

Department of Homeland Security Office of Inspector General

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





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APR 9 2014

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

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

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

The report contains six recommendations aimed at improving the overall effectiveness of Alaska's management of Homeland Security Grant Program funds. Your office concurred with all of the recommendations. Based on information provided in your response to the draft report, we consider all of the recommendations open and resolved and recommendation #3 closed. 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 email a signed PDF copy of all responses and closeout requests to OIGAuditsFollowup@oig.dhs.gov.

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

Please call me with any questions, or your staff may contact John E. McCoy, II, 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
DHS&EM	Division of Homeland Security and Emergency Management
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
LCA	logistics capability assessment
OIG	Office of Inspector General
SAA	State Administrative Agency
SHSP	State Homeland Security Program
SMART	specific, measurable, achievable, results-oriented, and time-limited
THIRA	Threat and Hazard Identification and Risk Assessment



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' and territories' management of State Homeland Security Program and Urban Areas Security Initiative grants. This report responds to the reporting requirement for Alaska.

The audit objective was to determine whether Alaska used Homeland Security Grant Program funds in accordance with the law, program guidance, and state homeland security plans and other applicable plans. We also addressed the extent to which funds awarded enhanced the ability of grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The Federal Emergency Management Agency (FEMA) awarded Alaska approximately \$14.6 million in State Homeland Security Program grants during fiscal years 2010 through 2012.

Alaska developed written procedures for program administration; ensured that grant expenditures for equipment purchases, planning, training, exercises, and administrative activities were allowable and complied with grant reporting requirements. The State linked its homeland security strategy goals and objectives to DHS mission areas in compliance with applicable FEMA guidance. We identified the State's subgrantee application and award processes as best practices.

However, Alaska can improve its homeland security strategies by including target levels of performance and the means to measure progress toward enhancing preparedness at both the state and subgrantee level. The State needs to ensure that 80 percent of grant funds are obligated to local jurisdictions and improve compliance with procurement procedures and documentation requirements. It also needs to strengthen its monitoring of subgrantees by updating its policies and processes and ensure that updates to policies and manuals include a list of changes.

We made six recommendations to FEMA, which, when implemented, should strengthen program management, performance, and oversight. FEMA and the State concurred with all of the recommendations. Written comments to the draft report are incorporated as appropriate and are included in appendix B.



Background

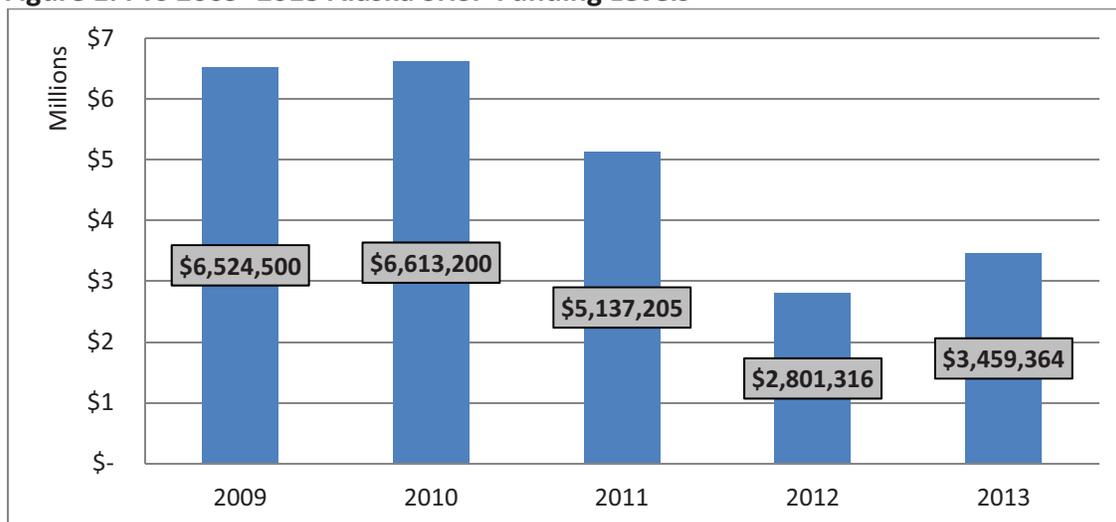
DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to assist State and local agencies in preventing, preparing for, protecting against, and responding to acts of terrorism. The State Homeland Security Program (SHSP) is one program included in the HSGP and is designed to fund a wide range of preparedness needs including planning, organization, equipment, training, and exercises. See appendix C for a description of all HSGP programs.

FEMA awarded the State of Alaska (the State or Alaska) SHSP grant funds during fiscal years (FY) 2010, 2011, and 2012 totaling approximately \$14.6 million. Alaska is the largest state in the United States by area, ranks 47th in total population, and is the least densely populated of the 50 states. More than 40 percent of Alaska's 731,449 residents (as of 2012) live within the Anchorage metropolitan area.

The Alaska Division of Homeland Security and Emergency Management (DHS&EM) is the state administrative agency (SAA) responsible for administering the HSGP. The SAA is responsible for managing the grant program in accordance with established Federal guidelines and allocating funds to local, tribal, and other Alaska government entities.

Figure 1 illustrates the level of SHSP funding Alaska received over a 5-year period. SHSP funding averaged \$4.9 million per year during FYs 2010 to 2012, the periods covered by our audit. The State received its highest level of SHSP funding in FY 2010, but faced a nearly \$3.2 million decline from 2010 levels in FY 2013.

Figure 1. FYs 2009–2013 Alaska SHSP Funding Levels



Source: DHS OIG prepared using FEMA data



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Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires the DHS OIG to audit individual States' management of SHSP and Urban Areas Security Initiative grants. This report responds to the reporting requirements for the State of Alaska. Appendix A describes the objectives, scope, and methodology of this DHS OIG audit.

Results of Audit

Alaska developed written procedures for program administration, ensured that grant expenditures for equipment purchases, planning, training, exercises, and administrative activities were allowable per the grant guidance, and complied with grant reporting requirements. Also, the State's homeland security strategies linked goals and objectives to DHS mission areas in compliance with applicable FEMA guidance.

However, the following improvements will enhance Alaska's grant management practices:

- Ensure 80 percent of grant funds are obligated to local units of government as mandated by law;
- Measure progress and improvements in state and subgrantee preparedness;
- Ensure compliance with procurement procedures and documentation requirements;
- Strengthen monitoring of subgrantee activities by updating state policies and procedures; and
- Ensure that updates to handbooks and policies for subgrantees contain a summary of changes.

Additionally, the audit team's evaluation of Alaska's administration of the FYs 2010 through 2012 SHSP grants included analysis of financial reporting to FEMA, with no discrepancies noted between Alaska's quarterly financial reports to FEMA and the State's official accounting records. The team assessed grant applications, budgets, and SAA personnel timesheets and concluded that the State used SHSP grant funds for management and administration activities in accordance with Federal requirements. The audit team also analyzed the State's obligation of SHSP funds to local units of government for sites we visited and determined that, with one minor exception, funds were obligated within 45 days as required by law. We identified the State's subgrantee application and award processes as best practices.



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Allocation of Grant Funds to Local Units of Government

The SAA acknowledged that, for FY 2011, it did not obligate 80 percent of its SHSP grant funds to local units of government within 45 days of receipt of HSGP grant funds as required by law. The SAA submitted its FY 2011 funding allocation plan to FEMA, indicating the required 80 percent pass-through obligation, but the actual obligation was less than the amount submitted. Not providing full grant funding to local government units within the required timeframe could result in delays for projects intended to improve homeland security and achieve program objectives.

According to Public Law 110-53 and FEMA's award conditions for FYs 2010 through 2012, HSGP grant recipients must obligate 80 percent of grant funds to subgrantees within 45 days of the receipt of funds. FEMA guidance strongly encourages the timely obligation of funds from local units of government to subgrantees. We reviewed the Alaska grant funding distribution documents for FYs 2010 through 2012 from the SAA, calculated the 80 percent distributions, and compared the totals to other supporting grant documentation.

Table 1 shows the Federal grant totals for FYs 2010 through 2012, the amount the State was required to pass through, the amount actually obligated to subgrantees, and the difference between these amounts.

Table 1. Allocation of Grant Funds to Local Units of Government During Initial 45-Day Period

Grant FY Year	Federal Grant Total	80% Pass-Through	Actual SAA Pass-Through	Remaining Funds
2010	\$6,613,200	\$5,290,560	\$5,290,560	\$0
2011	\$5,137,205	\$4,109,764	\$4,059,699	\$50,065
2012	\$2,801,316	\$2,241,053	\$2,241,053	\$0

Source: DHS OIG prepared using SAA data

According to the SAA, all FY 2011 SHSP projects were not fully funded during the allocation process. SAA leadership determined that these projects should be fully funded for the overall success of Alaska Shield.¹ According to the SAA, it reallocated FY 2009 SHSP grant funding to some FY 2011 Alaska Shield projects

¹ Alaska Shield is a biannual training and exercise event that applies classroom experience in a full-scale exercise that involves the entire community in managing risks. The State uses identified gaps to guide future planning.



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to ensure that these projects were fully funded and that all FY 2009 SHSP funds were expended by the end of the performance period.

The State submitted its allocation plan to FEMA depicting the required 80 percent obligation but did not pass through these funds within 45 days of receipt of HSGP grant funds, as required. The actual obligation was \$50,065 less than the submitted amount, and the SAA did not know why that amount was not initially obligated. According to the SAA, these funds were obligated to a subgrantee on October 21, 2013. Not obligating 80 percent of SHSP grants funds to local government units within 45 days of receipt of the HSGP award could result in the delay of projects intended to increase homeland security and achieve program objectives.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to:

Recommendation #1:

Assess the current processes and procedures for allocating funds to ensure at least 80 percent of Homeland Security Grant Program funds are allocated to subgrantees as required.

Management Comments and OIG Analysis

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

Management Comments to Recommendation #1. FEMA and the State concurred with the recommendation. FEMA reported that it will require the Alaska DHS&EM to assess and make any necessary changes to the current processes and procedures for allocating funds to ensure at least 80 percent of HSGP funds are allocated to subgrantees as required. The estimated completion date is August 11, 2014. The SAA will create two management oversight features within its grant-tracking database to track both the 45-day and 80 percent requirement. Additionally, the SAA will include a status brief to its leadership during the 45-day period.



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OIG Analysis. We consider FEMA's and the State's proposed corrective actions to be responsive to the recommendation. The recommendation is resolved and will remain open until we are provided with documentation that the grants database revisions and procedure implementation have been completed.

Performance Measurements

SAA officials said they did not have any performance measurement policies or procedures at the subgrantee level. Instead, SAA relied on self-assessments performed by the subgrantees to assess the impact of grant projects. The State's FYs 2010 through 2012 homeland security strategies contained goals and objectives that did not always adhere to FEMA's requirement that goals and objectives be specific, measurable, achievable, results-oriented, and time-limited (SMART). Additionally, the State's FY 2012 Threat and Hazard Identification and Risk Assessment (THIRA) did not address its capability targets when describing desired outcomes.

According to Title 44 of the Code of Federal Regulations (CFR) §13.40, *Monitoring and Reporting Program Performance*, grantees are required to monitor grant and subgrant-supported activities to ensure performance goals are being achieved. Alaska may not be able to evaluate the effect of grant expenditures on its preparedness and emergency response capabilities without measurable target performance levels for goals and objectives.

State Preparedness Measurements

The State made efforts to measure improved preparedness by requiring subgrantees to submit a logistics capability assessment (LCA) each year the subgrantee applied for an SHSP grant. The LCA measured local jurisdiction preparedness and identified the capabilities and gaps for each locality. The SAA compiled the results from the individual assessments into a summary report that was used as input to the THIRA. SAA officials said they did not have any performance measurement policies or procedures at the subgrantee level. Instead, SAA officials relied on self-assessments performed by the subgrantees to assess the impact of grant projects.

The purpose of the LCA was to enhance response readiness for the initial 72 hours of a disaster. The LCA helped the SAA identify and target shortages among requirements, standards, and performance. According to SAA officials, each locality measured its capabilities and gaps differently, and the SAA was not primarily concerned with specifying the level of improvement achieved or the



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percentage increase in capabilities for individual subgrantees. SAA officials said that the room for capability enhancement was so vast in many communities that the SAA did not see a need to quantify improvements.

Without standardized measurements for subgrantee self-assessments, and procedures ensuring that improvements achieved through grant-funded projects are accurately measured, it may be difficult to objectively assess the State’s preparedness as a whole.

Homeland Security Strategy Goals and Objectives

Alaska’s homeland security strategies for FYs 2010 through 2012 included goals and objectives that addressed the prevention, protection, response, and recovery areas of national preparedness as required by FEMA guidance. However, the State’s goals and objectives did not always adhere to FEMA’s requirement that goals and objectives be SMART.

The audit team reviewed all of the goals and objectives from Alaska’s FYs 2010 through 2012 homeland security strategies for SMART compliance and identified 186 SMART deficiencies in 67 objectives from 3 strategies. Table 2 contains the details of this analysis.

Table 2. FYs 2010–2012 Homeland Security Strategies Deficiencies

FYs 2010–2012 SMART Deficiencies (67 Total Objectives)					Objectives with Deficiencies	
Requirement		FY 2010	FY 2011	FY 2012	Number	Percentage
Specific	S	13	14	3	30	44.8%
Measurable	M	27	27	13	67	100.0%
Achievable	A	0	0	0	0	0.0%
Results-oriented	R	9	8	5	22	32.8%
Time-limited	T	27	27	13	67	100.0%

Source: DHS OIG prepared using state data

Many of the State’s objectives were not specific and results-oriented, and none were measurable and time-limited. For example, one FY 2012 objective was to “[s]trengthen regional capabilities through joint preparedness activities and expand citizen capabilities and preparedness through community, school, and private sector/business outreach.” This objective included four steps:



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- Develop and implement regional workshops on homeland security and emergency management issues;
- Develop and implement statewide workshops on homeland security and emergency management issues;
- Provide training and other support as necessary to assist local jurisdictions to further develop preparedness and an ongoing process to sustain citizen preparedness capabilities; and
- Build new partnerships to expand planning and citizen capabilities.

This objective and its steps were not specific, measurable, results-oriented, and time-limited. It was unclear how and with whom the steps were to be taken, how the results should have been quantified, what the desired outcomes were, and when the steps should have been completed. Objectives that are not specific, results-oriented, measurable, and time-limited may not be appropriately prioritized, completed timely and as intended, and may prevent the SAA from accurately assessing improvements to preparedness capabilities.

As of FY 2013, FEMA, although encouraging states to update their homeland security strategies, instead used the THIRA process for identifying capability goals. Alaska's homeland security strategy was no longer the focus of FEMA's capability assessment. However, the State should ensure that its capability goals identify desired outcomes and include standards to measure work toward those goals.

THIRA Desired Outcomes

The State's FY 2012 THIRA did not address its capability targets when describing desired outcomes. Also, we determined that the State's THIRA did not address two of the SMART deficiencies from its homeland security strategy. The THIRA was not results-oriented because it did not adequately describe desired outcomes, and it was not time-limited because it did not include deadlines for preparedness activities. The State may not be able to evaluate the effect of grant expenditures on its preparedness and emergency response capabilities without measurable target performance levels for goals and objectives.

The THIRA provided a comprehensive approach for identifying and assessing risks and associated impacts and incorporated a whole community approach throughout the planning process. FEMA issued guidance outlining the THIRA process in April 2012 and completion of a THIRA was a performance requirement for the FY 2012 HSGP grant cycle. The State submitted its first THIRA in December 2012.



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Alaska's FY 2012 THIRA did not provide details or descriptions of desired outcomes. Rather, it provided that the State had a plan in place for addressing hazards and the plan for each particular hazard was updated annually. According to the THIRA criteria, this was not a desired outcome.

According to the THIRA guide, desired outcomes should explain what the jurisdiction wants to achieve for each core capability. In developing well-defined outcomes, it is important to consider timelines for achieving these outcomes. For example, in the response and recovery mission areas, desired outcomes for these core capabilities can be bound by time (e.g., must be accomplished within 72 hours, 60 days, 6 months, or 1 year). Desired outcomes for the prevention, protection, and mitigation mission areas may be better presented as a percentage (e.g., 100 percent or 75 percent).

Alaska's desired outcome for fatality management services was, "Plans are in place, exercised and updated annually to effectively manage an event with mass fatalities in all regions of the state." According to the THIRA guide, a desired outcome for fatality management services could be "During the first 72 hours of an incident, conduct operations to recover fatalities."

FEMA Region X conducted a validation of the State's 2012 THIRA and recommended the following improvements:

- More detailed and quantifiable "impacts" for each of the major scenarios for each core capability;
- More detailed "desired outcome" statements that explicitly state what the state wants to achieve for each core capability; and
- More detailed "capability targets" that are bounded by discrete metrics that may include a timeline for completion.

SAA officials said that they felt the THIRA imposes time-consuming requirements, which were not justified by the results obtained. Without measurable target performance levels for goals and objectives, Alaska may not be able to evaluate the effect of grant expenditures on its preparedness and emergency response capabilities.



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Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to:

Recommendation #2:

Develop comprehensive performance measurement systems for grant program goals and objectives that include target levels of performance and criteria against which to measure progress toward enhancing preparedness.

Recommendation #3:

Ensure updates to Alaska's THIRA include details and descriptions of desired outcomes as required by FEMA guidance.

Management Comments and OIG Analysis

Management Comments to Recommendation #2. FEMA and the State concurred with the recommendation. FEMA reported that in August 2013, it refined its THIRA methodology through the release of a revised *Comprehensive Preparedness Guide (CPG) 201, Second Edition*. This revision expands the THIRA process to include an estimation of resources needed to meet the capability targets. The THIRA process now assists communities to answer questions such as, "What are my current and future risks?" and "What level of service do I need to address my risks?" and addresses what specific capabilities are needed, such as teams of specialized resources. Rather than the uniform establishment of measures and metrics for a capability, FEMA reported that this approach allows a jurisdiction to establish its own capability targets based on the risks it faces.

According to the SAA, it created the Alaska Assessment to collect information on 23 core capabilities in the three mission areas of response, recovery, and mitigation. Communities in the State follow guidance from the National Preparedness Goal and the Preparedness Cycle to report on these core capabilities in each mission area to establish target levels of performance by identifying desired outcomes. According to the SAA, its Community Preparedness Report, a product of the Alaska Assessment, will show the current level of preparedness and will identify future goals and objectives that need to be addressed in the community during the next grant year. Year-to-year progress will be measured by enhancing preparedness and reflected in future



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assessments. According to the SAA, the next subgrantee assessments will be due in December 2014 for analytical review and culminating data into the Alaska THIRA submission.

OIG Analysis. We consider FEMA's and the State's proposed corrective actions to be responsive to the recommendation. The recommendation is resolved and will remain open until we are provided with a copy of the State's 2014 Community Preparedness Report, subsequent analysis, and its THIRA submission.

Management Comments to Recommendation #3. FEMA and the State concurred with the recommendation. FEMA reported it will require the Alaska DHS&EM to ensure that future updates to Alaska's THIRA include details and descriptions of desired outcomes as required by FEMA guidance; an update to this guidance was issued in August 2013. The estimated completion date is January 1, 2015. According to the SAA, it corrected the desired outcomes and capability targets in its 2013 THIRA. A review by FEMA's Region X of this THIRA indicated that the State's 2013 THIRA "closely adheres to new THIRA program requirements while seamlessly building upon its 2012 submission."

OIG Analysis. We consider FEMA's and the State's proposed corrective actions to be responsive to the recommendation. The recommendation is resolved and closed.

Subgrantee Monitoring and Oversight

The SAA's monitoring and oversight of subgrantees did not ensure that all subgrantee procurement policies reflected Federal grant procurement requirements in 44 CFR Part 13. In addition, the SAA had specific requirements for procurement documentation to be maintained in its subgrantee master files. However, these files, for the 10 sites we visited, did not always contain the required procurement documents. Also, the SAA has a subgrantee monitoring policy that it did not follow regarding the use of risk assessments to determine site visits, and its monitoring policies did not include detailed checklists for assessing subgrantees during a site visit. Lastly, the SAA made changes to its *Grants Management Handbook* without publishing a list of changes for subgrantees. As a result, subgrantee procurements may not have been completed according to Federal, state, or local regulations; SAA personnel may not be using consistent criteria to evaluate subgrantee internal controls; and subgrantees may not be able to determine changes to the *Grants Management Handbook* (or other policies).



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Subgrantee Procurement Policies

Three of the 10 subgrantees we visited had procurement policies and procedures that did not contain all the provisions mandated by Federal regulations. The SAA did not ensure that all subgrantees had the required Federal procedures in their procurement codes or policies. As a result, subgrantee procurements may not have been completed in accordance with Federal regulations.

Subgrantees are required by 44 CFR Part 13, to maintain a written code of standards of conduct to govern the performance of their employees engaged in the award and administration of contracts. Subgrantee procedures must also include measures to avoid the purchase of unnecessary or duplicative items with Federal grant funds. Additionally, subgrantees must not make or permit any award to a vendor that is debarred, suspended, or otherwise excluded from participation in Federal assistance programs. State procurement policy requires that a proposal received from a debarred or suspended vendor be rejected.

We reviewed the procurement policies of 10 subgrantees that received SHSP grant funding between FYs 2010 and 2012 and identified one subgrantee that did not have a written code of standards of conduct in its procurement procedures. Such standards are intended to ensure that no employee or agent of a jurisdiction engages in the award or administration of a contract in which they have a real or apparent conflict of interest.

Three subgrantees that received SHSP funds between FYs 2010 and 2012 did not have provisions in their procurement codes to prevent the purchase of unnecessary or redundant equipment. One of these jurisdictions cited its small size as a guard against the purchase of duplicate equipment because it was more aware of its inventory. This does not negate the CFR requirement for subgrantees to have procedures that provide for the review of proposed procurements to prevent redundancies. An official from another jurisdiction said they did not have formal procedures to prevent redundant purchases and relied on a period of public comment to avoid redundancies.

An official at a third jurisdiction said they used a software program to screen planned procurements to avoid duplicative or unnecessary procurements but did not have written procurement procedures, as required, for this process.

Two subgrantees did not check the suspended and debarred vendors list before making a procurement. Officials from one jurisdiction cited the close-knit business community in Alaska as a reason subgrantees did not need to perform



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this check since they would immediately know, through informal channels, if a vendor was suspended or debarred. However, the SHSP procurements made by this subgrantee were not all made from in-state vendors.

Subgrantee officials from another jurisdiction said they believed that checking the suspended and debarred vendors list was not an issue since the State performs this check. The SAA confirmed that they also check the suspension and debarment list. However, relying on the SAA to perform this check could result in a jurisdiction incurring an SHSP expense that was not eligible for reimbursement because it used a proscribed vendor.

Subgrantee Procurement Documentation

Subgrantee master grant files did not always contain all of the procurement documentation required by SAA policy. The SAA did not always enforce its own policy for maintaining required procurement documentation in its subgrantee master grant files. As a result, some SAA master grant files did not completely document that procurements were made using all of the procedures required by State and Federal policy. Table 3 documents the SAA’s procurement documentation requirements for its master subgrantee files.

Table 3. SAA Master Grant File Procurement Documentation Requirements

Type of Procurement	Required SAA Master File Documentation
\$5,000 to \$25,000	<ul style="list-style-type: none">• Statement certifying three verbal or written quotes obtained• Signed by subgrantee Signatory Officials
\$25,000 to \$50,000	<ul style="list-style-type: none">• Brief description of procurement method and policies used• Description of methods used to secure price quotations• List of vendors• Quotes received• Vendor selection criteria• Why contract was awarded
\$50,000 and over	<ul style="list-style-type: none">• Summary information and documentation of process used• Invitation to Bid or Request for Proposals• Vendor list or advertising used• Bids received• Summary of selection process• Copy of contract

Source: DHS OIG prepared using SAA policies

The audit team tested the SAA-maintained master grant files of 10 subgrantees from FYs 2010 through 2012 for compliance with the SAA’s procurement



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documentation requirements. Table 4 shows the deficiencies identified as a result of our analysis.

Table 4. Results of Procurement Documentation Testing

Procurement Amount	Deficiencies Identified in Procurement Documentation	Total Procurements Reviewed	Percentage of Procurements Not Completely Documented
\$5,000 to \$25,000	26	96	27.1%
\$25,000 to \$50,000	7	23	30.4%
\$50,000 and over	6	25	24.0%
Total	39	144	27.1%

Source: DHS OIG analysis

Documentary deficiencies identified included the failure to certify the receipt of three quotes for procurements costing between \$5,000 and \$25,000. A file for a \$42,309 procurement had a record of ratings assigned by the subgrantee to the bids received but did not include a list of the actual bids. Likewise, the file for a procurement over \$50,000 contained some, but not all, of the documentation required by SAA policy.

Subgrantee Monitoring

The SAA had a subgrantee monitoring policy that required the use of risk assessments to determine monitoring site visits; however, SAA officials said they did not follow the policy. SAA site visit monitoring procedures did not include a guide on how to assess each area covered by these procedures. As a result, monitoring site visits might not be targeted to those subgrantees with the highest risk, and SAA personnel may not be consistent in their evaluations of subgrantee internal controls.

The subgrantee monitoring policy outlined a risk assessment process to determine site visits for the year. Factors include, among others, the ability to expend grant funds in a timely manner, progress in achieving project timelines and milestones, and compliance with procurement and contracting requirements. Had the SAA used this risk assessment process, it may have had difficulty assessing risk based on procurement documentation because the master subgrantee files did not always contain required procurement documentation.

According to SAA personnel, they did not use the risk assessment process, and it was possible that a subgrantee had never had a monitoring site visit. For



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example, the Municipality of Anchorage received more than \$3 million in FYs 2010 through 2012 and had not had a site visit, for SHSP grants monitoring, from 2005 to 2013 although geographically close to the SAA. SAA personnel said that they did not evaluate and score based on risk as required in their published policies. They also said that their standards were out of date and were on the list to update. By not following their own risk assessment policies for determining site visits, SAA personnel may have overlooked potential issues that might have been mitigated in their early stages by a site visit.

SAA subgrantee monitoring procedures provide limited guidance for site visit assessments. The guidance requires review of the following items at a site visit:

- subrecipient grant program files
- applicable spending plans
- accounting systems and controls
- records retention systems
- third-party contracting
- procurement activities
- equipment inventory
- equipment and property management systems

However, SAA monitoring procedures for site visits did not include checklists or procedures for assessing the above items. SAA personnel said they relied on corporate knowledge, based upon individual skill sets of personnel, to evaluate and assess subgrantee accounting system internal controls. SAA personnel also said they plan to document this knowledge so that all personnel will be able to identify internal controls and other needed mechanisms when on site visits. Input was due in December 2013 for the policy update.

SAA Grants Management Handbook Updates

The SAA published its *Grants Management Handbook* to serve as a “primary reference manual to safeguard grant funds and ensure funds are used for the purposes for which they were awarded.” The handbook was also to serve as a day-to-day management tool for subrecipients in administering grant programs.

In October 2013, SAA personnel told us that an updated version of this handbook was posted online at the SAA’s website. SAA personnel also noted that this guidance was a living document that they work to keep updated. However, they said they could not identify changes made to this handbook because they did not keep track of changes in the most recent update. As of December 2013, the



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SAA's website still listed August 2012 as the effective date of the handbook. A comparison between the handbook downloaded by the audit team in April 2013 and the new version (downloaded in December 2013) showed most changes were minor.

We did identify a significant change made to the period subgrantees must retain grant and financial records—increasing the period from 3 to 6 years. This change is important because 1) the date listed on the SAA's website was still August 2012, and 2) there is no listed effective date for this changed requirement. Therefore, subgrantees may not be aware of this change and may not comply with the new requirement. Without a list of changes to this handbook, subgrantees and other users may not know that changes have been made.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to:

Recommendation #4:

Evaluate and update monitoring and oversight policies to ensure the policies and procedures align with Federal and state regulations as well as current practices.

Recommendation #5:

Ensure the SAA enforces all Federal and state policies and regulations for oversight of Federal grants.

Recommendation #6:

Ensure that any updated policies or guidance include a list of changes.

Management Comments and OIG Analysis

Management Comments to Recommendation #4. FEMA and the State concurred with the recommendation. FEMA reported it will require the Alaska DHS&EM to evaluate and update monitoring and oversight policies to ensure the policies and procedures align with 44 CFR Part 13, state regulations, and current practices. The estimated completion date is August 11, 2014. The SAA reported that it is drafting a complete revision of its *Grants Management Handbook*. It will



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emphasize the section covering procurement requirements associated with the HSGP. Additionally, according to the SAA, it will develop a set of mandatory forms based on the appropriate procurement methodology used to support every purchase, and DHS&EM's grants staff will receive grants procurement training per the revised handbook.

OIG Analysis. We consider FEMA's and the State's proposed corrective actions to be responsive to the recommendation. The recommendation is resolved and will remain open until we are provided with a copy of the rewritten *Grants Management Handbook* and associated forms.

Management Comments to Recommendation #5. FEMA and the State concurred with the recommendation. FEMA will require the Alaska DHS&EM to enforce all Federal (including 44 CFR Part 13) and state policies and regulations for oversight of Federal grants. The estimated completion date is August 11, 2014. The SAA reported it will institute a three-phased approach to address this recommendation. According to the SAA, the three phases will be implemented as follows:

1. Develop a new grant's assessment process, which incorporates a rated system to assess a subgrantee's ability to meet the terms and conditions of a grant award.
2. Draft and publish a complete revision of the DHS&EM's *Grants Monitoring Handbook* and conduct staff training on the revisions.
3. Establish and publish a 3-year subgrantee onsite schedule. Conduct one onsite monitoring visit for each subgrantee with an open HSGP grant during this 3-year period.

OIG Analysis. We consider FEMA's and the State's proposed corrective actions to be responsive to the recommendation. The recommendation is resolved and will remain open until we are provided with a copy of the rewritten *Grants Monitoring Handbook*, documentation for staff training, and the 3-year subgrantee onsite schedule.

Management Comments to Recommendation #6. FEMA and the State concurred with this recommendation. FEMA reported it will require the Alaska DHS&EM to ensure that any updated policies or guidance (including its *Grants Management Handbook*) include a list of changes so that subgrantees are aware of changes and can comply with new requirements. The estimated completion date is August 11, 2014. The SAA reported that both its *Grants Management Handbook* and *Grants Monitoring Handbook* are under complete revision. According to the



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SAA, each handbook will include a page with a summary of changes and a mandatory annual review. The SAA requires each subgrantee to attend a grant kickoff meeting as part of issuance of a new grant award. As part of this meeting, a training session will be conducted on the newly revised *Grants Management Handbook* and a discussion about DHS&EM monitoring visits outlining the use of the *Grants Monitoring Handbook* for subgrantee transparency.

OIG Analysis. We consider FEMA's and the State's proposed corrective actions to be responsive to the recommendation. The recommendation is resolved and will remain open until we are provided with a copy of the revised *Grants Management Handbook* and *Grants Monitoring Handbook*.

Best Practices

The SAA tightly managed its subgrantee application and award process related to funding deadlines and projects. The SAA used a project-based application and award process for FYs 2010 through 2012 SHSP grants. According to the SAA, the State's application for SHSP grant funds was due to FEMA on June 24 each year. In early July, the SAA sent out subgrantee applications and the communities had 30 days to return the applications to the State. In late August or early September of each year, an independent interagency review committee comprising volunteers from across Alaska met to review application packages. According to the SAA, the committee members signed ethics agreements prior to participation. Applications were ranked on various attributes including past grant performance issues. The committee then recommended subgrantee awards to the SAA. This practice assisted the State in meeting the requirement to obligate grant funds to subgrantees we visited, with one minor exception, within 45 days for the scope of the audit (FYs 2010 through 2012).

Subgrantees were required to attend, as a condition of their award, a kick-off meeting held by the SAA each grant year. According to the SAA, these meetings were held within 30 days of the subgrantee award and were mentioned by subgrantees as an SAA best practice. Grant funding deadlines were closely managed by the SAA with subgrantee periods of performance ending at least 5 months prior to the end of the Federal grant period of performance. According to SAA officials, this enabled them to ensure that all grant funds were expended through reallocations.



Appendix A Objectives, Scope, and Methodology

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

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the DHS OIG to audit individual states' management of SHSP and Urban Areas Security Initiative grants. This report responds to the reporting requirement for Alaska, which does not receive Urban Areas Security Initiative grants.

The audit objective was to determine whether Alaska used SHSP grant funds in accordance with the law, program guidance, and state homeland security plans and other applicable plans; and the extent to which funds awarded enhanced the ability of grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism and other manmade disasters.

The scope of this audit included the plans developed by the State to improve preparedness and response to all types of hazards, goals, and objectives set in those plans; measurement of progress toward the goals; and assessments of performance improvement resulting from this measurement.

HSGP and its interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, we reviewed only SHSP funding, equipment, and supported programs for compliance.

The scope of the audit included SHSP grant awards for FYs 2010, 2011, and 2012, as shown in table 5.

Table 5. State of Alaska's SHSP Awards (FYs 2010–2012)

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

Source: FEMA

The audit methodology included work with FEMA headquarters, Region X, State of Alaska offices, and various subgrantee locations in the State that received grants. To



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achieve our audit objective, we analyzed data, reviewed documentation, and interviewed key state and local officials directly involved in state HSGP management and administration.

We sampled grant award files from one state agency and nine subgrantees that received SHSP grant allocations in FYs 2010, 2011, or 2012, as shown in table 6. We judgmentally selected 79 percent of grant allocations from the Alaska DHS&EM from these grant years (as listed in the second column of table 6). To ensure the completeness of expenditures, we reconciled data in the Grant Management System to SHSP grant balances using Alaska’s General Ledger as of March 31, 2013.

Table 6. Subgrantee Sample Selection (FYs 2010–2012)

Subgrantee	Grant Allocations	Grant Funds Remaining as of May 2013	Subgrantee Type
Alaska Department of Public Safety	\$199,055	\$50,000	State Agency
City and Borough of Juneau	\$425,300	\$256,570	City and Borough
City and Borough of Sitka	\$116,450	\$30,822	City and Borough
City of Fairbanks	\$2,109,667	\$464,342	City
City of Kenai	\$26,515	\$0	City
City of Palmer	\$71,451	\$2,144	City
Fairbanks North Star Borough	\$1,017,360	\$343,996	Borough
Kenai Peninsula Borough	\$667,615	\$285,324	Borough
Matanuska-Susitna Borough	\$651,539	\$252,723	Borough
Municipality of Anchorage	\$3,967,252	\$442,305	City
Total Selected Subgrantee Allocations and Expenditures	\$9,252,204	\$2,128,226	

Source: Alaska DHS&EM

At each location, we interviewed officials and reviewed documentation supporting state and subgrantee management of grant funds. In addition, we verified the existence of selected equipment subgrantees procured with grant funds.

We conducted this performance audit between April 2013 and December 2013 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Appendix B
Management Comments to the Draft Report

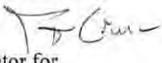
U.S. Department of Homeland Security
Washington, DC 20472



FEMA

MAR 5 2014

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

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

SUBJECT: Federal Emergency Management Agency (FEMA)
Response to OIG's Draft Report: "Alaska's Management of
Homeland Security Grant Program Awards for Fiscal Years
2010 Through 2012" OIG Project No. 13-137-AUD-FEMA

Thank you for the opportunity to comment on your Draft Report, "Alaska's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012" OIG Project No. 13-137-AUD-FEMA. The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our program. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report. The following are our written response to the six (6) recommendations for implementation, of which, FEMA concurs with all six (6) recommendations.

Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to assess the current processes and procedures for allocating funds to ensure at least 80 percent of Homeland Security Grant Program funds are allocated to subgrantees as required.

Response: Concur. FEMA will require the Alaska Division of Homeland Security and Emergency Management to assess and make any necessary changes to the current processes and procedures for allocating funds to ensure at least 80 percent of Homeland Security Grant Program funds are allocated to subgrantees as required.

FEMA requests that this recommendation be considered resolved and open.

Estimated Completion Date: August 11, 2014

Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to

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develop comprehensive performance measurement systems for grant program goals and objectives that include target levels of performance and criteria against which to measure progress toward enhancing preparedness.

Response: Concur: The National Preparedness Goal (The Goal) and the National Preparedness System serve as the framework for assessing grant effectiveness in enhancing preparedness. The Goal defines a set of 31 distinct core capabilities across the mission areas needed to achieve national preparedness, and it includes concrete, measurable objectives to manage that risk. The Goal's capability targets provide concrete statements of the Nation's requirements in each core capability. Strategy updates are encouraged but not required as the methodology described below provides the objectives and targets and assessment of progress against those objectives and targets.

As part of the National Preparedness System, FEMA has developed and is implementing performance assessments that measure progress toward achieving the Goal. FEMA's strategy is to base assessments on the principles that the Nation needs to understand the risks it faces, use those risks to determine the capabilities it needs, assess its current capability levels against those requirements, and track its progress in closing capability gaps.

In August 2013, FEMA refined the Threat and Hazard Identification and Risk Assessment (THIRA) methodology through the release of Comprehensive Preparedness Guide (CPG) 201, Second Edition. The Second Edition expands the THIRA process to include an estimation of resources needed to meet the capability targets. The THIRA process now assists communities to answer questions such as, "What are my current and future risks?" and, "What level of service do I need to address my risks?", and addresses what specific capabilities are needed, such as teams of specialized resources. Diverging from past efforts to establish measures and metrics for a capability that would be applied uniformly, this approach allows a jurisdiction to establish its own capability targets based on the risks it faces.

Once each jurisdiction has determined capability targets through the THIRA process, the jurisdiction estimates its current capability levels against those targets in the State Preparedness Report (SPR). The THIRA and SPR processes are scalable to allow sub-jurisdictions, sub-grantees and subject matter experts to provide input to the state or territory. Taken together, the THIRA and the SPR results identify capability needs and gaps. The THIRA and SPR results highlight gaps in capability and state's progress in closing those gaps over time.

Both CPG 201, Second Edition and the THIRA/SPR/National Incident Management System (NIMS) Unified Reporting Tool User Guide encourage engagement with the whole community throughout the process. At the beginning of the THIRA/SPR process, whole community stakeholders assist in the identification of threats and hazards and capability targets. At the conclusion of the THIRA/SPR process, whole community stakeholders with equities in applicable core capabilities then corroborate the assessment. Finally, the States are required to identify the specific whole community stakeholders that were engaged in the process in the reporting tool, which provides validation of the accuracy of the data and corroboration of the results.



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FEMA provided extensive technical assistance to states and territories in 2013 to ensure they understood the guidance and engaged the whole community. This included initial on-site technical assistance to each state as well as continual support through monthly webinars, conference calls, and one-on-one discussions. The need to ensure whole community participation in the process was stressed throughout. In conclusion, FEMA has provided the states with clear and concise directions in CPG 201, Second Edition and the Unified Reporting Tool User Guide to set target levels of performance and criteria against which to measure progress toward enhancing preparedness.

FEMA requests that this recommendation be considered resolved and closed.

Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management ensure updates to Alaska's THIRA include details and descriptions of desired outcomes as required by FEMA guidance.

Response: Concur: FEMA will require the Alaska Division of Homeland Security and Emergency Management to ensure that future updates to Alaska's THIRA include details and descriptions of desired outcomes as required by FEMA guidance (CPG 201, version 2).

FEMA requests that this recommendation be considered resolved and open.

Estimated Completion Date: January 1, 2015

Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to evaluate and update monitoring and oversight policies to ensure the policies and procedures align with Federal and state regulations as well as current practices.

Response: Concur: FEMA will require the Alaska Division of Homeland Security and Emergency Management to evaluate and update monitoring and oversight policies to ensure the policies and procedures align with 44 CFR Part 13, state regulations and current practices.

FEMA requests that this recommendation be considered resolved and open.

Estimated Completion Date: August 11, 2014

Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to enforce all Federal and state policies and regulations for oversight of Federal grants.

Response: Concur: FEMA will require the Alaska Division of Homeland Security and Emergency Management to enforce all Federal (including 44 CFR Part 13) and state policies and regulations for oversight of Federal grants.

FEMA requests that this recommendation be considered resolved and open.



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Estimated Completion Date: August 11, 2014

Recommendation #6: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Alaska Division of Homeland Security and Emergency Management to ensure that any updated policies or guidance include a list of changes.

Response: Concur: FEMA will require the Alaska Division of Homeland Security and Emergency Management to ensure that any updated policies or guidance (including its Grants Management Handbook) include a list of changes so that subgrantees are aware of changes and can comply with new requirements.

FEMA requests that this recommendation be considered resolved and open.

Estimated Completion Date: August 11, 2014

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

Enclosure:

1. Alaska THIRA
2. Alaska SPR



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THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Military and
Veterans Affairs

Division of Homeland Security and
Emergency Management

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March 11, 2014

Mr. Michael Sivi
Office of Inspector General, Mail Stop 0305
245 Murray Drive, SW
Washington, DC 20528-0305

RE: Alaska's OIG Audit HSGP Fiscal Years 2010-2012

Dear Mr. Sivi:

Please find enclosed the State of Alaska's State Administrative Agency Management Comments to the Department of Homeland Security Audit for fiscal years 2010-2012.

Please contact Dale Crum at 907-428-7005 if you have any questions concerning our response or if you need any further clarification.

Sincerely,

for John W. Madden
Director

Enclosures: Alaska Management Response for OIG Audit FY 2010-2012



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State of Alaska SAA Management Comments to DHS OIG Audit

1. **OIG Recommendation:** Assess the current processes and procedures for allocating funds to ensure at least 80 percent of Homeland Security Program Grant is allocated to sub-grantees as required.

Concurrence: SAA concurs with the finding and recommendation.

Management Comments: DHS&EM has robust grants database with features that include sub-grantee information, project budget details for equipment, planning, training, and exercises. This data rolls to sub-balance for each sub-grantee to a total balance for the grant. The focus has been on total grant expenditures within the grant's performance period. The audit found a positive shortfall within the grant's database for tracking the issuance of 80 percent of the SAA grant award within 45 days. DHS&EM will create a management oversight feature within the database with two unique characteristics. The first one is a 45 day countdown clock and the second will be a sub-grantee budget total measuring the 80 percent requirement. In addition, DHS&EM will implement a procedure to ensure during the 45 day countdown leadership has a weekly progress briefing.

Timeline Commitment: The data base reconfiguration and procedure implementation will be implemented by July 31, 2014 to be incorporated with the 2014 Homeland Security Grant Program release.

2. **OIG Recommendation:** Develop comprehensive performance measurement system for grant program goals and objectives that include target levels of performance and criteria against which to measure progress toward enhancing preparedness.

Concurrence: SAA concurs with the finding and recommendation.

Management Comments: The DHS&EM created the Alaska Assessment in order to efficiently collect information on 23 core capabilities in the 3 mission areas of Response, Recovery, and Mitigation. Following guidance in the National Preparedness Goal and the Preparedness Cycle, communities report on the 23 core capabilities in each of the 3 mission areas to establish target levels of performance by identifying desired outcomes.

DHS&EM is collecting Planning, Organization, Equipment, Training, and Exercise (POETE) information through the Alaska Assessment which will greatly assist SAA in meeting program goals and objectives.

The Community Preparedness Report (CPR), which is a product of the Alaska Assessment, will show the current level of preparedness and will identify future goals and objectives that need to be addressed in the community during the next grant year. Year-to-year progress will be measured by enhancing preparedness and shown in future assessments.

Timeline Commitment: The Alaska Assessment is a "Living Planning Document" with an annual sub-grantee submission to the SAA. The next sub-grantee assessments will be due in December 2014 for analytical review and culminating data into the Alaska's THIRA submission.



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3. **OIG Recommendation:** Ensure updates to Alaska's THIRA include details and descriptions of desired outcomes as required by FEMA guidance.

Concurrence: SAA concurs with the finding and recommendation.

Management Comments: DHS&EM corrected the desired outcomes and capability targets for the 2013 THIRA submission. They now align with what FEMA requires and are more clear and concise.

FEMA General Comments:

"Overall, the State of Alaska's 2013 THIRA represents a significant improvement over the State's 2012 submission. FEMA would like to formally recognize the State for the hard work and many hours that went into crafting this high-quality product. Despite the very short 2013 THIRA timeline and the late release of CPG-201, the State of Alaska managed to create a THIRA that closely adheres to new THIRA program requirements while seamlessly building upon its 2012 submission."

FEMA Overarching Comments:

"The state's 2013 capability targets (THIRA Step 3) demonstrate a strong adherence to the definition and fundamental purpose of each core capability. This is indicative of the state's thorough understanding of the THIRA process and the core capabilities defined in the National Preparedness Goal (NPG)."

DHS&EM has also improved the information gathering through partnerships and by deploying the Alaska Assessment to community partners. These improvements will provide an improved understanding and the desired outcomes and capability targets in the future with measureable results.

Timeline Commitment: The "Comments" statements are taken from the "Alaska CY13 THIRA Review: FEMA Region 10 comments on the CY13 THIRA submission and recommendations for improvements to the State's CY14 THIRA," dated January 17, 2014; The next submission is due December 31, 2014.

4. **OIG Recommendation:** Evaluate and update monitoring and oversight policies to ensure the policies and procedures align with federal and state regulations as well as current practices.

Concurrence: SAA concurs with the finding and recommendation.

Management Comments: DHS&EM is currently drafting a complete revision of DHS&EM's Grants Management Handbook. Emphasis will be placed on the section covering procurement requirements associated with the Homeland Security Grant Program. A review of 44 CFR Part 13 and those requirements will be incorporated into the revision. DHS&EM will conduct an explicit review of the current SAA sub-grantee procurement reporting and documentation requirements for applicability and reasonableness in supporting purchases utilizing Homeland Security Grant Program funding.

A set of mandatory forms will be developed based on the appropriate procurement methodology used to support every purchase. The forms will as contain a requirement to attach



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a copy of the federal debarment and suspension listing for the vendor used to make the purchase.

As part of the application process, under the self-assessment section there will be a specific question on whether the applicant's procurement code/policy/procedure has a written code of standards. The SAA will develop an alternative procurement code of standards form for sub-grantees that cannot meet this requirement. The form will be listed on the grant award as an assurance requiring signatures by the sub-grantee's signatory authority and project manager for the award.

DHS&EM's grants staff will receive grants procurement training per the revised handbook.

The Grants Management Handbook will require a mandatory annual review and will be published on DHS&EM's Grant Section website page.

As an interim measure and during the OIG audit, DHS&EM did introduce and implement a new procurement method report for the Homeland Security Grant Program. This form is mandatory to accompany all reimbursement requests as a result of a procurement activity. This was briefed to sub-grantees at the SAA required 2013 Homeland Security Grant Program kickoff meeting.

Timeline Commitment: The rewrite of the Grants Management Handbook and development of the forms will be completed by July 31, 2014 to be incorporated with the 2014 Homeland Security Grant Program release.

5. **OIG Recommendation:** Ensure the SAA enforces all federal and state policies and regulations for oversight of federal grants.

Concurrence: SAA concurs with the finding and recommendation.

Management Comments: DHS&EM will implement a three phase approach to make corrections as outlined in the OIG recommendation.

The first phase; develop a new grant's assessment process incorporating a rated system to measure sub-grantee's viability to accept the terms and conditions of a grant award, financial capability, valid State Single Audit (if required), good standing on the federal debarment and suspension listing, current DUNS number, previous grant performance, and grants monitoring reports (if applicable). Jurisdictions will report within their Homeland Security Program application on their financial capability, procurement process, and provide a copy of their last audit.

The second phase; draft and publish a complete revision of DHS&EM's Grants Monitoring Handbook. The guiding principles for the revision will encompass sub-recipient grant files, accounting system, records retention, contracting/procurement, and the Homeland Security Grant Program equipment inventory. DHS&EM grant's staff will receive sub-grantee monitoring training per the revised handbook.

The third phase; DHS&EM will establish and publish a three year sub-grantee on-site schedule. This requirement will consist of one on-site monitoring visit in a three year period for each sub-



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grantee for all open Homeland Security Grant Programs. This three year schedule will be published as an appendix to the Grants Management Handbook and updated during the mandatory annual review. Sub-grantee monitoring on-site schedule will also be published on DHS&EM's Grant Section website page.

Timeline Commitment: The development of the grant's assessment, rewrite of the Grants Management Handbook with staff training, and the three year sub-grantee on-site schedule will be implemented by July 31, 2014.

6. **OIG Recommendation:** Ensure that any updated policies or guidance include a list of changes.

Concurrence: SAA concurs with the finding and recommendation.

Management Comments: The Grants Management Handbook and Grants Monitoring Handbook are both under complete revision. Each handbook will incorporate the recommendation to include a page for a summary of changes and will also identify a mandatory annual review. In addition, both handbooks will be posted on DHS&EM's Grant Section website page.

The SAA requires each sub-grantee to attend a Grant Kickoff Meeting as part of issuance of a new grant award. As part of the kickoff meeting a training session will be conducted on the newly revised Grants Management Handbook and a discussion about DHS&EM monitoring visits outlining the use of the Grants Monitoring Handbook for sub-grantee transparency. All policy and guidance will be covered as part of this meeting.

Timeline Commitment: The revision of both the Grants Management Handbook and Grants Monitoring Handbook will be completed by July 31, 2014 to be incorporated with the 2014 Homeland Security Grant Program release.



Appendix C

Description of the Homeland Security Grant Program

The State Homeland Security Program supports the implementation of state homeland security strategies to address the identified planning, organization, equipment, training, and exercise needs to prevent, protect against, respond to, and recover from acts of terrorism and other catastrophic events.

The Urban Areas Security Initiative Program funds address 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.

The Metropolitan Medical Response System Program supports the integration of emergency management, health, and medical systems into a coordinated response to mass casualty incidents caused by any hazard. Successful Metropolitan Medical Response System Program grantees reduce the consequences of a mass casualty incident during the initial period of a response by having augmented existing local operational response systems before an incident occurs. Although no longer funded in FY 2012 as a discrete grant program, all activities and costs are allowed under the FY 2012 HSGP.

The Citizen Corps Program brings community and government leaders together to coordinate the involvement of community members and organizations in emergency preparedness, planning, mitigation, response, and recovery. Although no longer funded in FY 2012 as a discrete grant program, all activities and costs are allowed under the FY 2012 HSGP.

Operation Stonegarden funds are intended to enhance cooperation and coordination among local, tribal, territorial, state, and Federal law enforcement agencies in a joint mission to secure the United States borders along routes of ingress from international borders to include travel corridors in states bordering Mexico and Canada, as well as states and territories with international water borders.



Appendix D

Major Contributors to This Report

Michael Sivi, Director
Lorinda Couch, Audit Manager
Carolyn Floyd, Auditor
Philip Emswiler, Program Analyst
Dianne Leyva, Program Analyst
Kevin Dolloson, Communications Analyst
Kendra Loper, Independent Referencer



Appendix E

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Attention: Office of Investigations Hotline
245 Murray Drive, SW
Washington, DC 20528-0305

You may also call 1(800) 323-8603 or fax the complaint directly to us at (202) 254-4297.

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