

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

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





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

APR 24 2014

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

FROM: ^{for} Anne L. Richards *Mark Bell*
Assistant Inspector General for Audits

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

Attached for your information is our final report, *Iowa's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012*. We incorporated the formal comments from the Federal Emergency Management Agency and Iowa in the final report.

The report contains five recommendations aimed at improving the overall effectiveness of Iowa's management of state 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. Once your office has fully implemented the recommendations, please submit a formal closeout request to us within 30 days so that we may close the recommendations. The request 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 Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



Table of Contents

Executive Summary	1
Background	2
Results of Audit	2
Sole Source Procurements	3
Recommendations	4
Management Comments and OIG Analysis	4
Timely Obligation of Grant Funds	5
Recommendation	7
Management Comments and OIG Analysis	7
Subgrantee Monitoring	7
Recommendation	9
Management Comments and OIG Analysis	9
Property Management Controls	9
Recommendation	10
Management Comments and OIG Analysis	10

Appendixes

Appendix A: Objectives, Scope, and Methodology	11
Appendix B: FEMA’s Management Comments to the Draft Report	13
Appendix C: State of Iowa’s Management Comments to the Draft Report	16
Appendix D: Timeliness of Subgrantee Awards	20
Appendix E: Homeland Security Grant Program	23
Appendix F: Major Contributors to This Report	24
Appendix G: Report Distribution	25



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSEMD	Homeland Security and Emergency Management Division
HSGP	Homeland Security Grant Program
OIG	Office of Inspector General
OMB	Office of Management and Budget
SHSP	State Homeland Security Program



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Executive Summary

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

The objectives of the audit were to determine whether Iowa distributed, administered, and spent State Homeland Security Program grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. We also addressed the extent to which funds awarded enhanced the ability of Iowa 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 Iowa approximately \$14.6 million in State Homeland Security Program grants during fiscal years 2010–12. Iowa does not have an urban area designated by FEMA; therefore, it did not receive Urban Areas Security Initiative grant funds during this period.

In most instances, Iowa effectively administered its grant program in accordance with program requirements, grant guidance, and applicable regulations. However, Iowa can improve its grant management practices by ensuring they award all procurements competitively, in accordance with the Code of Federal Regulations. The State can also ensure grant funds are obligated within the required time period, improve its subgrantee monitoring, and ensure subgrantees maintain complete property records.

We made five recommendations to FEMA, which, when implemented, should strengthen program management, performance, and oversight. FEMA concurred with all of the recommendations.



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Department of Homeland Security

Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for administering the HSGP. FEMA supports preparedness by developing policies, and ensuring that adequate and validated plans exist. FEMA also defines capabilities required to address threats, provides resources and technical assistance to States, and synchronizes preparedness efforts throughout the Nation. Appendix E contains more information about the HSGP.

HSGP guidance requires a state administrative agency to administer and manage grant funding awarded under the HSGP. The state administrative agency also allocates funds to local, regional, and other government entities. The Governor of Iowa appoints the administrator of the Homeland Security and Emergency Management Division (HSEMD); HSEMD serves as Iowa's state administrative agency.

During fiscal years (FY) 2010–12, FEMA awarded Iowa State Homeland Security Program (SHSP) grant funds totaling approximately \$14.6 million. Because Iowa does not have an urban area designated by FEMA, it did not receive Urban Areas Security Initiative funds during this period.

Results of Audit

In most instances, Iowa effectively administered its grant program in accordance with program requirements, grant guidance, and applicable regulations. It developed a *Strategy for Homeland Security and Emergency Management*, which included goals and objectives and incorporated the five mission areas and eight national priorities from the *DHS National Preparedness Guidelines*. Iowa prepared timely and accurate state preparedness reports for FYs 2010–12. As required by FEMA, it conducted a Threat Hazard Identification and Risk Assessment in FY 2012. The State also had adequate controls over the approval of expenditures and reimbursement of funds.

However, Iowa can improve its grant management practices by ensuring they award all procurements competitively, in accordance with the Code of Federal Regulations (CFR). The State can also obligate grant funds within the required time period, improve its subgrantee monitoring, and ensure that subgrantees maintain complete property records.

The subgrantees awarded contracts valued at \$256,634 without competition. As a result, these costs may be unallowable.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Sole-Source Procurements

We identified four sole-source procurements awarded by subgrantees that did not follow Federal procurement regulations. As a result, HSEMD cannot ensure that the subgrantees' costs were justified or whether using other vendors would have been less costly. Accordingly, we question the costs of all four procurements, which totaled \$256,634.

According to the CFR, all procurement transactions should provide full and open competition. The CFR also requires that a cost analysis be conducted when there is no adequate price competition and for sole-source procurements.¹

We identified two sole-source procurements made by a subgrantee that it may have procured from other vendors. Specifically, the subgrantee selected a vendor for flame ionization detectors and accessories at a cost of \$116,920. According to the subgrantee, it selected this vendor based on user testimony and exclusive features of the product. The same subgrantee procured thermal imaging cameras and accessories at a cost of \$107,114 from one vendor. According to the subgrantee, the equipment was interoperable with existing equipment, it was "impressed" with the vendor's capabilities, and it was "pleased" with the customer service.

In another case, a subgrantee created a sole-source procurement based on a specific name brand. According to subgrantee documentation, it procured "FAST Response" wire cutters and reload kits at a cost of \$5,600 because it wanted a specific brand that other Federal law enforcement used for training. We identified similar wire cutters and reload kits that were included in FEMA's Responder Knowledge Base, a national information resource for emergency responders.

In a fourth instance of a non-competitive procurement, the subgrantee could not provide us with a contract to justify payments of \$27,000 for training. According to subgrantee personnel, HSEMD approved the sole-source procurement without requiring the subgrantee to provide a contract.

¹ 44 CFR §13.36(c)(1) and 44 CFR §13.36(f)(1), respectively.



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Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Ensure that HSEMD properly monitors and oversees its subgrantees' procurements to make certain that they comply with applicable Federal procurement regulations.

Management Comments and OIG Analysis

FEMA's and the State's responses to recommendation #1: FEMA concurred with this recommendation and will require the State to update its subgrantee oversight policy and procedures to ensure subgrantee compliance with all applicable Federal procurement regulations by June 24, 2014. According to the State, it modified its payment process to ensure the State's grant managers verify that subgrantees followed proper Federal procurement procedures, including issuing contracts for goods and services where appropriate. In November 2013, the State trained its subgrantees on the payment claim process and the need to follow Federal procurement regulations.

OIG Analysis: We consider FEMA's proposed actions responsive to the intent of this recommendation, and it will remain open and resolved pending completion of the corrective actions identified above.

Recommendation #2:

Ensure that HSEMD reviews these non-competitive procurements to make certain that the subgrantees properly justified them in accordance with applicable Federal procurement regulations. If not, recover the \$256,634 in unallowable SHSP grant funds expenditures.

Management Comments and OIG Analysis

FEMA's and the State's responses to recommendation #2: FEMA concurred with this recommendation and will require the State to review and determine whether the procurements were justified by June 24, 2014. According to the State, the four procurements identified as sole-source procurements were those that subgrantees purchased from a vendor under a General Services Administration contract. The State does not have to follow formal competitive



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

bidding procedures if subgrantees choose such vendors. Furthermore, for the third sole-source procurement, according to the State, local procurement procedures allowed the purchasing agent to waive the formal competitive requirements. For the fourth sole-source procurement, according to the State, there was an agreement between the city and the vendor.

OIG Analysis: During the audit, the State did not provide documentation to support that the vendors the subgrantees selected were from General Services Administration contracts, the waiver of formal competitive requirements, or an agreement between the city and vendor.

We consider FEMA's proposed actions responsive to the intent of this recommendation. This recommendation will remain open and resolved pending the State providing documentation confirming that they purchased the procurements identified as sole-source procurements from a General Services Administration contract. The State also should confirm the waiver of formal competitive requirements by the purchasing agent, and the training agreement between the city and vendor.

Timely Obligation of Grant Funds

The HSEMD did not meet the 45-day requirement to obligate SHSP grant funds for FYs 2010–12. Without timely obligation, grant funds may remain unspent. In addition, untimely obligation of grants can affect the execution and successful implementation of subgrantee projects.

FEMA's FYs 2010–12 grant guidance, required that the state administrative agency obligate 80 percent of the funds awarded under SHSP to local units of government within 45 days. The obligation must meet the following conditions:

1. There must be some action to establish a firm commitment on the part of the awarding entity.
2. The action must be unconditional on the part of the awarding entity (i.e., no contingencies for availability of the funds).
3. There must be documentary evidence of the commitment.
4. The SAA must communicate the award terms to the official grantee.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 1. Iowa Grant Obligations, FYs 2010 Through 2012

Grant Award Year	FEMA Award Date	Range of Days to Obligate	Average Days Past 45-Day Requirement
2010	9/17/2010	129 to 948	338 days
2011	9/21/2011	78 to 580	79 days
2012	8/06/2012	75 to 345	76 days

Source: DHS OIG review of subgrant agreements.

We calculated the days past the 45-day requirement from the date of the FEMA award to the date HSEMD signed the subgrant agreements, which is when the funds were fully obligated and available to the subgrantee. Appendix D provides additional information on the award agreements by subgrantee.

HSEMD did not meet the 45-day obligation requirement because of conditions in its subgrant awards. Iowa's Sub-Grant Award Notification and Obligation Letter and its Sub-Grant Agreement prohibit the expenditure and reimbursement of funds until the subgrantee executes a Sub-Grant Agreement. According to HSEMD officials, they believed that the State complied with the 45-day requirement because they issued award notification letters to the subgrantees within 45 days of the FEMA award date. They also said that they set aside the funds for the approved projects. However, funds were not obligated and made available to subgrantees until they executed a Sub-Grant Agreement with HSEMD. During our site visits, three subgrantees confirmed that, based on Sub-Grant Award Notification and Obligation Letter requirements, they believed they could not expend their awarded funds until they executed the Sub-Grant Agreement.

HSEMD also did not provide adequate oversight and controls of Sub-Grant Agreements. HSEMD personnel did not ensure that subgrantees executed Sub-Grant Agreements, and they cancelled some Sub-Grant Agreements for mutual convenience. For example, in FY 2010, HSEMD allocated funds totaling \$185,908 to one subgrantee, but it did not execute a Sub-Grant Agreement because the subgrantee could not adequately manage the project. In FY 2012, HSEMD allocated \$30,000 to another subgrantee, but did not execute the agreement because the subgrantee rejected the grant. In both instances, HSEMD re-obligated the funds to different subgrantees. In FY 2010, the funds were



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

obligated to six new subgrantees between 920 and 948 days after the FEMA award date. In FY 2012, it took 339 days to obligate the funds to the new subgrantee.

In another instance, HSEMD did not adequately plan the distribution of grant funds. The state administrative agency retained \$80,000 in FY 2012 funds for a specific project. Although FEMA guidance allows state administrative agencies to retain up to 20 percent of grant funds for their own use, HSEMD decided to allocate the funds to a subgrantee 345 days after the FEMA award date.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #3:

Require HSEMD to review and update its obligation and approval process to identify ways to shorten the time needed to meet grant obligation requirements.

Management Comments and OIG Analysis

FEMA's and the State's responses to recommendation #3: FEMA concurred with this recommendation and will require HSEMD to update its policy and procedures to ensure that grant funds are obligated within the required 45 days by June 24, 2014. State officials said that they modified the subgrant obligation and approval process for the grant fiscal year 2013 and onward to meet the obligation requirements.

OIG Analysis: We consider FEMA's proposed actions responsive to the intent of this recommendation. This recommendation will remain open and resolved pending completion of the corrective actions identified above.

Subgrantee Monitoring

HSEMD did not sufficiently monitor its SHSP subgrantees' financial and programmatic activities during FYs 2010–12. As a result, it cannot fully determine whether its subgrantees complied with Federal and State grant requirements.

The CFR, the Office of Management and Budget (OMB), FEMA, and HSEMD have guidance on grantee monitoring requirements. According to 44 CFR § 13.40,



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Monitoring and Reporting Program Performance, grantees must oversee subgrantee activities to ensure they comply with applicable Federal requirements. OMB Circular A-133 Compliance Supplement March 2008, Part 3-M, *Subrecipient Monitoring*, also requires grantees to monitor subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means. In addition to the above guidance, FEMA's *Homeland Security Grant Program Guidance and Application Kit* requires grant recipients to monitor award activities, including subawards, to be reasonably assured of compliance with Federal requirements. The State's *HSEMD Preparedness Grant Monitoring Program Procedures* require the HSEMD to visit each grantee every grant cycle to determine compliance with FEMA and State requirements.

Although HSEMD monitors its subgrantees' through office-based and onsite reviews to ensure compliance with financial and programmatic requirements, as of April 2013, it only performed onsite reviews for 33 percent of its subgrantees in FY 2010 and 31 percent in FY 2011. The State performed desk reviews for 92 percent of its subgrantees in FY 2010 and 69 percent in FY 2011. Because the State recently distributed its FY 2012 grant awards, sufficient monitoring data was not available for FY 2012 grant fund awards.

HSEMD does not have a methodology for selecting subgrantees for its onsite reviews. Although monitoring personnel designate audit risk levels by subgrantee, they do not use those risk levels when selecting subgrantees to visit. According to monitoring personnel, they primarily use proximity to HSEMD when determining which subgrantees to visit.

HSEMD has policies and checklists to document onsite reviews, but it could not provide sufficient or complete documentation to support them. The monitoring team provided handwritten notes and incomplete checklists for the information they reviewed and recommendations made to the subgrantees. As a result, we could not determine the effectiveness of the onsite reviews.

HSEMD also did not monitor subgrantee compliance with OMB Circular A-133, which requires non-Federal entities that receive and expend more than \$500,000 in grant funds to obtain a single or program-specific audit. During their onsite and office-based reviews, HSEMD monitoring personnel did not ensure that subgrantees were meeting the requirement to obtain this type of audit. In July 2012, HSEMD issued a policy for single audits that delegated this responsibility to subgrantees.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

By developing and implementing a monitoring plan to document the guidelines, sample selection, methodology, and follow-up procedures, FEMA and the State would have reasonable assurance that the State's subgrantees are complying with applicable Federal and State requirements.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #4:

Require HSEMD to develop and implement a monitoring plan to ensure that subgrantees comply with all Federal and State monitoring guidelines. The monitoring plan should include sample selection methodology and guidance for documenting onsite reviews, and follow-up procedures for recommended corrective actions.

Management Comments and OIG Analysis

FEMA's and the State's responses to recommendation #4: FEMA concurred with this recommendation and will require the State to develop a monitoring plan that ensures the subgrantees comply with all Federal and State monitoring guidelines by June 24, 2014. Specifically, the monitoring plan should include sample selection methodology, guidance for documenting monitoring reviews, and compliance with OMB Circular A-133 requirements. State officials said that they updated their monitoring plan to ensure there is a systematic assessment of the subgrantees ability to meet grant award provisions, program guidelines, and Federal and state regulations. The State indicated that it would also use the monitoring plan to ensure that adequate policies, processes, and systems are in place to manage subawards effectively. Furthermore, the monitoring plan will include a risk matrix to categorize and select subgrantees for monitoring.

OIG Analysis: We consider FEMA's proposed actions responsive to the intent of this recommendation. This recommendation will remain open and resolved pending completion of the corrective actions identified above.

Property Management Controls

One of the seven subgrantees did not maintain property records in accordance with the CFR's property management requirements. With better monitoring of this subgrantee, HSEMD could have ensured that proper records were



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

maintained and inventories conducted. However, after we provided the subgrantee with inventory requirements, it provided property record information to satisfy the requirements.

According to 44 CFR §13.32(d) *Management requirements*, subgrantees must maintain property records for grant-funded equipment and conduct an inventory at least every 2 years. The subgrantee purchased about \$154,874 worth of equipment for eight hazmat teams. Officials said that they were unaware of the requirement to maintain property records and believed the hazmat teams were responsible for conducting an inventory of the equipment and maintaining property records.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #5:

Require HSMED to ensure that subgrantees maintain property and inventory records in accordance with Federal requirements.

Management Comments and OIG Analysis

FEMA's and the State's responses to recommendation #5: FEMA concurred with this recommendation and will require the State to update its policy and procedures to incorporate property management procedures and records as applicable by Federal regulations and as part of its subgrantee oversight and monitoring process by June 24, 2014. State officials said that reimbursement procedures were changed to require subgrantees to provide inventory information when submitting reimbursement claims for more than \$5,000. The State also will require subgrantees to keep inventory systems on site to meet inventory requirements along with updating its on-site monitoring procedure to verify the inventory system.

OIG Analysis: We consider FEMA's proposed actions responsive to the intent of this recommendation. This recommendation will remain open and resolved pending completion of the corrective actions identified above.



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 Iowa.

The audit objectives were to determine whether Iowa distributed, administered, and spent SHSP grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. We also addressed the extent to which funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The scope of this audit included \$14,551,721 in SHSP grants awarded for FYs 2010–12 as shown in table 2. Iowa does not have an urban area designated by FEMA; therefore, the State did not receive any Urban Areas Security Initiative grant funds during this period.

Table 2. Iowa Homeland Security Grant Program Awards FYs 2010–12

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
Urban Areas Security Initiative			\$0	

Source: DHS OIG compiled from FEMA and HSEMD source documents.

The Homeland Security Grant Program encompasses several interrelated Federal grant programs as described in appendix E. However, we only reviewed the SHSP funding of equipment and programs for compliance during this audit.

Our audit methodology included work at Iowa's HSEMD. To achieve our audit objectives, we analyzed data, reviewed documentation, verified equipment (onsite and remotely), and interviewed key State and local officials directly involved in the management and administration of the SHSP grants. We reviewed the plans developed by the State to improve preparedness and respond to hazards.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

We judgmentally selected and reviewed the subgrant files of seven SHSP subgrantees and expenditures made by HSEMD in FYs 2010–12. These seven subgrantees and HSEMD accounted for \$1,734,684 in reimbursements, totaling 37 percent of all local SHSP reimbursements for FYs 2010 and 2011. There were no subgrantee reimbursements for FY 2012 at the time of our sample selection.

The seven subgrantees included three cities, two counties, one first responder, and one public-private partnership. The subgrantees selected were:

City Entities

- City of Des Moines
- City of Oelwein²
- City of Waterloo

County Entities

- Cerro Gordo County
- Scott County

First Responder and Public Private Partnership

- Cedar Rapids Fire Department
- Safeguard Iowa Partnership

We relied on computer-processed data provided by FEMA and HSEMD for information regarding grant funds awarded and draw downs for FYs 2010–12. We conducted limited tests on this data and compared it with source documentation to ensure that the data were sufficiently reliable in meeting our audit objectives.

We conducted this performance audit between January 2013 and September 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.

² We only reviewed the City of Oelwein's equipment inventory.



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Department of Homeland Security

Appendix B
FEMA's Management Comments to the Draft Report

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



FEMA

JAN 16 2014

MEMORANDUM FOR: Anne L. Richards
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
Draft Report: "The State of Iowa's Management of Homeland
Security Grant Program Awards for Fiscal Years 2010 Through
2012" OIG Project No. 13-122-AUD-FEMA

Thank you for the opportunity to comment on OIG Draft Report, "The State of Iowa's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 through 2012" OIG Project No. 13-122-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 response to the five (5) recommendations for implementation, of which, FEMA concurs with all five (5) recommendations.

Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, ensure that Iowa Department of Homeland Security and Emergency Management (HSEMD) properly monitors and oversees its subgrantees' procurements to make certain that they comply with applicable federal procurement regulations.

Response: Concur. FEMA agrees that oversight is a vital function of the State Administrative Agency (SAA). FEMA will require the Iowa SAA to update subgrantee oversight policy and procedures to ensure subgrantee compliance with all applicable federal procurement regulations.

FEMA requests that this finding be changed to resolved and open.

Estimated Completion Date (ECD): June 24, 2014

Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, ensure that HSEMD reviews these noncompetitive procurements to make certain that the subgrantees properly justified them in accordance with applicable federal procurement

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Department of Homeland Security

that the subgrantees properly justified them in accordance with applicable federal procurement regulations. If not, recover the \$256,634 in unallowable State Homeland Security Program (SHSP) grant funds expenditures.

Response: Concur. FEMA will require the SAA to review and determine if the procurements in question were justified.

FEMA requests that this finding be changed to resolved and open.

Estimated Completion Date (ECD): March 25, 2014

Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, require HSEMD to review and update its obligation and approval process to identify ways to shorten the time needed to meet grant obligation requirements.

Response: Concur. FEMA will require the SAA to update HSEMD policy and procedures to ensure that grant funds are obligated within the required 45 days.

FEMA requests that this finding be changed to resolved and open.

Estimated Completion Date (ECD): June 24, 2014

Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, require HSEMD to develop and implement a monitoring plan to ensure that subgrantees' comply with all federal and state monitoring guidelines. The monitoring plan should include sample selection methodology and guidance for documenting onsite reviews, and follow-up procedures for recommended corrective actions.

Response: Concur. FEMA will require the SAA to update their subgrantee oversight policy and procedures before the estimated completion date. The update should include a methodology for subgrantee monitoring selection, a review process to ensure monitoring checklist is completed, and that the monitoring checklist includes a review of compliance with the OMB Circular A-133 requirement.

FEMA requests that this finding be changed to resolved and open.

Estimated Completion Date (ECD): June 24, 2014

Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, ensure that subgrantees maintain property and inventory records in accordance with federal requirements.

Technical Correction: FEMA requests that OIG make the following technical correction to Recommendation #5 to read: We recommend that the Assistant Administrator, Grant Programs Directorate, require HSEMD to ensure that subgrantees maintain property and inventory records in accordance with federal requirements.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Response: Concur. FEMA will require the SAA to update their subgrantee oversight policy and procedures. The update should require the SAA to incorporate property management procedures and records required by applicable Federal regulations as part of the subgrantee oversight and monitoring process.

FEMA requests that this finding be changed to resolved and open.

Estimated Completion Date (ECD): June 24, 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 "The State of Iowa'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.



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Appendix C
State of Iowa's Management Comments to the Draft Report



TERRY E. BRANSTAD
GOVERNOR
KIM REYNOLDS
LT. GOVERNOR

STATE OF IOWA
IOWA HOMELAND SECURITY AND
EMERGENCY MANAGEMENT DEPARTMENT
MARK J. SCHOUTEN, HOMELAND SECURITY ADVISOR
AND EMERGENCY MANAGEMENT DIRECTOR

John McCoy
Deputy Assistant Inspector General for audit
U.S. Department of Homeland Security

February 6, 2014

Dear Mr. McCoy,

Attached please find Iowa HSEMD's response to OIG's draft audit report "Iowa's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 through 2011".

Angela Chen, Administrator
Planning and Financial Services Division



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OIG Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Ensure that HSEMD properly monitors and oversees its subgrantees' procurements to make certain that they comply with applicable Federal procurement regulations.

Recommendation #2:

Ensure that HSEMD reviews these noncompetitive procurements to make certain that the subgrantees properly justified them in accordance with applicable Federal procurement regulations. If not, recover the \$256,634 in unallowable SHSP grant funds expenditures.

Management Comments and OIG Analysis

Iowa HSEMD response to Recommendations #1 and #2:

HSEMD modified its payment process to ensure federal procurement regulations are followed by requiring cost analysis for all procurements over \$5000. Grant manager reviews such claims and will approve them only after verifying that proper procurement procedures are followed and contracts are provided. Additionally, in November of 2013, HSEMD conducted training to sub-grantees on payment claim process and re-emphasized the need to follow federal procurement regulations.

With regard to the four specific procurements listed on page 3 of the draft report:

1. Flame ionization detectors and accessories at a cost of \$116,920: Sub-grantee purchased these from a vendor under GSA contract (GS-07F-0067T). Per Code of Iowa 8A.312 and 8A.311A, no further competitive bidding process is required.
2. Thermal imaging cameras and accessories at a cost of \$107,114: Sub-grantee purchased these from a vendor under GSA contract (GS-07F-0180M). Per Code of Iowa 8A.312 and 8A.311A, no further competitive bidding process is required.
3. FAST Response wire cutters and reload kits at a cost of \$5,600: The products purchased met sub-grantee's special needs. Sub-grantee followed its (City of Des Moines) procurement procedures (City Ord. No. 14,346, Subdivision V, Sec. 2-710) which provide purchasing agent with authority to



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

waive the formal competitive bidding procedure for goods under \$25,000 upon recommendation of the requesting department. Also, the products were on a previous GSA contract (GS-07F-9146S).

4. Training for \$27,000: Sub-grantee purchased this training from a vendor under GSA contract (GS-07F-0357V). Per Code of Iowa 8A.312 and 8A.311A, no further competitive bidding process is required. The vendor and the city did enter into an agreement for this training. HSEMD has reminded all sub-grantees to submit such agreements/contracts for all payment reimbursement requests.

Recommendation #3:

Require HSEMD to review and update its obligation and approval process to identify ways to shorten the time needed to meet grant obligation requirements.

Management Comments and OIG Analysis

Iowa HSEMD response to Recommendation #3:

HSEMD modified its subgrant obligation and approval process in September of 2013 so that from HSGP 2013 and onward, the obligation time requirement will be met.

Recommendation #4:

Require HSEMD to develop and implement a monitoring plan to ensure that subgrantees comply with all Federal and State monitoring guidelines. The monitoring plan should include sample selection methodology and guidance for documenting onsite reviews, and follow-up procedures for recommended corrective actions.

Management Comments and OIG Analysis

Iowa HSEMD response to Recommendation #4:

HSEMD's monitoring plan has been re-designed and updated to ensure that there is a systematic assessment of the sub-grantee's ability to meet grant award provisions, program guidelines and federal/state regulations. HSEMD's monitoring plan is designed to help grant program and monitoring staff verify submitted claims to ensure they are allowable, reasonable, benefit the grant, and have been appropriately charged to the correct cost category. In addition, HSEMD's monitoring plan is used to ensure that adequate policies, processes, and systems are in place to manage sub-awards effectively. The updated monitoring plan now includes a risk assessment matrix which



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Department of Homeland Security

has been developed to refine how sub-grantees are categorized and selected for monitoring. The matrix includes six evaluation standards and criteria for determining levels of risk for each standard.

Recommendation #5:

Ensure that subgrantees maintain property and inventory records in accordance with Federal requirements.

Management Comments and OIG Analysis

Iowa HSEMD response to Recommendation #5:

HSEMD revised its sub-grant purchase reimbursement procedure. Sub-grantees are required to provide inventory information when filing reimbursement claims for equipment more than \$5000 purchased with HSGP grants, in addition to keep their inventory system on their sites. This document must have a county or city tag number, equipment's serial number, cost of the purchase, date of purchase, physical location of the equipment, and a description of the equipment.

HSEMD also modified its site visit procedures to ensure inventory system will be verified onsite during monitoring visits.



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Appendix D Timeliness of Subgrantee Awards

FY 2010 Subgrantees

Subgrantee	Award Amount	FEMA Award Date	Obligation Date	Days to Obligate
Buena Vista County	\$4,000.00	09/17/10	04/08/13	934
The Cedar Rapids Fire Department	\$167,510.00	09/17/10	03/04/13	899
	\$18,223.00	09/17/10	03/28/13	923
Cerro Gordo County	\$200,000.00	09/17/10	01/24/11	129
	\$396,929.00	09/17/10	01/26/11	131
	\$62,000.00	09/17/10	10/02/12	746
City of Des Moines	\$312,378.00	09/17/10	02/10/11	146
	\$385,592.00	09/17/10	02/28/11	164
	\$184,212.00	09/17/10	02/28/11	164
	\$257,433.00	09/17/10	02/28/11	164
	\$101,043.00	09/17/10	02/28/11	164
	\$54,740.00	09/17/10	04/22/13	948
City of Oelwein	\$64,000.00	09/17/10	02/01/11	137
	\$344,000.00	09/17/10	02/01/11	137
City of Waterloo	\$86,114.00	09/17/10	02/10/11	146
	\$237,250.00	09/17/10	02/10/11	146
Des Moines County	\$10,800.00	09/17/10	04/11/13	937
The Jefferson County Sherriff's Office	\$655,050.00	09/17/10	03/01/12	531
Iowa Department of Administrative Services	\$128,100.00	09/17/10	03/25/13	920
Polk County Emergency Management Commission	\$116,432.00	09/17/10	01/26/11	131
Scott County Board of Supervisors	\$244,035.00	09/17/10	03/22/11	186
	\$76,940.00	09/17/10	03/22/11	186
City of Sioux City	\$268,467.00	09/17/10	07/07/11	293
Story County	\$15,145.00	09/17/10	04/11/13	937
Story County Auditor	\$228,190.00	09/17/10	01/24/11	129
	\$395,480.00	09/17/10	01/24/11	129
Woodbury County Board of Supervisors	\$54,500.00	09/17/10	01/26/11	131
	\$305,400.00	09/17/10	01/26/11	131



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FY 2011 Subgrantees

Subgrantee	Award Amount	FEMA Award Date	Obligation Date	Days to Obligate
Cedar Rapids Fire Department	\$200,000.00	09/21/11	12/08/11	78
Cerro Gordo County Emergency Management Agency	\$250,000.00	09/21/11	12/08/11	78
The City of Des Moines	\$391,058.00	09/21/11	01/13/12	114
	\$70,000.00	09/21/11	12/19/11	89
	\$182,000.00	09/21/11	12/19/11	89
	\$93,705.96	09/21/11	03/23/12	184
	\$193,692.98	09/21/11	03/23/12	184
The Oelwein Police Department	\$57,664.96	09/21/11	12/29/11	99
	\$260,591.63	09/21/11	12/29/11	99
The Waterloo Police Department	\$68,477.14	09/21/11	12/29/11	99
	\$201,790.38	09/21/11	12/29/11	99
Jefferson County Sherriff's Office and Iowa Department of Public Safety	\$460,016.00	09/21/11	04/23/13	580
Polk County Emergency Management Commission	\$100,000.00	09/21/11	12/08/11	78
Safeguard Iowa Partnership	\$150,000.00	09/21/11	03/01/12	162
The Scott County Sherriff's Office	\$72,081.20	09/21/11	12/16/11	86
	\$192,026.32	09/21/11	12/16/11	86
Sioux City Fire Rescue	\$200,000.00	09/21/11	12/08/11	78
Story County	\$250,000.00	09/21/11	12/16/11	86
	\$377,000.00	09/21/11	12/16/11	86
Woodbury County	\$68,477.14	09/21/11	12/29/11	99
	\$184,819.69	09/21/11	12/29/11	99
Woodbury County Emergency Management Agency	\$80,000.00	09/21/11	12/16/11	86



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FY 2012 Subgrantees

Subgrantee	Award Amount	FEMA Award Date	Obligation Date	Days to Obligate
Buena Vista County	\$1,650.00	08/06/12	10/20/12	75
Cerro Gordo/Franklin County	\$26,200.00	08/06/12	10/20/12	75
	\$36,376.00	08/06/12	10/20/12	75
City of Cedar Rapids	\$113,925.00	08/06/12	11/20/12	106
	\$53,124.00	08/06/12	11/16/12	102
	\$245,000.00	08/06/12	11/05/12	91
City of Des Moines	\$147,882.00	08/06/12	11/14/12	100
City of Oelwein	\$156,723.00	08/06/12	10/20/12	75
City of Sioux City	\$87,165.00	08/06/12	11/21/12	107
City of Waterloo	\$48,353.00	08/06/12	10/20/12	75
Clarke County	\$3,500.00	08/06/12	11/09/12	95
Des Moines County	\$3,750.00	08/06/12	11/09/12	95
Iowa Central Homeland Security Training Center	\$150,000.00	08/06/12	01/16/13	163
City of Des Moines, Iowa, and Iowa Department of Administrative Services	\$146,500.00	08/06/12	12/27/12	143
Iowa Disaster Human Resource Council	\$30,000.00	08/06/12	07/11/13	339
Johnson County	\$80,000.00	08/06/12	07/17/13	345
Mahaska County	\$3,750.00	08/06/12	11/09/12	95
Plymouth County	\$3,000.00	08/06/12	10/20/12	75
Polk County	\$160,000.00	08/06/12	05/05/13	272
	\$41,764.00	08/06/12	10/20/12	75
Pottawattamie County	\$51,634.00	08/06/12	10/20/12	75
Sac County	\$3,000.00	08/06/12	10/20/12	75
Safeguard Iowa Partnership	\$150,000.00	08/06/12	03/28/13	234
Scott County	\$112,195.00	08/06/12	11/05/12	91
Sioux County	\$10,000.00	08/06/12	10/20/12	75
Story County	\$52,487.00	08/06/12	11/12/12	98
	\$72,000.00	08/06/12	11/12/12	98
	\$107,575.00	08/06/12	11/14/12	100
Woodbury County	\$143,500.00	08/06/12	10/20/12	75

Source: DHS OIG compiled from HSEMD subgrant award documentation.



Appendix E

Homeland Security Grant Program

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

- **The State Homeland Security Program** provides financial assistance directly to each of the States and 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 identified planning, equipment, training, and exercise needs.
- **The Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas, and to assist in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism and other disasters. Allowable costs for the urban areas are consistent with SHSP. FEMA expends funding based on the Urban Area Homeland Security Strategies.

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

- Metropolitan Medical Response System
- Citizen Corps Program
- Operation Stonegarden (beginning in FY 2010)



Appendix F

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