

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

Kentucky's Management of State Homeland Security  
Program and Urban Areas Security Initiative Grants  
Awarded Fiscal Years 2008-2010





**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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

FEB 27 2013

MEMORANDUM FOR: David J. Kaufman  
Acting, Assistant Administrator  
Grant Programs Directorate  
Federal Emergency Management Agency

FROM: Anne L. Richards *Anne L. Richards*  
Assistant Inspector General for Audits

SUBJECT: *Kentucky's Management of State Homeland Security  
Program and Urban Areas Security Initiative Grants  
Awarded Fiscal Years 2008-2010*

Attached for your action is our final report, *Kentucky's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded Fiscal Years 2008-2010*. We incorporated formal comments from the Federal Emergency Management Agency's Office of Policy, Program Analysis and International Affairs, which included input from the Kentucky Office of Homeland Security, in the final report.

The report contains five recommendations aimed at improving Kentucky's management of State Homeland Security Program and Urban Areas Security Initiative grants. Based on information provided in your response to the draft report, we consider recommendations 2 and 3 resolved and closed. Recommendations 1, 4, and 5 are considered open and unresolved. As prescribed by the Department of Homeland Security Directive 077-01, Follow-Up and Resolution for Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations.

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. Until your response is received and evaluated, recommendations 1, 4, and 5 will remain open and unresolved.



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Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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## Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
GPD	Grant Programs Directorate
HSGP	Homeland Security Grant Program
KCPP	Kentucky Community Preparedness Program
KOHS	Kentucky Office of Homeland Security
NIMS	National Incident Management System
OIG	Office of Inspector General
SHSP	State Homeland Security Program
SMART	specific, measurable, achievable, results-oriented, and time-limited
UASI	Urban Areas Security Initiative



## **Executive Summary**

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

The objectives of the audit were to determine whether the Commonwealth of Kentucky: (1) spent grant funds effectively and efficiently; (2) complied with applicable Federal laws and regulations and DHS guidelines governing the use of such funding; and (3) enhanced the ability of State grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The audit included a review of three awards totaling approximately \$32 million in State Homeland Security Program and Urban Areas Security Initiative grant funds awarded to Kentucky from fiscal years 2008 through 2010.

In most instances, the Kentucky Office of Homeland Security administered its grant programs in compliance with requirements in Federal grant guidance and regulations. Grant funds were spent on allowable items and activities, and there were adequate controls over the approval of expenditures and reimbursement of funds. However, we identified three areas for program improvement: the State Homeland Security Strategy, inventory control procedures, and performance measurement of preparedness improvements.

We made five recommendations to the Federal Emergency Management Agency (FEMA) and the Commonwealth of Kentucky for improvements which, if implemented, should strengthen program management, performance, and oversight. FEMA concurred with recommendations 1, 4, and 5, and the Kentucky Office of Homeland Security implemented recommendations 2 and 3.



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### 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. Appendix C contains details of the HSGP.

The Kentucky Office of Homeland Security (KOHS) is designated as Kentucky's State Administrative Agency, the entity responsible for administering the HSGP. KOHS carries out multiple missions mandated by DHS and the Kentucky General Assembly, including administering Federal grants.

KOHS uses a competitive grant application process for State and local agencies to submit grant project proposals. When proposals are presented, a team of peers from across the Commonwealth reviews the grant applications in accordance with Kentucky's State Homeland Security Strategy and submits results to the KOHS Executive Review Panel. After the KOHS Executive Review Panel conducts its review, the grant applications are presented to the State Homeland Security Working Group for final award decisions. The projects then move forward to the Governor for final approval. Appendix D contains information on the KOHS subgrantee application process.

The Commonwealth was awarded approximately \$32 million in State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) grant funds over fiscal years (FYs) 2008, 2009, and 2010. Appendix A provides details of the objectives, scope, and methodology for this audit.

During FYs 2008 through 2010, the Louisville UASI was awarded \$1.4 million, \$2.2 million, and \$2.2 million, respectively. A FEMA official said that Kentucky did not score high enough on the UASI risk formula to receive funding in FYs 2011 or 2012.

### Results of Audit

In most instances, KOHS administered its grant programs in compliance with requirements in Federal grant guidance and regulations. For example, Kentucky has written procedures and protocols for administering its grant programs and implements internal controls for approving and reimbursing expenditures. KOHS also conducts mandatory grant application and compliance workshops annually for subgrantees that apply for and receive grant funding.

However, the Kentucky State Homeland Security Strategy was last updated in 2005, and strategic objectives have completion dates of 2005 to 2007. The outdated strategy does



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not consider the changing needs, capabilities, or risks at the local, regional, and State levels, and does not include 2007 National Preparedness Guidelines and priorities. Additionally, KOHS does not maintain an accurate and complete inventory of all equipment purchased with grant funding, and has not established formal performance measures to assess whether improvements were achieved as a result of receiving SHSP and UASI funds.

### **Kentucky State Homeland Security Strategy Needs Improvement**

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The Kentucky State Homeland Security Strategy (strategic plan) does not align with priorities in the FEMA National Preparedness Guidelines, revised in 2007. The strategic plan was last updated in 2005; contains objectives with completion dates of 2005–2007; and does not include Kentucky’s changing needs, capabilities, or risks at the local, regional, and State levels. Furthermore, according to the *Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005, objectives should be—

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

In contrast, the UASI strategic plan has current goals and objectives and, in most cases, complies with FEMA grant guidelines.

Kentucky’s strategic plan was drafted in 2005, prior to the issuance of the *National Preparedness Guidelines* of September 2007. FEMA has not required States to update their strategic plans since 2005. Although Kentucky’s strategic plan is in compliance, it is not updated to align with the revised guidelines. These guidelines add one national priority to the original seven in the *Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*. Kentucky’s strategic plan does not include the new priority to “Strengthen Planning and Citizen Preparedness Capabilities” or the revised all-hazards approach to national



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preparedness. Therefore, the strategic plan does not reflect the provisions required by the September 2007 *National Preparedness Guidelines*. Table 1 lists three outdated objectives from Kentucky’s 2005 strategic plan.

**Table 1. Outdated Objectives in Kentucky’s 2005 State Homeland Security Strategy**

<b>Objectives in Kentucky’s 2005 State Homeland Security Strategy</b>	
<b>Objective</b>	<b>Completion Date</b>
<p><b><i>To have all of the Kentucky first responders be National Incident Management System (NIMS) compliant by the end of the calendar year 2006.</i></b></p> <ul style="list-style-type: none"> <li>• By August, KOHS would like to secure a position on the National Level NIMS Standards Working Group to develop national standards for NIMS.</li> <li>• Before October 1, KOHS’s plan will ensure that Kentucky has met all 2006 Federal compliance requirements for NIMS.</li> </ul>	End of Calendar Year 2006
<p><b><i>To mobilize local law enforcement and community officials in a formalized process of identifying and correcting security vulnerabilities that could be exploited.</i></b></p> <ul style="list-style-type: none"> <li>• Kentucky uses the Kentucky Community Preparedness Program (KCPP) to identify and correct security vulnerabilities in small and medium-sized communities.</li> <li>• Under the program, members of KCPP work with local law enforcement and elected officials to do risk assessments of communities.</li> <li>• To date, 63 communities have been assessed and 27 more communities are scheduled for assessments by June 30, 2006.</li> <li>• KOHS hopes to reach all 120 counties by the end of calendar year 2007.</li> </ul>	End of Calendar Year 2007
<p><b><i>To partner with the Commonwealth Office of Technology to improve the Security Awareness of state and local “end users” to provide information on cyber threats and how to protect our state network from malicious attacks.</i></b></p> <ul style="list-style-type: none"> <li>• October is National Cyber Security Awareness Month.</li> <li>• Kentucky used this exposure in the fall of 2005 to hold an Awareness Seminar to improve security awareness for state and local end users and to provide information on cyber threats and how to protect our state network from malicious attacks.</li> </ul>	Hold additional awareness seminars in 2006

Source: KOHS document provided by FEMA

KOHS does not formally evaluate the changing needs, capabilities, or risks at the local, regional, and State levels to assist in updating the strategic plan. KOHS officials believe that they meet the needs of subgrantees based on local agency self- assessments. KOHS cannot ensure that it is addressing the most critical statewide needs to prevent, deter, respond to, and recover from terrorist



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attacks, major disasters, and other emergencies. KOHS officials said that they expected to update their strategic plan by the end of 2012. An interview with FEMA in February 2013 indicated that KOHS is in the process of updating its strategic plan, and expects to submit it to FEMA for review no later than 6 months after OIG issues the final report.

#### **Recommendation**

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

#### **Recommendation #1:**

Issue guidance to Homeland Security Grant Program recipients to update strategic plans periodically and to include SMART goals that align with current National Preparedness Guidelines.

#### **Management Comments and OIG Analysis**

**Management Comments:** FEMA concurred with the intent of recommendation 1. According to FEMA, its actions satisfy the recommendation's intent. The National Preparedness Directorate, the FEMA entity responsible for the homeland security strategy and its guidance, plans to release updated guidance on strategic planning by January 2013. FEMA's Grant Programs Directorate (GPD) will require the KOHS Executive Director to revise Kentucky's State Homeland Security Strategy to comply with the revised guidelines developed by the National Preparedness Directorate.

Subsequent to its earlier response, we met with FEMA officials and they provided an update to recommendation #1. FEMA's GPD officials stated that KOHS is in the process of updating its current Homeland Security strategy. GPD representatives also stated that NPD has not released updated guidance on strategic planning, and expects NPD to issue the updated guidance during the summer of 2013. FEMA will provide a corrective action plan to address the recommendation after the publication of the final report.

**OIG Analysis:** FEMA's proposed actions are responsive to the recommendation. However, the recommendation will remain open and unresolved until final implementation of the proposed corrective actions.



### **Inventory Management Needs Improvement**

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KOHS does not comply with Federal requirements for maintaining inventory records or performing required biennial physical inventories. KOHS' grant guidance includes Federal inventory requirements. However, according to KOHS, it has not had the personnel resources to fully implement and enforce the policy. Rather, it relies on its subgrantees to maintain inventory records and conducts its independent verification at the grant project closeout. As a result, KOHS does not have reasonable assurance that inventory is effectively managed. Code of Federal Regulations (CFR) Title 44 §13.32(d), *Management requirements*, sets forth procedures for managing equipment (including equipment replacement), whether acquired in whole or in part with grant funds, until disposition takes place. According to the CFR, grant recipients will, at a minimum, meet the following requirements:

- Property records must 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; 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. 44 CFR §13.32(d)(1).
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years. 44 CFR §13.32(d)(2).
- 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. 44 CFR §13.32(d)(3).

KOHS performs a physical inventory of equipment for each project during the grant closeout process. Subgrantees develop and maintain inventory records, but 17 of the 20 records we reviewed did not fully comply with the statutory property management requirement of 44 CFR §13.32(d).

Once the closeout process is complete, KOHS conducts no additional inventories to meet the biennial inventory requirement. Without the required physical control and accountability over items purchased with SHSP and UASI funds, KOHS does not have reasonable assurance that the property procured with grant funding is used for authorized purposes and adequately safeguarded to prevent loss, damage, or theft.



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After OIG fieldwork was completed, KOHS revised its inventory policies and procedures to establish stronger inventory controls to meet Federal requirements. To fulfill grant requirements, it conducted appropriate inventory management procedures to bring the Commonwealth into compliance.

#### **Recommendations**

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate, require the Executive Director, Kentucky Office of Homeland Security, to:

#### **Recommendation #2:**

Develop and implement procedures to ensure that inventory records comply with 44 CFR §13.3 and §13.32 (d), including biennial inventory reviews of equipment purchased with SHSP and UASI funds.

#### **Management Comments and OIG Analysis**

**Management Comments:** FEMA did not concur with recommendation 2. FEMA stated that KOHS developed and implemented procedures to ensure that inventory records comply with 44 CFR §13.3 and §13.32 (d). A copy of these procedures was provided to OIG on July 19, 2012.

**OIG Analysis:** Although FEMA did not concur with the recommendation, KOHS took actions that satisfy the intent of the recommendations. We reviewed KOHS inventory procedures and actions taken to meet the recommendation. The recommendation is now resolved and closed.

#### **Recommendation #3:**

Compile and provide the Office of Inspector General with reconciled fiscal year 2008 through 2010 SHSP and UASI inventory records that meet Federal requirements.

**Management Comments:** FEMA did not concur with recommendation 3. According to FEMA, at the end of the project, KOHS submitted copies of reconciled records of SHSP and UASI inventory for FYs 2008 through 2010 to OIG.

**OIG Analysis:** Although FEMA did not concur with the recommendation, KOHS took actions that satisfy the intent of the recommendations. We reviewed KOHS



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inventory records and actions taken to meet the recommendation and Federal requirements. The recommendation is now resolved and closed.

#### **Performance Measures Have Not Been Developed**

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KOHS could not demonstrate specific improvements and measurable accomplishments of SHSP and UASI-funded projects for FYs 2008 through 2010. It does not have a basis for measuring improvements in its preparedness and response capabilities. KOHS does not have measurable goals and objectives consistent with Federal requirements in its strategic plan. KOHS officials said that they use State Preparedness Reports as a tool to measure capabilities-based improvements achieved with grant funds.

According to 44 CFR §13.40, *Monitoring and reporting program performance*, grantees must monitor grant and subgrant-supported activities to ensure that performance goals are achieved. In addition, according to *Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, July 2005, 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 SMART.

KOHS officials said that they did not assess grant performance and improvements in preparedness using a performance reporting program. Rather, they consider the State Preparedness Reports to be an acceptable measurement of improvements in preparedness.

Our review of Kentucky’s State Preparedness Reports for FYs 2008 through 2010 showed that they estimate preparedness as a percentage based on the type of activity, such as planning or communications, but use inconsistent data from year to year. The reports answer basic questions on limitations and the level of improvement based on total Federal funding, but do not contain SMART performance measurements. Therefore, the State Preparedness Reports do not measure the extent of Kentucky’s performance improvements in preparedness as a result of the Commonwealth receiving HSGP funds.

KOHS cannot evaluate its preparedness levels and response capabilities or effectively determine progress toward its goals and objectives. Instead of using a current strategic plan with performance measurements, KOHS officials said that they use a risk-based approach for making funding decisions.



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### Recommendations

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

#### Recommendation #4:

Provide performance measurement guidance to Homeland Security Grant Program recipients and direct the Kentucky Office of Homeland Security to develop a comprehensive performance measurement system to capture the program's overall performance and progress toward enhancing preparedness as a result of the SHSP and UASI grant programs.

#### Recommendation #5:

Direct the Kentucky Office of Homeland Security to implement and manage specific milestones for achieving progress toward target capability assessment goals at the State, local, and regional levels.

### Management Comments and OIG Analysis

**Management Comments:** FEMA concurs with the intent of recommendations 4 and 5. According to FEMA, its National Preparedness Directorate is currently developing processes to measure core capabilities in accordance with the National Preparedness Goal, pursuant to Presidential Policy Directive-8. KOHS will complete the Threat and Hazard Identification and Risk Assessment and submit it to FEMA by December 31, 2012. This assessment will be used to create a baseline and targets for FY 2013 and beyond. FEMA has also redesigned the State Preparedness Report that will help States demonstrate and track preparedness improvement over time.

Subsequent to its original response, representatives at FEMA stated that KOHS completed and submitted the Threat and Hazard Identification and Risk Assessment as part of its Annual State Preparedness Report to FEMA on December 21, 2012.

**OIG Analysis:** The actions proposed and confirmed by FEMA are responsive to the recommendations. However, the recommendations will remain open and unresolved until documentation that final implementation of the proposed corrective actions occurred is provided.



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### Best Practices

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KOHS hosts two mandatory grant workshops at various locations throughout Kentucky: a grant application workshop for agencies interested in submitting projects for funding, and a grant compliance workshop for agencies awarded grant funding. These workshops include a review of Federal and State grant requirements, grant responsibilities if awarded, grant application and writing tips, and other available resources. The workshops are held periodically and provide local agencies the opportunity to receive required training while minimizing travel expenses.

The grant application workshops review FEMA's focus and grant requirements for the specific grant year, including annual DHS grant guidance and toolkit information. Also included is KOHS' focus on funding, and how to successfully complete the application to ensure that all required information is submitted. KOHS' follow-on question-and-answer sessions provide immediate information to local agencies, so they leave the workshops better prepared to complete and submit their project applications.

The grant compliance workshops are held for all subgrantees receiving grant funding and cover grant management and administration requirements. Additional information is provided to the subgrantees about grant areas such as procurement, reimbursements, inventory, reporting, and monitoring. The responsibilities of the grant are discussed, and a question-and-answer session at the end provides subgrantees the opportunity to ask questions before their grant begins. To further assist subgrantees with record keeping and maintaining required documentation, KOHS provides a file folder identical to the one used by KOHS grant managers. The folder includes sections for the legal agreement; original application; single audit; budget documents including written procurement codes, reimbursements, reports, and correspondence; and State and Federal grant requirements for incorporating the NIMS.



## Appendix A Objectives, Scope, and Methodology

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

The objective of the audit was to determine whether the Commonwealth of Kentucky distributed and spent SHSP and UASI grant funds effectively and efficiently and in compliance with laws, regulations, and guidance. In addition, we determined the extent to which the Commonwealth measures improvements in its ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

HSGP and its five interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, only SHSP and UASI funding, equipment, and programs supported by the grant funding were reviewed for compliance. Table 2 describes the scope of the audit. Additional information on these grant programs is in appendix C.

**Table 2. Kentucky Homeland Security Grant Program Awards**

Kentucky Homeland Security Grant Program Awards FYs 2008 through 2010				
Program	FY 2008	FY 2009	FY 2010	Total
State Homeland Security Program	\$9,590,000	\$8,593,500	\$8,007,374	\$26,190,874
Urban Areas Security Initiative	\$1,421,500	\$2,201,800	\$2,205,723	\$5,829,023
<b>Subtotal</b>	<b>\$11,011,500</b>	<b>\$10,795,300</b>	<b>\$10,213,097</b>	<b>\$32,019,897</b>

Source: FEMA

The audit methodology included interviews with FEMA representatives as well as fieldwork at KOHS, the Area Development Districts, and various subgrantee locations. To achieve our audit objective, we analyzed data, reviewed documentation, and



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interviewed key local officials directly involved in the management and administration of the Kentucky Homeland Security Grant Program. We conducted site visits and held discussions with appropriate officials from KOHS, Area Development Districts, and local jurisdictions to determine whether program grant funds were expended in accordance with grant requirements and Kentucky's established priorities. As of March 13, 2012, KOHS reported that it had expended \$23,561,293. In addition to KOHS, we met with officials from the following organizations:

#### **Urban Areas Security Initiative**

- **Louisville UASI**

#### **Area Development Districts**

- **Bluegrass Area Development District**
  - Boyle County Emergency Management Services
  - Boyle County Fire Department
  - Boyle County Sheriff's Office
  - Burgin Fire Department
  - Clark County Fire Department
  - Clark County Sheriff's Office
  - Danville Police Department
  - Lancaster Fire Department
  - Lancaster Police Department
  - Mercer County Fire Department
  - Versailles Fire Department
  - Winchester Fire Department
  - Winchester Sheriff's Office
- **Buffalo Trace Area Development District**
  - Fleming County Sheriff's Office
  - Flemingsburg Police Department
  - Garrison Volunteer Fire Department
  - Kinniconick Volunteer Fire Department
  - Sardis Volunteer Fire Department
  - Tilton Volunteer Fire Department
  - Vanceburg Police Department
  - Washington/Maysville Volunteer Fire Department

#### **Local Jurisdictions and First Responders**

- **Lexington Fayette Urban County Government**
  - Lexington Fire Department
  - Lexington Police Department



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- **Carter County**
  - Carter County Emergency Management Services
  
- **Lawrence County**
  - Cherryville Fire Department
  - Lowmansville Fire Department
  
- **Greenup County**
  - Greenup County 911 Center
  
- **Graves County**
  - Mayfield Fire Department
  - Graves County Sheriff's Office
  
- **Marshall County**
  - Marshall County Emergency Management Services
  - Marshall County Sheriff's Office
  - Mayfield/Graves County Ambulance Service
  - Mercy Regional Ambulance Service
  - Murray-Calloway County Ambulance Service
  
- **McCracken County**
  - McCracken County Attorney
  - McCracken County Sheriff's Office
  
- **Boyd County Sheriff's Office**
  
- **Boyd County Public Safety**
  
- **Jeffersontown**
  - Jeffersontown Police Department
  
- **Flatwoods City**
  - Flatwoods Police Department
  
- **Benton City**
  - Benton City Fire Department
  
- **City of Mayfield**
  - Mayfield Police Department



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- **Paducah City**
  - Paducah City Fire Department
  - Paducah City Police Department
- **Jefferson County**
  - Jefferson County Sheriff's Office
- **Harvey-Brewers Fire Department**
- **Possam Trot Fire Department**

We interviewed responsible officials, reviewed documentation supporting KOHS and subgrantee management of the awarded grant funds (including expenditures for equipment, training and exercises, and management and administration), and physically inspected equipment procured with the grant funds.

The team reviewed a judgmental sample of the grants expenditures representing approximately 31.8 percent of the SHSP dollar value and 100 percent of the UASI dollar value expended for FYs 2008 through 2010 grants to determine whether the expenditures were supported and allowable under the terms of the grants. The team judgmentally chose specific equipment items to observe at the local sites where it resides.

We conducted this performance audit between April and June 2012 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Appendix B  
Management Comments to the Draft Report

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



OCT 24 2012

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

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

SUBJECT: Response to OIG Draft Report, *The Commonwealth of Kentucky's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 through 2010*

Thank you for the opportunity to comment on the draft report. The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our programs. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report. Our responses to the recommendations are as follows:

**Recommendation #1:** We recommend that the FEMA Assistant Administrator, Grant Programs Directorate issue guidance to Homeland Security Grant Program recipients to update strategic plans periodically and to include specific, measurable, achievable, results-oriented, and time-limited (SMART) goals that align with current National Preparedness Guidelines.

**FEMA Response:** FEMA concurs with the intent of this recommendation. The National Preparedness Directorate (NPD), the Federal Emergency Management Agency (FEMA) entity responsible for the homeland security strategy (HSS) and its guidance, plans to release updated guidance on strategic planning by January 2013. FEMA's Grant Programs Directorate (GPD) will require the Kentucky Office of Homeland Security Director to revise Kentucky's HSS to comply with revised guidelines developed by NPD.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and open pending revision of Kentucky's Homeland Security Strategy.

**Recommendation #2:** We recommend that the FEMA Assistant Administrator, Grant Programs



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Directorate, require the Executive Director, Kentucky Office of Homeland Security, to develop and implement procedures to ensure that inventory records comply with 44 CFR §13.3 and §13.32 (d), including biennial inventory reviews of equipment purchased with SHSP and UASI funds.

**FEMA Response:** FEMA does not concur with Recommendation #2. The Kentucky Office of Homeland Security developed and implemented procedures to ensure inventory records comply with 44 CFR §13.3 and §13.32 (d). A copy of these procedures is provided with this response (Attachment 1) and was provided to the Office of Inspector General (OIG) on July 19, 2012.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

**Recommendation #3:** We recommend that the FEMA Assistant Administrator, Grant Programs Directorate, require the Executive Director, Kentucky Office of Homeland Security, to compile and provide the Office of Inspector General with reconciled fiscal year 2008 through 2010 SHSP and UASI inventory records to meet Federal requirements.

**FEMA Response:** FEMA does not concur with Recommendation #3. The Kentucky Office of Homeland Security complied and provided the Office of Inspector General (OIG) with reconciled fiscal year 2008 through 2010 SHSP and UASI inventory records to meet Federal requirements on July 25, 2012 for FYs 2008 and 2009 and on August 17, 2012 for FY 2010. A copy of reconciled records is provided with this response as Attachments 2-6.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

**Recommendation #4:** We recommend that the FEMA Assistant Administrator, Grant Programs Directorate provide performance measurement guidance to Homeland Security Grant Program recipients and direct the Kentucky Office of Homeland Security to develop a comprehensive performance measurement system to capture the program's overall performance and progress toward enhancing preparedness as a result of the SHSP and UASI grant programs.

**Recommendation #5:** We recommend that the FEMA Assistant Administrator, Grant Programs Directorate direct the Kentucky Office of Homeland Security to implement and manage specific milestones for achieving progress toward target capability assessment goals at the State, local, and regional levels.

**FEMA Response for Recommendations #4 and #5:** FEMA concurs with the intent of Recommendations #4 and #5. The FEMA NPD is currently developing processes to measure core capabilities in accordance with the National Preparedness Goal pursuant to PPD-8. The Kentucky Office of Homeland Security will complete the Threat and Hazard Identification and Risk Assessment (THIRA) and submit it to FEMA by December 31, 2012. The THIRA will be used to create a baseline and targets for Fiscal Year 2013 and beyond. FEMA has also redesigned the State Preparedness Report that will help states demonstrate and track preparedness improvement over time.

FEMA requests that recommendations 4 and 5 be considered resolved and open pending completion of the stated corrective action.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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Again, we thank you for the opportunity to provide comments concerning this report. Please contact Gina Norton, Audit Liaison at 202-646-4287 regarding further questions or concerns.

- 6 Attachments (documentation to support FEMA's non-concurrence of Recommendations 2 and 3):
- Attachment 1 - Kentucky Office of Homeland Security (KOHS) Grants and Finance Policies and Procedures Manual
  - Attachment 2 - SOW for an Online Inventory Management System
  - Attachment 3 - Subrecipient Inventory Form
  - Attachment 4 - KOHS Subrecipient Inventory for 2008 SHSP
  - Attachment 5 - KOHS Subrecipient Inventory for 2009 SHSP
  - Attachment 6 - KOHS Subrecipient Inventory for 2010 SHSP



## **Appendix C**

### **Homeland Security Grant Program**

According to the FY 2010 Homeland Security Grant Program Guidance and Application Kit and FY 2010 Preparedness Grant Programs Overview, HSGP provides Federal funding to help State and local agencies enhance their capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The program 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—

**State Homeland Security Program** provides financial assistance directly to each of the States and U.S. 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.

**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.

In addition, HSGP includes other interrelated grant programs with similar purposes. Depending on the fiscal year, these include—

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



## **Appendix D**

### **Kentucky Office of Homeland Security Subgrantee Application Process**

According to the KOHS' Grants and Finance Policy and Procedures, KOHS issues a news release announcing grant funds availability and how to apply, including updated DHS guidance. KOHS provides statewide regional grant application workshops for all grant applicants and individual technical assistance upon request. These workshops include a review of Federal and State grant requirements, grant responsibilities if awarded, grant application and writing tips, and other resources available.

Applications are received at KOHS and organized according to Kentucky initiatives, including, but not limited to mobile data terminals, radios, towers/repeaters, 911 centers, and equipment. The technical review teams consist of independent subject matter experts ranging from fire to emergency management services and law enforcement to public health reviewers. All reviewers receive training for consistent application scoring. Each reviewer scores the project, and the review teams discuss the scores. The final scores are provided to KOHS and entered into the grants database.

KOHS executive staff performs a functional review, which includes consideration of other available grant resources and provides preliminary funding proposals based on the reviewers' scores, statewide needs, and the KOHS Strategic Plan. Executive staff coordinates with the Justice Cabinet, Emergency Management, and Public Health for other available grants and grant awards.

The Executive Director reviews the recommendations and makes changes based on special needs and risk. The projects then move forward to the Governor for final approval.



## **Appendix E**

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## **Appendix F**

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