UASI grant funds. The recipients and subgrantees included:

- Baltimore City
- Baltimore County
- Cecil County
- Harford County
- Howard County
- Maryland State Police
- Montgomery County



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The audit team selected subgrantees that represent more than half of the total SHSP and UASI grant funds awarded to MEMA during FYs 2011–13. The subgrantee selection was based in part due to high and low SHSP and UASI dollar amounts received over a multiple of years. The corresponding transaction selection was based in part due to high and low dollar amounts, and risk of possible equipment theft or misuse. Table 2 illustrates the percentage of reimbursements tested for the selected subgrantees, by year.

**Table 2: Percentage of the Total SHSP and UASI Grant Awards Selected and Tested**

<b>Grant Year</b>	<b>SHSP &amp; UASI Grant Funds Awarded to MEMA</b>	<b>SHSP &amp; UASI Grant Funds Awarded to the Sampled Subgrantees</b>	<b>Percentage of the SHSP &amp; UASI Grant Awards Selected for Review</b>	<b>Reimbursements Tested for the Sampled Subgrantees</b>	<b>Percentage of Sampled Subgrantee Reimbursements Tested</b>
2011	\$15,723,213	\$8,105,373	52%	\$1,303,229	16%
2012	\$ 8,554,217	\$4,757,568	56%	\$1,157,140	24%
2013	\$10,825,727	\$5,529,161	51%	\$ 393,147	7%

At each location, the audit team interviewed responsible officials and reviewed documentation supporting State and subgrantee grant fund management, including review of appropriate invoices, purchase orders, and procurement documentation. Additionally, the audit team physically inspected selected equipment procured with grant funds. The audit team used a data collection instrument as part of its review process to substantiate selected MEMA reimbursements with subgrantee documentation and record observations during physical equipment testing. The audit team also categorized any exceptions or questioned costs that were identified.

We conducted this performance audit between July 2015 and January 2016 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**  
**FEMA and Maryland Comments to the Draft Report**

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



**FEMA**

March 8, 2016

MEMORANDUM FOR: Mark Bell  
Assistant Inspector General for Audits  
Office of the Inspector General

FROM: *For* David Bibo   
Associate Administrator (Acting)  
Office of Policy and Program Analysis

SUBJECT: Federal Emergency Management Agency (FEMA)  
Response to OIG Draft Report, "Maryland's Management  
of  
Homeland Security Grant Program Awards for Fiscal Years  
2011-13"  
(Project No. 15-117-AUD-FEMA)

Thank you for the opportunity to review and comment on this draft report. FEMA appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

FEMA is responsible for administering the State Homeland Security Program (SHSP) and the Urban Areas Security Initiative (UASI), which fund a wide range of preparedness activities such as planning, organization, equipment purchases, training, and exercises. The Maryland Emergency Management Agency (MEMA) is the state administrative agency for Maryland's HSGP. As such, MEMA is responsible for managing the SHSP



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and UASI grants in accordance with established Federal guidelines and regulations. MEMA received SHSP grant funds for the State, as well as UASI grant funds for the Baltimore urban areas. MEMA distributed the grant funds through sub-awards to municipalities, counties, state agencies, and law enforcement. FEMA will execute recommendations to the extent that such actions are within the authorities of the Agency; otherwise, FEMA may direct such actions to the States(s), providing guidance to actions that are the constitutional authority of the State(s).

The draft report contains five (5) recommendations with which FEMA concurs. Specifically:

**Recommendation #1:** The Federal Emergency Management Agency, Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to develop and implement a monitoring plan to ensure that subgrantees comply with all applicable Federal requirements. The monitoring plan should align resources to appropriately accomplish subgrantee monitoring and require the documentation of the State Homeland Security Program and Urban Areas (sic) Security Initiative subgrantee desk reviews.

**Response:** Concur. FEMA concurs with the intent of the recommendation that should be deemed closed upon FEMA's directive to MEMA to revise its existing monitoring plan to ensure that subrecipients comply with all applicable Federal requirements to include procedures for documenting the results of subrecipient desk reviews.

Estimated Completion Date (ECD): August 31, 2016

**Recommendation #2:** The Federal Emergency Management Agency, Assistant Administrator, Grant Programs Directorate, ensure that the State and its subgrantees develop and implement specific written procedures to ensure compliance with Federal property management requirements. The procedures should resolve the \$904,534 inconsistency we questioned in this review, and:

- provide clear guidance and details for oversight to ensure that property management accountability requirements are implemented and maintained; and
- require more targeted monitoring to ensure that requirements, such as completed physical inventory reconciliations are met.



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**Response:** Concur. FEMA concurs with the intent of the recommendation that should be deemed closed upon FEMA directing MEMA to demonstrate its processes and procedures for complying with state laws and procedures on equipment management, pursuant to 44 C.F.R. § 13.32(b). FEMA will also direct MEMA to revise its existing monitoring plan to include specific procedures for ensuring compliance with Federal equipment management requirements.

ECD: August 31, 2016

**Recommendation #3:** The Federal Emergency Management Agency, Assistant Administrator, Grant Programs Directorate:

- provide outreach to ensure compliance with procurement requirements in 44 CFR § 3.36;
- direct the Maryland Emergency Management Agency to take a more proactive role to ensure subgrantee officials submit and maintain documentation supporting procurement activity when processing and approving reimbursement requests, including the \$826,705 in noncompliant procurements discovered during our review; and
- require the Maryland Emergency Management Agency to review supporting procurement documentation for compliance with procurement requirements when subgrantees submit requests for reimbursement, and ensure that full and open competition requirements are understood by these subgrantee officials.

**Response:** Concur. FEMA concurs with the intent of the recommendation to provide outreach to MEMA on procurement requirements in accordance with 44 C.F.R. Part 13 and 2 C.F.R. 200. FEMA deems this recommendation closed upon its providing such outreach to ensure cognizance with 44 C.F.R. 13.36 and MEMA to demonstrate its processes and procedures for complying with state laws and procedures on procurement and to provide adopted procedures or protocols that demonstrate stronger internal controls regarding procurement conducted by its subrecipients in accordance with 44 C.F.R. Part 13 and 2 C.F.R. 200.

ECD: August 31, 2016



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**Recommendation #4:** The Federal Emergency Management Agency, Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to assess and streamline its grant application and award processes and procedures to allow for the timely obligation of funds to subgrantees within the required 45-day pass-through period, which would have ensured a timely obligation of the \$10,838,390 in funds identified in our review.

**Response:** Concur. FEMA concurs with the recommendation and will deem this recommendation closed upon directing MEMA to assess and streamline its grant application and award processes and procedures to allow for the timely obligation of funds to subrecipients as required by the terms of the HSGP Notice of Funding Opportunity.

ECD: June 30, 2016

**Recommendation #5:** The Federal Emergency Management Agency, Assistant Administrator, Grant Programs Directorate, ensure that Federal Emergency Management Agency and the Maryland Emergency Management Agency work together to develop a system to track the amount of State Homeland Security Program and Urban Areas (sic) Security Initiative grant funds spent toward Management and Administration costs and determine if all of the fiscal years 2011-13 funds are allowable, and if not, recover the unallowable expenditures.

**Response:** Concur. FEMA concurs with the recommendation and will review all Management and Administrative (M&A) funds spent under MEMA's FY 2011-13 HSGP awards. FEMA will also deem this recommendation closed upon directing MEMA to demonstrate stronger controls for managing M&A expenditures in accordance with all applicable Federal requirements.

ECD: August 31, 2016

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please contact FEMA's Audit Liaison Office Director, Gary McKeon, at 202-212-1308, should you have further questions. We look forward to working with you in the future.



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**MARYLAND EMERGENCY MANAGEMENT AGENCY**



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GOVERNOR

BOYD K. RUTHERFORD  
LIEUTENANT GOVERNOR



LINDA SINGH  
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THE ADJUTANT GENERAL

RUSSELL J. STRICKLAND  
EXECUTIVE DIRECTOR

A Center for Preparedness Excellence

To: Mark Bell  
Assistant Inspector General for Audits  
Office of Inspector General

From: Russell J. Strickland   
Executive Director  
Maryland Emergency Management Agency

Date: March 15, 2016

Re: Maryland Emergency Management Agency (MEMA) Response to OIG Draft Report, "Maryland's Management of Homeland Security Grant Program Awards for Fiscal Years 2011-13"

Thank you for the opportunity to review and comment on the draft report. The Maryland Emergency Management Agency (MEMA) thanks the Office of Inspector General (OIG) for their work in producing this report to further aid MEMA in serving the citizens of Maryland.

MEMA is the state administrative agency for Maryland's Homeland Security Grant Program (HSGP). MEMA is responsible for managing the State Homeland Security Grant Program (SHSGP) and Baltimore UASI grants in accordance with established Federal, State, and local guidelines and regulations. We are proud that no in-appropriate or improper uses of funds were found in this report; a reflection of MEMA's commitment to managing these funds appropriately and providing a review of 100% of invoices submitted for reimbursement. With that commitment to excellence, MEMA will execute the recommendations either wholly or in-part based on feasibility and best practices. MEMA also fully intends to work with FEMA to satisfy all grant requirements.

The draft report contains five recommendations with which MEMA concurs with four, and partially concurs with one as follows:

**Recommendation 1:** We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to develop and implement a monitoring plan to ensure that subgrantees comply with all applicable Federal

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requirements. The monitoring plan should align resources to appropriately accomplish subgrantee monitoring and require the documentation of the State Homeland Security Program and Urban Areas Security Initiative subgrantee desk reviews.

**Response:** Concur. MEMA concurs with the intent of the recommendation to better document existing monitoring while providing adequate resources to accomplish comprehensive monitoring on a regular basis. MEMA is currently developing an extensive checklist and standardized forms to document all grants monitoring across the entire grants suite. In addition, MEMA will leverage other parts of the organization to provide more human capital towards grant monitoring. Once fully implemented, the new system allows monitoring to occur more frequently, with more staff able to assist the lead Grants Monitor, resulting in resolving the finding, but also resolve other findings contained within this report.

**Recommendation 2:** We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate, ensure that the State and its subgrantees develop and implement specific written procedures to ensure compliance with Federal property management requirements. The procedures should resolve the \$904,534 inconsistency we questioned in this review, and:

- provide clear guidance and details for oversight to ensure that property management accountability requirements are implemented and maintained; and
- require more targeted monitoring to ensure that requirements, such as completed physical inventory reconciliations are met.

**Response:** Concur. MEMA concurs with the intent of the recommendation and is currently undergoing inventory along with improving the internal structure to comply with state laws and procedures on equipment management, pursuant to 44 C.F.R. § 13.32(b). On the sub-grantee level MEMA will send notice reminding jurisdictions of the requirements. In addition, the standardized forms and emphasis on monitoring will ensure this finding is resolved due to better documenting the work that has been done, along with an increased monitoring presence to resolve sub-grantee issues sooner.

**Recommendation 3:** We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate:

- provide outreach to ensure compliance with procurement requirements in 44 CFR § 13.36;
- direct the Maryland Emergency Management Agency to take a more proactive role to ensure subgrantee officials submit and maintain documentation supporting procurement activity when processing and approving reimbursement requests, including the \$826,705 in noncompliant procurements discovered during our review; and
- require the Maryland Emergency Management Agency to review supporting procurement documentation for compliance with procurement requirements when subgrantees submit requests for reimbursement, and ensure that full and open competition requirements are understood by these subgrantee officials.

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**Response:** Partially Concur. MEMA partially concurs with the recommendation. MEMA is addressing this recommendation by providing guidance to all sub-grantees stressing the importance of keeping copies of procurement documentation in the emergency management office, not just the sub-grantees procurement and finance offices. MEMA does not agree that a full procurement review is neither justifiable nor feasible at time of expenditure request for reimbursement. The findings in Appendix C highlight the need for emergency management offices to retain procurement documents, however, better coordination and timelines with the OIG would have resolved several if not all of the items listed as procurement is closely scrutinized within every jurisdiction. Review of every procurement by local jurisdictions using federal grant funds represents a misunderstanding of MEMA's roles as SAA and emergency management agency. MEMA concurs that some review of procurement and greater monitoring is necessary, the recommendations provided would create an undue burden and create overlapping responsibilities between MEMA and internal local jurisdiction control agencies and other checks and balances throughout Maryland State and local government. All sub-grantees must follow their procurement procedures because they are all more stringent than the minimum federal requirements. As a result, severe delays in reimbursement would be the minimum negative impact, but also the scope of reviewing reimbursements would entail the grants manager to have intimate knowledge of minimum twenty-seven jurisdictions procurement policies, in addition to grant allowability, budgets, and other guidelines on a daily basis. The solution is to monitor procurement samples for compliance and documentation, while reiterating the requirements to all sub-grantees more clearly.

**Recommendation 4:** We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to assess and streamline its grant application and award processes and procedures to allow for the timely obligation of funds to subgrantees within the required 45-day passthrough period, which would have ensured a timely obligation of the \$10,838,390 in funds identified in our review.

**Response:** Concur. MEMA concurs with the recommendation. MEMA increased the speed in which funds are out to all subgrantees to the point that all HSGP 16 funds will be obligated in less than forty-five days.

**Recommendation 5:** We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate, ensure that Federal Emergency Management Agency and the Maryland Emergency Management Agency work together to develop a system to track the amount of State Homeland Security Program and Urban Areas Security Initiative grant funds spent toward Management and Administration costs and determine if all of the fiscal years 2011–13 funds are allowable, and if not, recover the unallowable expenditures.

**Response:** Concur. MEMA concurs with the recommendation to implement internal controls to more clearly delineate M&A expenditures within the existing system. MEMA spent less than 1% on M&A through the HSGP awards during the audit period, in compliance with the allowable cap of 5%.

Thank you for the opportunity to respond to the draft report as we look to resolve all recommendations as expeditiously as possible. If you have any further questions please contact MEMA's Grants Manager, Jeff Wulbrecht, at 410-517-5149.

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**Appendix C**  
**Competitive Procurement Transactions Questioned**

	<b>Subgrantee</b>	<b>Grant Award</b>	<b>Expenditure Amount</b>	<b>Items Purchased</b>	<b>Totals</b>
<b>1</b>	Baltimore City	2011 SHSP	\$42,081	Motorola radios	
<b>2</b>	Baltimore City	2011 SHSP	\$ 5,260	Motorola radios	
<b>3</b>	Baltimore City	2011 SHSP	\$43,310	Pointman robot	
<b>4</b>	Baltimore City	2012 SHSP	\$24,000	2 patrol surveillance robots	
<b>5</b>	Baltimore City	2012 SHSP	\$20,000	ArcGIS Training (Crime Analysis Course)	
<b>6</b>	Baltimore City	2012 SHSP	\$45,000	Consulting – THIRA assistance	
<b>7</b>	Baltimore City	2013 UASI	\$20,000	Tourniquets	
					<b>\$199,651</b>
<b>8</b>	Howard County	2011 SHSP	\$11,000	Night vision goggles	
<b>9</b>	Howard County	2012 SHSP	\$34,237	Vehicle for police dept.	
<b>10</b>	Howard County	2012 UASI	\$13,808	Cell phone tracker for police dept.	
<b>11</b>	Howard County	2013 UASI	\$51,495	Cell phone tracker and jammer	
					<b>\$110,540</b>
<b>12</b>	Harford County	2013 UASI	\$15,000	Incident management software	
					<b>\$ 15,000</b>
<b>13</b>	Montgomery County	2011 SHSP	\$216,397	Technology products/equipment and technology services/solutions	
<b>14</b>	Montgomery County	2011 UASI	\$ 86,561	Linx Project - Northrop Grumman	
<b>15</b>	Montgomery County	2011 UASI	\$ 90,576	Amendment #33 - Northrop Grumman	
<b>16</b>	Montgomery County	2012 UASI	\$ 53,414	Bomb rings	
<b>17</b>	Montgomery County	2013 SHSP	\$ 54,566	MCPD turnstile	
					<b>\$501,514</b>
	<b>Total</b>				<b>\$826,705</b>



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**Appendix D**  
**Potential Monetary Benefits**

<b>Finding</b>	<b>Rec. No.</b>	<b>Description</b>	<b>Funds Put to Better Use</b>	<b>Questioned Cost - Other<sup>2</sup></b>
Property Management	#2	Equipment missing from a subgrantee inventory list	\$0.00	\$527,987
Property Management	#2	Equipment missing from the MEMA inventory list	\$0.00	\$309,282
Property Management	#2	22 computers unused after 16 months	\$0.00	\$67,265
Subgrantee Procurement	#3	Funds not in compliance with Federal, State, and local procurement guidance	\$0.00	\$826,705
Obligations to Subgrantees	#4	Funds not obligated within the required timeframe	\$0.00	\$10,838,390

<sup>2</sup> The amounts are not totaled because totaling causes duplication.



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### Appendix E

#### 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 the identified planning, equipment, training, and exercise needs.
- **The Urban Areas Security Initiative** addresses the unique planning, organization, equipment, training, and exercise needs of high-threat, high-density urban areas, and assists them in building an enhanced and sustainable capacity to prevent, protect against, respond to, and recover from acts of terrorism.

In addition, the HSGP 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)
- Citizen Corps Program (through FY 2011)



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**Appendix F**  
**DHS OIG Report OIG-10-116 Recommendations and Resolutions<sup>3</sup>**

<b>Inspector General Recommendation</b>	<b>FEMA Response/OIG Comments</b>
<p>1. We recommend that the Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to implement a strategic planning process that:</p> <ul style="list-style-type: none"> <li>• establishes a formal process to periodically update the strategic plan to include new priorities;</li> <li>• incorporates specific, measurable and results-oriented objectives into the updated strategy, with each objective, including a performance measure to track progress for achieving the goals;</li> <li>• incorporates local input into the strategy; and</li> <li>• ensures that appropriate performance data are collected, measured, and analyzed to demonstrate progress toward achieving goals and objectives.</li> </ul>	<p>This recommendation was closed in May 2013. Actions taken by FEMA concerning the National Preparedness Goal and System, including the Threat and Hazard Identification and Risk Assessment and the State Preparedness Report, address the development and implementation of performance assessments, identification of capability targets and gaps, and the estimating of current preparedness based on those targets. The capability gaps are then addressed through grant applications (investment justifications).</p> <p>Although FEMA did not explicitly address actions taken regarding overarching tools, the actions were included in discussions with FEMA officials.</p>
<p>2. We recommend that the Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to determine the appropriateness of the State matching share amount for the FY 2005 Emergency Management</p>	<p>This recommendation was closed in January 2011. The Maryland Emergency Management Agency submitted an amended FY 2005 Financial Status Report along with supporting documentation. The report clarified and provided supporting documentation reflecting the appropriate State matching share amount for the FY 2005 Emergency Management Performance Grant.</p>

<sup>3</sup> *The State of Maryland's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2005 through 2007, OIG-10-116, September 2010*



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<p>Performance Grant. If at the end of the performance period, the State is unable to substantiate the appropriateness of its matching share, the State should reimburse FEMA for any Federal funds drawn down in excess of the State's matching share.</p>	<p>The Maryland Emergency Management Agency submitted supporting documentation to determine the appropriateness of the State matching share for the FY 2005 Emergency Management Performance Grant.</p>
<p>3. We recommend that the Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to submit corrected Financial Status Reports for the FYs 2005 and 2006 Homeland Security Grant Program.</p>	<p>This recommendation was closed in January 2011. The Maryland Emergency Management Agency submitted an amended FY 2005 Financial Status Report with supporting documentation. The report clearly reflects the appropriate State matching share amount for the FY 2005 Emergency Management Performance Grant. The FY 2006 Emergency Management Performance Grant Financial Status Report and FYs 2005 and 2006 HSGP Financial Status Reports are accurate and have not been amended.</p> <p>FEMA officials said that the Maryland Emergency Management Agency amended the FY 2005 Emergency Management Performance Grant Financial Status Report to reflect the appropriate State matching share, and the other Financial Status Reports (FY 2006 Emergency Management Performance Grant and FYs 2005 and 2006 HSGP) were accurate.</p>
<p>4. We recommend that the Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to improve its subgrantee monitoring practices by:</p> <ul style="list-style-type: none"><li>• enforcing the requirements in the Memorandum of Agreement requiring subgrantees to submit quarterly financial and performance reports; and</li><li>• incorporating specific procedures into its monitoring site visit protocol to document</li></ul>	<p>This recommendation was closed in January 2011. The Maryland Emergency Management Agency provided a list of parties responsible for enforcing the requirements of the Memorandum of Agreement. The Maryland Emergency Management Agency has also implemented an online grants management system to assist in their overall effort to manage performance reporting requirements.</p> <p>FEMA's Grant Programs Directorate conducted an onsite monitoring visit to the Maryland Emergency Management Agency, where the Maryland Emergency Management Agency provided the <i>Maryland Emergency Management Agency Grant Monitoring Visit Protocol</i>, the <i>On Site Monitoring Areas of Review</i>, the <i>Audit Strategy</i>, and the <i>Monitoring Schedule</i>. FEMA</p>



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<p>subgrantee progress toward accomplishing program goals.</p>	<p>also viewed the operation of the online grants management system. Through these protocols, the Maryland Emergency Management Agency has documented subgrantee progress toward accomplishing program goals. The Maryland Emergency Management Agency actions to implement an online grants management system and to improve its subgrantee monitoring practices should satisfy the intent of this recommendation.</p>
<p>5. We recommend that the Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to obtain and provide the supporting documentation for the \$54,313.72 we identified in unsupported reimbursed expenditures. If unable to provide the appropriate documentation, reimburse FEMA for the unsupported expenditures.</p>	<p>This recommendation was closed in January 2011. Subsequent to the issuance of the draft report, additional documentation was provided to the auditors by the Maryland Emergency Management Agency, which resulted in the reduction of the questioned amounts to \$46,369.17.</p> <p>The Maryland Emergency Management Agency provided documentation to support the remaining questioned costs, including a payment to Global Protection Super Nova in the amount of \$4,148.24, and a payment in the amount of \$1,995, for the purchase of allowable, specialized equipment. The Maryland Emergency Management Agency also provided three invoices totaling \$45,672.50, and indicated that \$40,225.92 of this amount was charged to the FY 2005 State Homeland Security Program. The Maryland Emergency Management Agency indicated that it physically inspected the equipment at the Howard County Department of Fire and Rescue, and based on the documentation available, the Maryland Emergency Management Agency believed the Department's records justifying the costs were adequate. The Maryland Emergency Management Agency also provided additional documentation, <i>Background Howard County</i>, to corroborate its claims. The costs charged to the grant are allowable, and the justification provided appears reasonable.</p>



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**Appendix G**  
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