

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

Oregon's Management of State Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012






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Department of Homeland Security

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

DEC 9 2013

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

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

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

The report contains nine recommendations aimed at improving Oregon's Management of State Homeland Security Grant Program awards. Your office concurred with all of the recommendations. Based on information provided in your response to the draft report, we consider recommendation #7 resolved and closed. Recommendations #1, #8, and #9 remain 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.

Recommendations #2 through #6 will remain open and unresolved pending receipt of a target completion date for these recommendations. As prescribed by the *Department of Homeland Security Directive 077-01, Follow-Up and Resolutions for Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your target completion date for each. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations.

Please email a signed PDF copy of all responses and closeout requests to OIGAuditsFollowup@oig.dhs.gov.



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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



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Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
IJ	Investment Justifications
M&A	management and administration
OEM	Oregon Office of Emergency Management
OIG	Office of Inspector General
SHSP	State Homeland Security Program
SPR	State Preparedness Report
THIRA	Threat Hazard Identification and Risk Assessment
UASI	Urban Areas Security Initiative



Executive Summary

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

The audit objectives were to determine whether the State of Oregon used State Homeland Security Program and Urban Areas Security Initiative grant funds in accordance with the law, program guidance, State homeland security plans, and other applicable plans. We also addressed the extent to which grant funds enhanced the ability of grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The audit included a review of approximately \$30 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded to Oregon during fiscal years 2010 through 2012.

In most instances, the State used Urban Areas Security Initiative funds according to laws, program guidance, and homeland security plans. However, it did not always use State Homeland Security Program funds according to laws or program guidance. The State can improve its grant management practices by: (1) documenting and claiming management costs properly, (2) monitoring its subgrantees better, (3) obligating grant funds within the required time period, (4) reporting grant fund obligations properly, and (5) developing a performance measurement system.

We made nine recommendations to the Federal Emergency Management Agency (FEMA), which, if implemented, should strengthen program management, performance, and oversight. FEMA concurred with all of the recommendations.



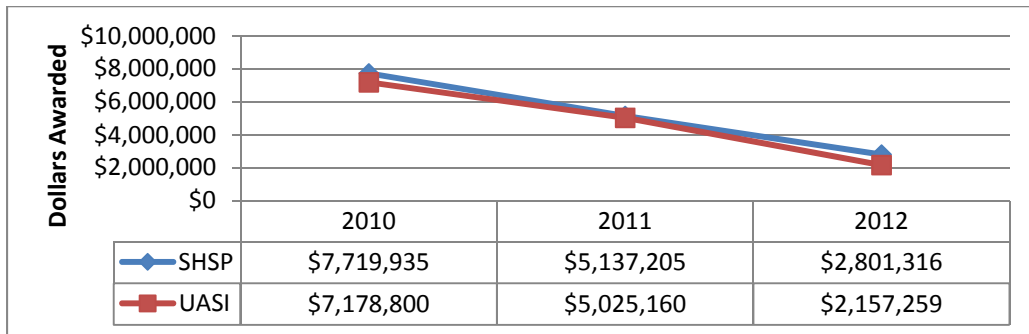
Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help State and local agencies enhance capabilities to prevent, prepare for, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for administering the HSGP. Two programs within HSGP, the State Homeland Security Program (SHSP) and the Urban Areas Security Initiative (UASI), fund a wide range of preparedness activities, including equipment, planning, training, exercises, and management and administration (M&A) costs. Appendix C contains more information about the HSGP.

The Governor of Oregon designated the Oregon Office of Emergency Management (OEM) as the State Administrative Agency for the HSGP. OEM is responsible for managing the HSGP according to established Federal guidelines and allocating funds to local, regional, and other State government entities.

During fiscal years (FY) 2010 through 2012, FEMA awarded the State of Oregon approximately \$30 million in SHSP and UASI funds as shown in figure 1.

Figure 1: Oregon SHSP and UASI Funding Levels, FYs 2010 through 2012



Source: DHS OIG analysis based on FEMA data.

Results of Audit

In most instances, the State used UASI funds according to laws, program guidance, and homeland security plans. However, it did not always use SHSP funds according to laws or program guidance. The State can improve its grant management practices by—

- properly documenting and claiming management costs,
- better monitoring subgrantees,
- obligating grant funds within the required time period, and
- properly reporting grant fund obligations.



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

Questioned Management Costs

OEM used SHSP grant funds for ineligible personnel costs, lacked proper payroll documentation, and improperly allocated indirect costs to its SHSP grants. As a result, we are questioning approximately \$2.3 million in expenses for FYs 2010 through 2012.

In FYs 2010 through 2012, OEM allocated funding to itself in four categories: planning, training, exercises, and M&A. OEM managed this funding by creating subgrants for itself in each category. FEMA's guidance defines allowable costs within these categories, for example:

- Planning—for planning efforts that enable recipients to prioritize needs, build capabilities, update preparedness strategies, allocate resources, and deliver preparedness programs across disciplines.
- Training—to develop a homeland security training program, and training-related costs such as the support, conduct, and attendance of training specifically identified under the SHSP and UASI grant programs and emergency preparedness training by other Federal agencies.
- Exercise—for costs such as developing, conducting, and evaluating an exercise; and exercise planning workshops.
- M&A—for expenses such as overtime, travel, meeting-related costs, authorized office equipment, cell phones, and hiring of staff. M&A expenses are limited to 5 percent of the HSGP award and may be used only to support the HSGP.

We did not find evidence of any projects related to planning, training, or exercises in OEM's FYs 2010 and 2011 subgrant files. Instead, our review of OEM's FYs 2010 and 2011 SHSP expenditures indicated that OEM primarily used its Planning, Training, Exercise, and M&A subgrants for improperly allocated indirect costs and ineligible personnel costs. We were unable to determine the portion of OEM's Federal reimbursement that would have been allowable because a proper indirect cost allocation proposal was not in place. Therefore, we are questioning all expended funds under OEM's Planning, Training, Exercise, and M&A subgrants in FYs 2010 and 2011. We consider all unexpended funds in these four categories for FYs 2010 through 2012 to be funds that could be put to better use. Table 1 summarizes the questioned costs and funds to be put to better use.



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Table 1. Questioned Costs and Funds To Be Put to Better Use

Subgrant Number	Description	Grant Award	Questioned Costs (Expended Funds)	Funds To Be Put to Better Use (Unexpended Funds)
FY 2010				
10-370	M&A	\$385,997	\$344,239	\$41,758
10-372	Planning	\$295,000	\$203,738	\$91,262
10-373	Training	\$145,000	\$89,680	\$55,320
10-374	Exercise	\$100,000	\$64,621	\$35,379
	FY 2010 Total	\$925,997	\$702,278	\$223,719
FY 2011				
11-330	M&A	\$256,860	\$0	\$256,860
11-321	Planning	\$432,961	\$6,232	\$426,729
11-322	Training	\$162,360	\$8,894	\$153,466
11-323	Exercise	\$108,240	\$10,338	\$97,902
	FY 2011 Total	\$960,421	\$25,464	\$934,957
FY 2012				
Unknown	M&A	\$140,066	\$0	\$140,066
12-321	Planning	\$103,363	\$0	\$103,363
12-322	Training	\$69,077	\$0	\$69,077
12-323	Exercise	\$57,077	\$0	\$57,077
	FY 2012 Total	\$369,583	\$0	\$369,583
	Grand Total	\$2,256,001	\$727,742	\$1,528,259
Total of Questioned Costs and Funds To Be Put to Better Use				\$2,256,001

Source: DHS OIG analysis based on OEM data.

The approximately \$2.3 million in questioned costs and funds to be put to better use include ineligible personnel costs, personnel costs that lacked proper payroll documentation, and improperly allocated indirect costs as described below.

Ineligible Personnel Costs

FEMA allows States to use HSGP grant funding to compensate newly hired personnel who work exclusively on allowable activities as specified in its FYs 2010 and 2011 grant guidance. However, OEM used FYs 2010 and 2011 SHSP funds to compensate two Information Systems staff who did not work exclusively on allowable FEMA program activities.

Specifically, in October and November 2012, OEM used its FY 2010 Planning subgrant to pay 50 percent of a Network Analyst’s salary and 100 percent of an Operations Center Analyst’s salary, even though their position descriptions did



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not fully align with allowable personnel activities. For example, according to the position description, the primary purpose of the Operations Center Analyst was to “provide statewide support for enhancement and implementation of Ops Center, the state crisis management software, specialized database and internet based communication system for use in disaster response and recovery operations throughout the state.” However, FEMA’s guidance describes planning activities as “efforts that enable recipients to prioritize needs, build capabilities, update preparedness strategies, allocate resources, and deliver preparedness programs across disciplines.” In September 2012, OEM also used its FY 2011 Planning subgrant for the same two Information Systems positions.

Personnel Activity Reports and Certifications

According to Code of Federal Regulations (CFR) Title 2 § 225, *Cost Principles for State, Local, and Indian Tribal Governments*, when employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or timesheets. Payroll documentation must reflect an after-the-fact distribution of the actual activity of each employee, and must account for the total activity for which each employee is compensated. In addition, for employees who are expected to work solely on a single Federal award or cost objective, charges for their salaries must be supported by semi-annual certifications that the employees worked solely on that program for the period covered by the certification.

All 12 OEM employees compensated by the HSGP grant performed non-HSGP duties. OEM did not require these employees to complete personnel activity reports or timesheets to properly account for actual hours worked on HSGP and non-HSGP activities. Rather, employees completed timesheets that simply showed the number of hours worked each day, without the required delineation of daily activities. OEM did not require those employees designated as solely working on HSGP programs to complete the required semi-annual certifications. Also, OEM did not have proper internal procedures related to supporting and documenting time spent working on Federal grant activities.

Improper Allocation of Indirect Costs

According to 2 CFR Part 225, Appendix E, *State and Local Indirect Cost Rate Proposals*, all departments or agencies that claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. No proposal shall be acceptable unless the proposed costs have been certified on behalf of the governmental unit by an individual at a level no lower than that governmental unit’s chief financial officer.



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OEM claimed indirect costs under the HSGP award even though it had not prepared an indirect cost rate proposal, as required. According to OEM staff, neither OEM nor its component agency, the Oregon Military Department, had an approved indirect cost rate.

In addition, OEM's indirect cost allocation method included expenses unrelated to the HSGP award. For example, in March 2013, OEM assigned approximately 24 percent of rent and miscellaneous expenses (e.g., motor pool, annual service fees, telephone, and office equipment), across its Planning, Training, Exercise, and M&A subgrants based on an allocation method that included seven non-HSGP programs. OEM also included the non-HSGP activities of the employees assigned to HSGP programs in its indirect cost calculation.

Monitoring

OEM did not sufficiently monitor its subgrantees' activities to ensure compliance with applicable Federal requirements.

According to 44 CFR § 13.40(a), *Monitoring and Reporting Program Performance*, grantees must oversee subgrantee activities to ensure they comply with applicable Federal requirements. Office of Management and Budget Circular A-133, *Compliance Supplement*, Part 3-M, also requires grantees to monitor subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means. OEM performed minimal monitoring of its SHSP subgrantees and no monitoring of the Portland Urban Area or its subrecipients. SHSP subgrantee monitoring consisted of desk reviews of subgrantee reports and minimal, undocumented site visits.

For its desk monitoring activities, OEM required SHSP subgrantees to submit quarterly narrative activity reports and Requests for Reimbursements. Six of the 14 subgrant files we reviewed were missing at least one narrative activity report. Although we found evidence of communication with the subgrantees regarding delinquent Requests for Reimbursements, we were unable to determine whether OEM consistently monitored subgrantee activity because it did not maintain historical activity reports.

OEM staff told us that they conducted at least six SHSP site visits between FYs 2010 and 2012. However, we found evidence of only two site visits in the subgrant files we reviewed. OEM did not respond to our requests for documentation of the site visits it told us about. Also, six site visits would represent only 3 percent of the entities that received SHSP and UASI grant funds in FYs 2010 and 2011, which we consider insufficient.



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Although OEM provided us with a draft monitoring plan, it did not have any written policies or procedures for monitoring subgrantees at the time of our review. Without proper monitoring, neither the State nor FEMA had reasonable assurance that the State's subgrantees complied with applicable Federal requirements.

Timely Obligation of Grant Funds

OEM did not obligate FYs 2010, 2011, or 2012 SHSP or UASI funds within the required timeframe.

FEMA's grant guidance requires States to obligate at least 80 percent of SHSP and UASI funds to local units of government within 45 days of receipt. As shown in table 2, OEM did not obligate any of the 29 subgrants we examined in FYs 2010 and 2011 within the required 45 days.



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Table 2: Timeliness of Subgrantee Awards

FY 2010 Subgrantees	Number of Subgrants	Days To Obligate for Each Grant
Benton County Sheriff's Office	1	93
City of Eugene	3	63, 93, and 123
Deschutes County Sheriff's Office	3	63
Gresham Police Department	1	63
Lincoln County Sheriff's Office	1	82
Mohawk Valley Rural Fire District	1	63
Multnomah County Office of Emergency Mgmt.	4	63
Polk County Emergency Management	2	63
Salem Police Department	1	63
Tillamook County Emergency Management	2	63
UASI—City of Portland	1	107
FY 2011 Subgrantees		
City of Eugene	2	85
Deschutes County Sheriff's Office	1	85
Lincoln County Sheriff's Office	1	85
Multnomah County Office of Emergency Mgmt.	1	145
Polk County Emergency Management	2	85
Tillamook County Emergency Management	1	85
UASI—City of Portland	1	145

Source: DHS OIG analysis based on OEM data.

OEM received FY 2012 HSGP funds in October 2012. Based on the subgrant award effective dates that OEM provided, we estimate that the State will exceed the 45-day requirement for all local subgrantees and the UASI by at least 74 days for FY 2012.

OEM staff told us that they believed the State met its 45-day obligation requirement by providing subgrantees with a conditional award letter listing the grant amount. However, the State's FYs 2010 and 2011 Letters of Instruction to its subgrantees stipulated that funds may not be expended prior to the subgrantee award date or the execution of the subgrantee agreement. As such, funds were not available for expenditure within the required 45-day period. OEM's lengthy subgrantee application and award process may have impacted its ability to timely obligate funds. For instance, OEM did not begin its FY 2012



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application review process until August 2012, even though FEMA issued its FY 2012 grant guidance, including funding allocations, in February 2012.

Improper Reporting of Grant Fund Obligations

In FY 2010, OEM improperly reported its FY 2010 State and local funding obligations to FEMA.

Per the FY 2010 grant guidance, FEMA uses each State's Initial Strategy Implementation Plan to track compliance with the congressionally mandated rule that 80 percent of HSGP funds be obligated to local units of government. Awardees use FEMA's Biannual Strategy Implementation Reports to provide updated obligation and expenditure information on a semi-annual basis.

OEM submitted inaccurate reports to FEMA regarding the State's required 80 percent obligation to local units of government. For example, OEM reported some State projects as "local" projects on its FY 2010 Initial Strategy Implementation Plan and its Biannual Strategy Implementation Report, dated June 2012. Although the 80 percent obligation requirement was met according to OEM's internal tracking and appeared to have been met on the FY 2010 Initial Strategy Implementation Plan, the designation of projects as either State or local on the Initial Strategy Implementation Plan and Biannual Strategy Implementation Report was incorrectly reported to FEMA. This may have occurred because OEM does not have internal controls to ensure that its grant administration processes match its financial administration processes. FEMA does not appear to have a process to verify the accuracy of a State's reporting, and thus would not know if a grantee listed a State project as a "local" project in order to retain more funding than allowed.

Performance Measurement

Neither the State nor the Portland Urban Area had a system to measure performance or preparedness.

FEMA's FYs 2011 and 2012 grant guidance identified funding priorities such as a "whole community" approach to security and emergency management. To address the priorities, FEMA identified objectives and established performance measures and associated reporting requirements to determine how effective grantees are in utilizing SHSP and UASI funding to prevent, prepare for, protect against, and respond to acts of terrorism. Also, 44 CFR § 13.40(a), *Monitoring and Reporting Program Performance*, requires grantees to monitor grant- and



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subgrant-supported activities to ensure that performance goals are being achieved.

According to OEM staff, the State did not use the performance measures identified in FEMA's grant guidance because they were not appropriate for Oregon, yet the State had not developed alternative means to show that its use of HSGP funds improved preparedness, nor did it have any procedures to measure preparedness improvements. Although the Portland Bureau of Emergency Management did not have a system to measure improvements in preparedness in place at the time of our review, it is in the process of developing a performance measurement system.

Without a formal method to assess performance and preparedness levels, the State cannot effectively determine progress toward the State's goals and objectives, and FEMA cannot determine how effectively the State used HSGP grant funding to prevent, prepare for, protect against, and respond to acts of terrorism and other disasters.

Other Matter: Potential Mismanagement of Other FEMA Grant Funds

Throughout this audit, we found evidence that the practices discussed in the Questioned Management Costs section of this report potentially impacted other HSGP grant years as well as FEMA grants not covered in our audit. These practices included ineligible personnel costs, missing personnel activity reports and certifications, and improper allocation of indirect costs.

OEM received other grant funding from FEMA, including, but not limited to, the Emergency Management Performance Grant Program, Interoperable Emergency Communications Grant Program, and Emergency Operations Center Grant Program, which are all potentially impacted by OEM's management practices.

The issues identified—specifically, improper payroll documentation, and ineligible personnel costs—potentially impact HSGP grant funds from years preceding our scope of FYs 2010 through 2012. For example, in August 2012, OEM divided a total of \$23,689.86 for its supplies and services charges for its entire operation among the FYs 2009, 2010, and 2011 HSGP subgrants for Planning, Training, Exercise, and M&A.

OEM's inflated indirect allocation method was also in place during grant years preceding our audit. Even if OEM is allowed to implement an indirect cost allocation method retroactively or for the future, FEMA should ensure proper



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accountability and attribution of each person's allocation to HSGP activities in prior years.

Recommendations

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

Recommendation #1:

Review and remedy the questioned costs within the Oregon Office of Emergency Management's Planning, Training, Exercise, and M&A subgrants for FYs 2010 through 2012, returning to FEMA the cost of any ineligible expenditures, and reallocating to eligible activities funds that have not yet been spent.

Recommendation #2:

Require the Oregon Office of Emergency Management to develop proper procedures to support and document the number of hours employees work on Federal grant activities.

Recommendation #3:

Require the Oregon Office of Emergency Management to finalize and implement a monitoring plan to ensure that subgrantees comply with applicable Federal requirements. The monitoring plan should include a schedule for subgrantee site visits in addition to desk monitoring for all SHSP and UASI subgrantees.

Recommendation #4:

Require the Oregon Office of Emergency Management to assess and streamline its grant application and award processes and procedures to allow for the timely obligation of funds to subgrantees within the required 45-day period.

Recommendation #5:

Require the Oregon Office of Emergency Management to implement internal controls to ensure that its grant administration processes are consistent with its financial administration processes. These controls should include a process to ensure that the Office of Emergency Management's Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports are accurate.



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Recommendation #6:

Develop a process to verify that States accurately report projects as either State, local, or State Administrative Agency projects on their Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports.

Recommendation #7:

Assist the Oregon Office of Emergency Management and the Portland Urban Area with the development and implementation of a comprehensive performance measurement system that quantifies its progress toward enhancing preparedness.

Recommendation #8:

Review all costs charged to the Oregon Office of Emergency Management's Planning, Training, Exercise, and M&A subgrants for the Homeland Security Grant Program for at least 3 years preceding the scope of our audit and remedy any ineligible expenditures.

Recommendation #9:

Review the accuracy of the Oregon Office of Emergency Management's M&A, personnel, and indirect costs charged to the Emergency Management Performance Grant Program, Interoperable Emergency Communications Grant Program, and Emergency Operations Center Grant Program and any other grants potentially impacted by the Office of Emergency Management's grant management practices.

Management Comments and OIG Analysis

FEMA's Response to Recommendation #1: FEMA concurred with this recommendation. FEMA will request that the State of Oregon submit a corrective action plan to initiate an independent audit within 90 days of the receipt of the OIG's draft report. The independent audit should confirm that the State complied with all Federal financial and programmatic guidelines for the FYs 2010 through 2012, for the HSGP funding it received during this timeframe. The independent audit results shall be submitted to FEMA for review and to validate all questioned costs. Regarding eligible grant program expenditures, the program office will confirm that program costs are eligible and in compliance with grant guidance and pertinent Federal regulations. Questioned costs that are ineligible



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will be recouped using FEMA's established debt collection procedures and the State will be notified if a debt collection is warranted.

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.

FEMA's Response to Recommendation #2: FEMA concurred with this recommendation. FEMA will work with OEM to develop procedures to accurately document the number of hours employees work on Federal grant activities.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions identified above.

FEMA's Response to Recommendation #3: FEMA concurred with this recommendation. FEMA will work with Oregon to develop templates, policies, and procedures to establish monitoring protocols, and memorandum of agreements to issue sub awards; e.g. sub-award documentation, with grantees.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions identified above.

FEMA's Response to Recommendation #4: FEMA concurred with this recommendation. FEMA will work with the OEM to conduct a review of the states grant obligation (sub award) process to identify efficiencies and in particular to expedite the issuance of sub-grantees awards within the required 45-day time frame.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions identified above.

FEMA's Response to Recommendation #5: FEMA concurred with this recommendation. FEMA will work with the State of Oregon to develop internal processes to verify that the OEM's Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports are accurate, and have been



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reviewed for consistency with other documents the State either reports on, or submits to FEMA.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions identified above.

FEMA's Response to Recommendation #6: FEMA will work with the State of Oregon to develop processes that will accurately report projects as either State, local, or State Administrative Agency projects on their Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation. However, this recommendation will remain unresolved pending receipt of a target completion date for the corrective actions identified above.

FEMA's Response to Recommendation #7: FEMA concurred with this recommendation. FEMA has established and implemented a system to help states and urban areas establish measurable goals and objectives through its Threat and Hazard Identification and Risk Assessment (THIRA) methodology, which was released in 2012. States were required to submit THIRAs by December 31, 2012. In addition, states were required to submit State Preparedness Reports (SPR) to FEMA in 2012. The THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. Grantees address documented capability requirements and gaps in their Investment Justifications (IJ) submitted in the grant application.

FEMA provided copies of Oregon's FY 2012 THIRA and SPR. Oregon submitted IJs to FEMA based on its THIRA and SPR in accordance with the FY 2013 Homeland Security Grant Program Funding Opportunity Announcement. FEMA believes that use of the THIRA, SPR, and IJ satisfies the intent of this recommendation and requested that the recommendation be closed.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation; this recommendation is now resolved and closed.

FEMA's Response to Recommendation #8: FEMA and OEM concurred with the intent of this recommendation. However, FEMA recommended that no specific action take place regarding this recommendation until the independent audit identified within Recommendation #1 is completed. FEMA and OEM believe this



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analysis may resolve and close this recommendation without having to take any specific action. Should the independent analysis not resolve this recommendation FEMA and OEM will come together to identify a solution.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation. This recommendation will remain open and resolved pending the results of the independent audit identified in Recommendation #1, and the identification of an alternative solution should the independent audit not resolve this recommendation.

FEMA's Response to Recommendation #9: FEMA and OEM concurred with the intent of this recommendation. However, FEMA recommended that no specific action take place regarding this recommendation until the independent audit identified within Recommendation #1 is completed. FEMA and OEM believe this analysis may resolve and close this recommendation without having to take any specific action. Should the independent analysis not resolve this recommendation FEMA and OEM will come together to identify a solution.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation. This recommendation will remain open and resolved pending the results of the independent audit identified in Recommendation #1, and the identification of an alternative solution should the independent audit not resolve this recommendation.



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 State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) grants. This report responds to the reporting requirement for the State of Oregon and the Portland Urban Area.

The objectives of this audit were to determine whether the State used SHSP and UASI grant funds in accordance with the law, program guidance, 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 \$30,019,675 in SHSP and UASI grants awarded for FYs 2010 through 2012 as shown in table 3.

Table 3: Oregon SHSP and UASI Awards FYs 2010 through 2012

Grant Program	FY 2010	FY 2011	FY 2012	Total
State Homeland Security Program	\$7,719,935	\$5,137,205	\$2,801,316	\$15,658,456
Urban Areas Security Initiative	\$7,178,800	\$5,025,160	\$2,157,259	\$14,361,219
Total	\$14,898,735	\$10,162,365	\$4,958,575	\$30,019,675

Source: DHS OIG analysis based on FEMA data.

The HSGP encompasses several interrelated Federal grant programs as described in appendix C. However, we reviewed only the SHSP and UASI funding of equipment and programs for compliance during this audit.

Our audit methodology included work at Oregon's OEM and several subgrantees located throughout Oregon. To achieve our audit objective, we analyzed data, reviewed documentation, and interviewed key State and local officials directly involved in the management and administration of the SHSP and UASI grants. We reviewed the plans developed by the State to improve preparedness and respond to hazards.



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We judgmentally selected and reviewed the subgrant files of 13 SHSP subgrantees in FYs 2010 and 2011. No reimbursements for FY 2012 had been made at the time we selected our sample. These 13 subgrantees included 10 local jurisdictions and 3 State agencies. Additionally, we judgmentally selected seven subgrantees awarded UASI funding in FYs 2010 and 2011. The subgrantees selected are shown below:

Local Jurisdictions:

- Benton County Sheriff's Office
- Deschutes County Sheriff's Office
- City of Eugene
- Gresham Police Department
- Lincoln County Sheriff's Office
- Mohawk Valley Rural Fire District
- Multnomah County Office of Emergency Management
- Polk County Emergency Management
- Salem Police Department
- Tillamook County Emergency Management

State Agencies:

- Oregon Department of Justice
- Oregon Office of Emergency Management
- Oregon State Police

UASI Subgrantees:

- Clackamas County Emergency Management
- Clark Regional Emergency Services Agency
- Gresham Police Department
- Portland Bureau of Emergency Management
- Portland Fire and Rescue
- Tualatin Valley Fire & Rescue
- Washington County Sheriff's Office

The 10 local subgrantees accounted for \$1,855,113 in reimbursements, totaling 38 percent of all local SHSP reimbursements for FYs 2010 and 2011. The three State agencies accounted for \$1,071,803 in reimbursements, totaling 95 percent of all State agency SHSP reimbursements. The UASI subgrantees accounted for \$1,768,390 in reimbursements, totaling 70 percent of all UASI reimbursements in FYs 2010 and 2011.

We visited the following six subgrantees:

- Benton County Sheriff's Office
- Oregon Office of Emergency Management



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- Oregon State Police
- Polk County Emergency Management
- Portland Bureau of Emergency Management
- Salem Police Department

In addition to the data testing described above, we judgmentally selected equipment from subgrantee records and remotely verified the existence of the equipment.

We relied on the OEM's Grant Management Information System for data on the grant funds awarded in FYs 2010 and 2011. We conducted limited tests on this data and compared it with source documentation to ensure that the data were sufficiently reliable to be used in meeting our audit objective.

We conducted this performance audit between October 2012 and May 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

NOV 08 2013

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General (OIG)
Department of Homeland Security

FROM: *for* David J. Kaufman *DJK*
Associate Administrator for
Policy, Program Analysis and International Affairs
Federal Emergency Management Agency (FEMA)

SUBJECT: FEMA's Response to OIG-13-114-AUD-FEMA "The State of Oregon's Management of State Homeland Security Program and Urban Areas Security Initiative Grants for FYs 2010 – 2012".

Thank you for the opportunity to review and comment on OIG-13-114-AUD-FEMA "The State of Oregon's Management of State Homeland Security Program and Urban Areas Security Initiative Grants for FYs 2010 – 2012". The draft report contains nine (9) recommendations of which FEMA concurs with all 9 of 9 recommendations.

OIG Recommendation 1: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate review and remedy the questioned costs within Office of Emergency Management's Planning, Training, Exercise, and Management and Administration (M&A) subgrants for FYs 2010 through 2012, returning to FEMA the cost of any ineligible expenditures and reallocating to eligible activities funds that have not yet been spent.

FEMA Response to Recommendation 1: Concur. FEMA concurs with this recommendation that certain questioned costs may be subject to a debt collection. FEMA will request that the State of Oregon submit a corrective action plan to initiate an independent audit within 90 days of the receipt of the OIG's draft report. The independent audit should confirm that the State complied with all Federal financial and programmatic guidelines for the fiscal year (FY) 2010 through 2012, for the Homeland Security Grant Program funding it received during this timeframe. The independent audit results shall be submitted to FEMA for review and to validate all questioned costs. Regarding eligible grant program expenditures, the program office will confirm that program costs are eligible and in compliance with grant guidance and pertinent Federal regulations. Questioned costs that are ineligible will be recouped using FEMA's established debt collection procedures and the State will be notified if a debt collection is warranted.

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OIG Recommendation 2: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate require the Office of Emergency Management to develop proper procedures to support and document the number of hour's employees work on Federal grant activities.

FEMA Response to Recommendation 2: Concur. FEMA will work with the OEM to develop procedures to accurately document the number of hours employees work on Federal grant activities.

OIG Recommendation 3: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate require the Office of Emergency Management to finalize and implement a monitoring plan to ensure that subgrantees comply with applicable Federal requirements. The monitoring plan should include a schedule for subgrantee site visits in addition to desk monitoring for all State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) subgrantees.

FEMA Response to Recommendations 3: Concur. FEMA will work with Oregon to develop templates, policies, and procedures to establish monitoring protocols, and memorandum of agreements (MOA's) they use to issue sub awards; e.g. sub-award documentation, with grantees.

OIG Recommendation 4: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate require the Office of Emergency Management to assess and streamline its grant application and award processes and procedures to allow for the timely obligation of funds to subgrantees within the required 45-day period.

FEMA Response to Recommendation 4: Concur. FEMA will work with the OEM to conduct a review of the states grant obligation (sub award) process to identify efficiencies and in particular to expedite the issuance of sub-grantees awards within the required 45 day time frame.

OIG Recommendation 5: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate require the Oregon Office of Emergency Management to implement internal controls to ensure that its grant administration processes are consistent with its financial administration processes. These controls should include a process to ensure that the Office of Emergency Management's Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports are accurate.

FEMA Response to Recommendation 5: Concur. FEMA will work with the State of Oregon to develop internal processes so as to verify that the Office of Emergency Management's Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports are accurate, and have been reviewed for consistency with other documents the State either reports on, or submits to FEMA.



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OIG Recommendation 6: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate develop a process to verify that States accurately report projects as either State, local, or State Administrative Agency projects on their Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports.

FEMA Response to Recommendation 6: Concur. FEMA will work with the State of Oregon to develop processes that will accurately report projects as either State, local, or State Administrative Agency projects on their Initial Strategy Implementation Plans and Biannual Strategy Implementation Reports.

OIG Recommendation 7: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate assist the Oregon Office of Emergency Management and the Portland Urban Area with the development and implementation of a comprehensive performance measurement system that quantifies its progress toward enhancing preparedness.

FEMA Response to Recommendation 7: Concur. The OIG has recommended that FEMA help states, territories and urban areas establish measurable goals and objectives that will enable them to systematically measure improvements in first responder capabilities and statewide preparedness. FEMA has established and implemented a system to do exactly that, as described below.

Measuring Grant Effectiveness

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 existing risks, use those risks to determine required capabilities, assess current capability levels against those requirements, and track its progress in closing identified capability gaps.

In 2012, FEMA released a consistent methodology for determining risks in the *Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide (CPG-201)*. CPG-201 details a five-step process jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. This approach allows a jurisdiction to establish its own capability targets based on the risks it faces.

On December 31, 2012, states, territories, and major urban areas receiving HSGP funds were required to submit their THIRA to FEMA. Once each jurisdiction has determined capability targets through the THIRA process, it estimates its current capability levels against those targets. Also in 2012, states and territories were required to submit State Preparedness Reports (SPRs) to FEMA. 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 results and the SPR identify capability needs and gaps. The THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report (NPR).



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Sustaining, Building and Delivering Capabilities

Having estimated capability requirements, the next component of the National Preparedness System is to build and sustain capabilities. This step ties grant investments directly to needs and shortfalls. Grantees address documented capability requirements and gaps in their grant applications. In the Investment Justifications (IJ) submitted in the grant application, grantees must specifically identify the core capability or capabilities, the priority of the core capability as well as the capability gaps noted in their SPR that investment intends to address. In addition, the grantee must identify the specific outcome(s) that the investment will yield. FEMA verifies completion of the investment/project through its programmatic monitoring and spending on the investment through the Biannual Strategy Implementation Report, also a tool used in the monitoring process. Since the period of performance for the Homeland Security Grant Program is two years, a time limit is set for completion of the project once it is funded.

FEMA addressed the OIG recommendation for States to establish SMART goals and objectives that will enable States and Territories to systematically measure improvements in first responder capabilities and statewide preparedness by requiring states to use a set of tools including the THIRA, SPR, and IJs. Strategy updates are encouraged but not required as the THIRA, SPR and IJ methodology provide the goals and assessment of progress against those goals.

Finally, Comprehensive Preparedness Guide 201 (CPG 201): Threat and Hazard Identification and Risk Assessment Guide Supplement 1: Toolkit provides all the required templates to complete the THIRA process including information and documentation used to develop and compile threat and hazard information. As the THIRA will be an annual iterative process, subsequent iterations will build on the documents from previous years.

Oregon has submitted their FY 2012 THIRA (see attachment) and SPR (see attachment). In accordance with the FY 2013 Homeland Security Grant Program Funding Opportunity Announcement, Oregon has submitted IJs based on their THIRA and SPR." See attached THIRA and SPR submitted by The State.

FEMA addressed the recommendation for assessment and reporting systems by requiring States and Territories to use the THIRA, SPR, and IJs as the basis for statewide assessment and reporting. The methodology and tools for THIRA and SPR are scalable and available to local jurisdictions and sub-grantees.

FEMA believes that use of the THIRA, SPR and IJ satisfies the intent of this recommendation and requests that recommendations be closed.

OIG Recommendation 8: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate review all costs charged to the Oregon Office of Emergency Management's Planning, Training, Exercise, and M&A subgrants for the Homeland Security Grant Program for at least 3 years preceding the scope of our audit and remedy any ineligible expenditures.



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FEMA Response to Recommendation 8: Concur. FEMA and the Oregon Office of Emergency Management (OEM) concur with the intent of Recommendation #8 based on the analysis conducted by OIG. However, we recommend that no specific action take place regarding this recommendation until the Independent Auditor identified within Recommendation #1 completes their analysis. FEMA and OEM feel this analysis may resolve and close this recommendation without having to take any specific action. Should the independent analysis not resolve this recommendation FEMA and OEM will come together to identify a solution.

OIG Recommendation 9: We recommend that the Assistant Administrator, Federal Emergency Management Agency, Grant Programs Directorate review the accuracy of the Office of Emergency Management's M&A, personnel, and indirect costs charged to the Emergency Management Performance Grant Program, Interoperable Emergency Communications Grant Program, and Emergency Operations Center Grant Program and any other grants potentially impacted by the Office of Emergency Management's grant management practices.

FEMA Response to Recommendation 9: Concur. FEMA and the Oregon Office of Emergency Management (OEM) concur with the intent of Recommendation #9 based on the analysis conducted by OIG. However, we recommend that no specific action take place regarding this recommendation until the Independent Auditor identified within Recommendation #1 completes their analysis. FEMA and OEM feel this analysis may resolve and close this recommendation without having to take any specific action. Should the independent analysis not resolve this recommendation FEMA and OEM will come together to identify a solution.

Thank you again for the opportunity to comment on OIG-13-114-AUD-FEMA "The State of Oregon's Management of State Homeland Security Program and Urban Areas Security Initiative Grants for FYs 2010 – 2012" and for the work that you and your team have done to better inform us throughout this audit so that we may enhance the program's overall effectiveness. We look forward to your final report for this audit. Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.



Appendix C

Homeland Security Grant Program

The 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. It 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 M&A costs. Programs include the following:

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

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

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



Appendix D Potential Monetary Benefits

Classification of Monetary Benefits					
Finding	Rec. No.	Funds To Be Put to Better Use	Questioned Costs – Unsupported Costs	Questioned Costs – Other	Total
Unallowable personnel and indirect costs	1	\$1,528,259	\$0	\$727,742	\$2,256,001

Source: DHS OIG.



Appendix E

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Appendix F

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