

Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012 (Revised)





HIGHLIGHTS

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

January 9, 2015

Why We Did This

The Department of Homeland Security provides Federal funding through the Homeland Security Grant Program (HSGP) to assist state and local agencies in enhancing capabilities to prevent, prepare for, protect against, and respond to acts of terrorism, major disasters, and other emergencies.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires our office to audit individual states' management of State Homeland Security Program and Urban Areas Security Initiative grants.

What We Recommend

Our recommendations focus on better monitoring, reconciling accounts, documenting expenditures and budget changes, and tracking inventory.

For Further Information:

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

What We Found

Although Ohio took steps in recent years to improve its management of funds awarded under the HSGP, the Federal Emergency Management Agency (FEMA) cannot be assured that Ohio effectively managed grant funds from fiscal years (FY) 2010 through 2012. Specifically, Ohio needs to improve its performance measures, the accounting for grant funds, the timeliness of releasing funds to subgrantees, and its monitoring of subgrantees, including their procurement and property management practices. Although we identified many of these same challenges in two previous audits of Ohio's management of HSGP funding, FEMA has not changed its oversight practices to target Ohio's areas of repeated deficiencies. Ohio continues to disregard some Federal regulations and grant guidance. Consequently, the State may be limited in its ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

FEMA Response

FEMA concurred with all of the recommendations in this report. The Component will use the findings to strengthen the effectiveness and efficiency of how it executes and measures the program.



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Department of Homeland Security

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

JAN 9 2015

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

FROM: *for* Mark Bell *Patrick O'Malley*
Assistant Inspector General for Audits

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

Attached for your information is our revised final report, *Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012*, OIG-15-08. We reissued the report with a correction to the Management Comments and OIG Analysis section on page 17. The revision did not change the findings or recommendations made in this report. Please see the attached errata page for details.

Please call me with any questions, or your staff may contact Don Bumgardner, Acting Deputy Assistant Inspector General, at (202) 254-4100.

Attachment

Errata page for OIG-15-08

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

Change made to the Management Comments and OIG Analysis section, page 17, 3rd section (see below):

Changed from:

FEMA's and the State's responses to Recommendation #8: FEMA and Ohio concurred with the recommendation. GPD will direct Ohio to provide documentation that adequately supports the questioned \$3,559,006.76 for noncompliant procurements or return to FEMA the amount not supported. FEMA reported a planned March 2015 completion date.

Changed to:

FEMA's and the State's responses to Recommendation #8: FEMA and Ohio concurred with the recommendation. Although FEMA's response misstated the cost of \$3,559,006.76, GPD will direct Ohio to provide documentation that adequately supports the questioned \$3,559,066.76 for noncompliant procurements or return to FEMA the amount not supported. FEMA reported a planned March 2015 completion date.



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Abbreviations

BSIR	Biannual Strategy Implementation Report
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
GPD	Grant Programs Directorate
HSGP	Homeland Security Grant Program
OEMA	Ohio Emergency Management Agency
OIG	Office of Inspector General



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SHSP	State Homeland Security Program
UASI	Urban Areas Security Initiative



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Executive Summary

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

The audit objective was to determine whether Ohio used Homeland Security Grant Program funds in accordance with the law, program guidance, state homeland security strategies, and other applicable plans. We also addressed the extent to which the funds awarded enhanced the ability of grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The Federal Emergency Management Agency (FEMA) awarded Ohio about \$61.6 million in State Homeland Security Program and Urban Areas Security Initiative grants during fiscal years 2010 through 2012.

Although Ohio took steps in recent years to improve its management of funds awarded under the Homeland Security Grant Program, FEMA cannot be assured that Ohio effectively managed grant funds from fiscal years 2010 through 2012. Specifically, Ohio needs to improve its performance measures, the accounting for grant funds, the timeliness of releasing funds to subgrantees, and its monitoring of subgrantees, including their procurement and property management practices. Although we identified many of these same challenges in two previous audits of Ohio's management of Homeland Security Grant Program funding, FEMA has not changed its oversight practices to target Ohio's areas of repeated deficiencies. Ohio continues to disregard some Federal regulations and grant guidance. Consequently, the State may be limited in its ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

We are making nine recommendations to FEMA, which should strengthen program management, performance, and oversight. This includes better monitoring, reconciling accounts, documenting expenditures and budget changes, and tracking inventory. FEMA concurred with all the recommendations.



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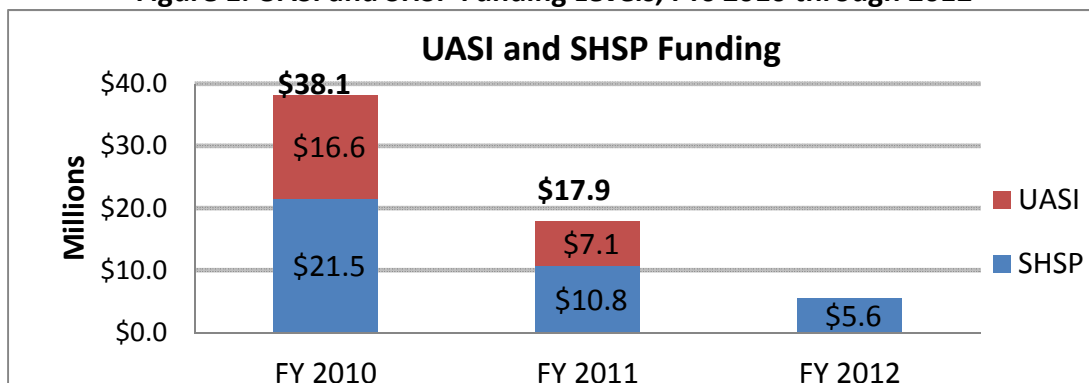
Background

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

HSGP guidance requires a state administrative agency to administer and manage grant funding awarded under the HSGP. The Ohio Emergency Management Agency (OEMA) was designated as the state administrative agency for HSGP. As such, OEMA is responsible for managing the SHSP and UASI grants in accordance with established Federal guidelines and regulations. OEMA received SHSP grant funds for the State, as well as UASI grant funds for the Cincinnati, Cleveland, Columbus, and Toledo urban areas. OEMA distributed the grant funds through subawards to municipalities, counties, state agencies, and law enforcement regions.

From fiscal years (FY) 2010 through 2012, FEMA awarded Ohio SHSP and UASI grant funds totaling about \$61.6 million. Figure 1 illustrates the UASI and the SHSP funding that Ohio received over the 3-year period. Ohio's urban areas only received funding for FYs 2010 and 2011, totaling about \$23.7 million. Ohio received its highest level of SHSP funding in FY 2010, but funding declined by more than \$15 million from FY 2010 to FY 2012. Appendix A contains details on the audit's objectives, scope, and methodology.

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



Source: DHS OIG analysis of FEMA data



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DHS OIG issued three reports on Ohio's SHSP and UASI funding:

- *The State of Ohio's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During FYs 2007 through 2009*, OIG-12-17
- *Ohio Law Enforcement Terrorism Prevention Program Subgrants FYs 2004-2006*, OIG-11-60
- *The State of Ohio's Management of State Homeland Security Grants Awarded During FYs 2002 through 2004*, OIG-08-28

These previous audit reports disclosed deficiencies in Ohio's management of the grant program, some of which are similar to those discussed in this audit report.

Results of Audit

Although Ohio took steps in recent years to improve its management of funds awarded under the HSGP, FEMA cannot be assured that Ohio effectively managed grant funds from FYs 2010 through 2012. Specifically, Ohio needs to improve its performance measures, the accounting for grant funds, the timeliness of releasing funds to subgrantees, and its monitoring of subgrantees, including their procurement and property management practices. Although we noted many of these same challenges in two previous audits of Ohio's management of HSGP funding, FEMA has not changed its oversight practices to target Ohio's areas of repeated deficiencies. Ohio continues to disregard some Federal regulations and grant guidance. Consequently, the State may be limited in its ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

Homeland Security Strategies

Ohio's homeland security strategies did not always contain objectives that were time-limited as required by Federal guidance. Without such objectives, Ohio cannot measure the effects of grant expenditures on preparedness and emergency response capabilities.

In July 2005, FEMA released the *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*. According to the guidance, objectives in homeland security strategies must be:

- Specific, detailed, particular, and focused – help identify what is to be achieved and accomplished;



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- Measurable – quantifiable, provide a standard for comparison, and identify a specific achievable result;
- Achievable – not beyond the ability of a state, region, jurisdiction, or locality;
- Results-oriented – identify a specific outcome; and
- Time-limited – have a target date that identifies when the objective will be achieved.

Most of the performance measures related to the objectives in Ohio's three homeland security strategies from FYs 2010 through 2012 did not have attainable time limitations. Specifically:

- In the FY 2010 homeland security strategy, 122 of the 395 performance measures had attainable time limitations;
- In the FY 2011 strategy, 148 of 406 performance measures had attainable time limitations; and
- In the FY 2012 strategy, none of the 427 performance measures had attainable time limitations.

According to the Ohio Policy and Planning Manager, the performance measures for achieving the objectives in the three strategies were specific, measurable, achievable, results-oriented, and time-limited. The manager also said that the State reviewed the strategies every year to ensure they contained current performance measures with target dates for achieving objectives within the specified timeframes. However, most of the performance measures in the FY 2010 and FY 2011 strategies did not have attainable time limitations, and none from the FY 2012 strategy had attainable target dates. According to another official, because FEMA reviewed and approved Ohio's strategies, OEMA did not believe that FEMA required any corrective actions. Table 1 shows examples of shortcomings in time-limited objectives in the three strategies.



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Table 1: Examples of Shortcomings in Time-limited Objectives in Ohio Homeland Security Strategies, FYs 2010–2012

Fiscal Year	Objective	Performance Measure	Assessment
2010	Objective 1.1	Performance Measurement 1.1.1(A) A primary Terrorism Liaison Officer will be designated for each region to assist with the development of the Regional Intelligence Groups. (To be completed by September 30, 2008)	The objective is not attainable because of the time limitation. The target date had passed by the time the money was distributed to subgrantees.
2010	Objective 2.1	Performance Measurement 2.1.1(A) Committees and councils, representing various levels of government and the private sector function within and across sectors, will actively participate in Chemical Biological, Radiological, Nuclear, and Explosives; and Weapons of Mass Destruction plans development. (To be completed by September 30, 2010)	The objective is not attainable because of the time limitation. The target date had passed by the time the money was distributed to subgrantees.
2011	Objective 1.1	Performance Measurement 1.1.2(A) An advisory committee will be established with regional, state, local, Federal, and private sector multi-disciplinary representation to guide the Regional Intelligence Group project. (To be completed by September 30, 2008)	The objective is not attainable because of the time limitation. The target date had passed by the time the strategy was approved.
2011	Objective 2.1	Performance Measure 2.1.1(A) Committees and councils, representing various levels of government and the private sector function within and across sectors, will actively participate in Chemical Biological, Radiological, Nuclear, and Explosives; and Weapons of Mass Destruction plans development. (To be completed by September 30, 2010)	The objective is not attainable because of the time limitation. The target date had passed by the time the strategy was approved.
2012	Objective 1.1	Performance Measure 1.1.3(A) Inventory and needs assessment of information/intelligence gathering/sharing assets, such as traditional crime task forces, will be conducted throughout the state. (To be completed by September 30, 2010)	The objective is not attainable because of the time limitation. The target date had passed by the time the strategy was approved.
2012	Objective 2.1	Performance Measure 2.2.1(B) An assessment of human disease surveillance and detection systems will be completed. (To be completed by September 30, 2008)	The objective is not attainable because of the time limitation. The target date had passed by the time the strategy was approved.

Source: DHS OIG analysis of Ohio homeland security strategies, FYs 2010 through 2012



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Without objectives that are specific, measurable, achievable, results-oriented, and time-limited, it is difficult for Ohio to measure and report on improvements in preparedness and evaluate progress toward achieving the objectives. The objectives' shortcomings also prevent Ohio from identifying baselines from which to measure and adequately assess improvement to determine future funding needs.

Programmatic Accounting for Funds

In auditing the funds Ohio expended, we discovered inaccuracies in the State's Biannual Strategy Implementation Reports (BSIR), as well as inaccuracies between program and accounting ledgers. Without accurate accounting for funds at the program level, Ohio may be relying on inaccurate and incomplete information when making spending decisions.

FEMA grant guidance requires states to submit BSIRs to track anticipated and actual spending. The BSIR is due within 30 days after the end of the reporting period and provides updated obligation and expenditure information. The reporting periods are January 1 through June 30 and July 1 through December 31.

Ohio's June 2013 BSIR included anticipated and actual spending of \$1.6 million for state training and exercises, combined with state administration and other state spending, for a final total of \$3.8 million in spending from its FY 2010 SHSP grant. However, when the FY 2010 grant expired on July 31, 2013, Ohio reported on its program ledger a final total of \$1.7 million in state spending, a difference of \$2.1 million. According to officials, the June 2013 BSIR for the FY 2010 grant was inaccurate, but they could not determine the cause of the inaccuracy.

According to Title 44 of the Code of Federal Regulations (CFR) §13.20(a)(2), *Standards for Financial Management Systems*, "Fiscal control and accounting procedures of the State ... must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." Ohio had poor record keeping and could not provide support for when and how it moved money from budgeted funds to funds it reported spending in the June 2013 BSIR.

Ohio's program ledger, which tracked overall FY 2010 SHSP expenses and expenses by project or subgrantee, was also inaccurate. We compared the project balances on the program ledger to our sample of local subgrantee reimbursements from Ohio's Electronic Grants Management Information System. Ohio made errors in tracking grant expenditures, which resulted in inaccurate remaining balances on the program ledger. These errors for the subgrantees in our sample totaled \$78,177 in unrecorded expenses.



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We also compared Ohio's project expenses for the FY 2010 SHSP grant to records and information the State provided. On its program ledger, Ohio inaccurately identified \$22,177 in state exercise expenses as a local project.

We compared the balance of the FY 2010 SHSP grant from the program ledger to the balance recorded in its official accounting system. For the FY 2010 grant, Ohio calculated total expenditures of \$21,105,651 on its program ledger; the official accounting record shows total expenditures of \$21,136,833. In addition, the final FY 2010 SHSP expenditure amount Ohio reported to FEMA in July 2014 differed from the amounts recorded in the program ledger and the accounting system.

Availability of Grant Funds

Ohio did not make grant funds available to subgrantees within 45 days as required by *FEMA Homeland Security Grant Program Guidance*. This guidance requires states to obligate pass-through grant funds within 45 days of FEMA's award date and includes the following requirements:

- There must be some action to establish a firm commitment on the part of the awarding entity;
- The action must be unconditional (i.e., no contingencies for availability of funds) on the part of the awarding entity;
- There must be documentary evidence of the commitment; and
- The award terms must be communicated to the official grantee.

Ohio released grant funds beyond the 45-day requirement for all the subgrantees we reviewed. From FYs 2010 through 2012, Ohio released funds to subgrantees between 33 and 555 days after the 45-day requirement. Table 2 shows a breakdown of the average time Ohio released grant funds, in FYs 2010 through 2012, to the subgrantees we reviewed.

Table 2: Average Number of Days Ohio Released Grant Funds to Subgrantees

	FY 2010	FY 2011	FY 2012
Average number of days it took Ohio to release grant funds to subgrantees	336 days	313 days	138 days

Source: DHS OIG prepared using OEMA data

Although Ohio improved the timeliness of releasing funds, it still did not comply with grant guidance. According to Ohio's award requirements, subgrantees must have an approved budget from OEMA before they can receive grant funds. The major cause of Ohio's noncompliance was its inability to evaluate and approve budgets for subgrantees



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in a timely manner. By delaying funding, the State lengthened the award process and delayed subgrantees' procurement processes. Ohio may also have diminished its ability to prevent, prepare for, protect against, and respond to disasters.

Subgrantee Procurement Practices

Ohio did not ensure that subgrantees complied with Federal regulations when procuring equipment and services with HSGP funds. Of the 16 subgrantees we reviewed, 14 did not adhere to Federal procurement requirements. Specifically, they did not:

- obtain an adequate number of qualified quotes or formal bids;
- conduct a cost analysis; or
- justify noncompetitive procurements.

Of the 138 procurement transactions we reviewed, 86 did not comply with Federal procurement guidance. According to 44 CFR § 13.36, *Procurement Standards*, subgrantees may use their own procurement procedures, which reflect applicable state and local laws and regulations, provided the procurements conform to applicable Federal law. Federal procurement regulations governing subgrantees require:

- full and open competition for all procurement transactions;
- price or rate quotes from an adequate number of qualified sources for all small purchase procedures;
- a cost analysis when there is inadequate price competition and for sole source procurements, unless price reasonableness can be established; and
- use of noncompetitive proposals only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals, and in certain circumstances.

Appendix D lists the subgrantees with procurement transactions not meeting Federal guidelines and the dollar values. Table 3 shows the total dollar values for each fiscal year.

Table 3: Dollar Values for Noncompliant Procurement Transactions

	FY 2010	FY 2011	FY 2012	TOTAL
Dollar values for procurement transactions not meeting Federal guidelines	\$2.9 Million	\$318,500	\$339,400	\$3.6 Million

Source: DHS OIG prepared using OEMA and subgrantee data (the total has been rounded).

Our review of the 16 subgrantees' procurement processes showed 14 subgrantees did not fully understand the Federal procurement requirements for full and open



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competition and that local procedures did not always align with the Federal grant requirements. Noncompliance mostly related to incomplete quote documentation, lack of sole source justifications, and lack of multiple quotes.

During the period audited, OEMA required subgrantees to submit a final invoice when requesting reimbursement for procured equipment or services, but did not require any supporting documentation to validate the request.

Without full and open competition, cost analyses, or sole source justifications, OEMA cannot be assured that the cost of subgrantees' equipment and services is reasonable.

Property Management and Accountability

Ohio did not ensure subgrantees adhered to inventory control policies for grant-funded equipment. In addition, the subgrantees in our sample did not include all required information on inventory lists and did not perform required physical inventories and reconcile results with property records.

In its grant award agreement, OEMA requires each subgrantee to comply with grant requirements in the CFR. According to 44 CFR § 13.32, *Equipment*, the state and its subgrantees must maintain property records for equipment acquired with grant funds; the property records must include certain elements, such as a description of the property and cost. In addition, subgrantees must take a physical inventory of grant-funded equipment every 2 years and reconcile the results with property records. Subgrantees also received subgrant agreements and HSGP local guidance from OEMA in their application packets, which included the CFR requirements. Although OEMA's FY 2010 guidance did not contain inventory requirements, FYs 2011 and 2012 award guidance included inventory requirements from 44 CFR § 13.32.

Our review of subgrantees' equipment property records showed that the subgrantees in our sample did not always comply with property record requirements. We identified the following deficiencies in grant-funded property management:

- Five of 16 subgrantees did not have complete property records of grant-purchased equipment;
- Fourteen of 16 subgrantees' property records did not contain all required data elements or were missing required information; and
- Eleven of 16 subgrantees did not conduct physical inventories and reconcile them with property records every 2 years as required.



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During our site visits, we determined that most subgrantees were not aware of the CFR property record requirements, even though OEMA included the regulations in annual subgrant agreements and in HSGP local guidance issued in FYs 2011 and 2012. OEMA did not adequately monitor the activities of each subgrantee to ensure they maintained complete property records and conducted the required physical inventories of equipment every 2 years. OEMA's lack of staffing for subgrantee oversight, along with its policy to conduct only a sample of site visits every year, contributed to the subgrantees' noncompliance with Federal property management requirements.

If Ohio does not comply with Federal laws and grant guidelines, it cannot be assured that grant-funded equipment is properly safeguarded, in good condition, and is available when needed to prevent, prepare for, protect against, and respond to natural and manmade disasters.

Monitoring of Subgrantees

OEMA did not conduct a sufficient level of monitoring to ensure compliance with Federal guidance. OEMA conducted onsite visits of 18 subgrantees that received about 7 percent of all FY 2010 through 2012 grant funding. According to 44 CFR § 13.40, *Monitoring and Reporting Performance*, grantees are responsible for managing the day-to-day operations of grant- and subgrant-supported activities. They are to ensure that grant recipients comply with applicable Federal requirements and achieve program performance goals. This regulation also specifies that grantees' monitoring programs must cover each program, function, or activity.

In addition, Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, Part 3-M, specifies grantee-monitoring requirements. According to the circular, grantees are to monitor subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means. Monitoring should provide reasonable assurance that the subgrantee administers Federal awards in compliance with laws and regulations, as well as the provisions of contracts or grant agreements, and it should ensure subgrantees achieve performance goals.

OEMA conducted 18 site visits for subgrantees receiving FYs 2010 through FY 2012 funding and reported:

- Seventeen subgrantees did not have proper labeling and inventory records;
- Sixteen subgrantees did not have proper documentation of purchases and/or competitive bids; and



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- Eighteen subgrantees had deficiencies in their reconciliations of awarded grant funds and disbursements or other internal controls.

The selection method for onsite monitoring was not risk based and did not factor in the award amounts subgrantees received. Although OEMA has developed a risk-based approach to select subgrantees for site visits, it does not plan to implement the approach until it conducts an initial onsite review of each subgrantee. In many cases, OEMA's initial reviews were of subgrantees that received smaller grant awards. As a result, OEMA conducted onsite reviews of subgrantees that received FYs 2010 through 2012 funding of only about \$4.3 million, or only about 7 percent of the total \$61.6 million award. Review of this low percentage of total funding makes it difficult for OEMA to meet the requirements of 44 CFR § 13.40.

Without onsite monitoring of subgrantees, OEMA officials were not aware of:

- procurement practices that did not comply with Federal regulations;
- property management practices of subgrantees and first responder organizations that did not comply with Federal regulations; and
- subgrantees and first responder organizations' progress toward achieving program goals and objectives to improve preparedness.

Prior HSGP Audits of Ohio

We identified similar findings in our previous audits of Ohio's HSGP. Our earlier reports cited deficiencies in establishing strategic goals and objectives, reconciling grant funds, releasing grant funds, subgrantee monitoring, and procurement and inventory practices.

In 2008, we reported:

- Deficiencies in establishing measurable strategic goals and objectives; and
- Improper accounting of grant disbursements and inaccurate reports to FEMA, as well as an inability to reconcile drawdowns from the Federal account with expenditures recorded in the State's accounting system.

In 2008 and 2011, we reported:

- Subgrantees did not follow Federal procurement requirements. In 2011, only 9 of 85 large (\$100,000 or more) purchases and some smaller purchases were purchased under full and open competition.
- Ohio did not comply with Federal property standards. In 2011, at least 19 out of 24 subgrantees reviewed had no written policies or procedures, incomplete



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inventory records, improperly marked equipment, and/or did not conduct periodic inspections as required.

- Monitoring of subgrantees was insufficient. For the FYs 2007 through 2009 award period, Ohio did not conduct any site visits of subgrantees and communicated with subgrantees through periodic telephone calls and email. At that time, Ohio had no plan or policy to conduct site visits.

In 2011, we reported:

- From FYs 2007 through 2009, Ohio released funds to subgrantees on average between 240 and 330 days.

Although OEMA has taken corrective actions to implement prior OIG recommendations, there has been limited improvement. FEMA did not strengthen its monitoring of Ohio to ensure that Ohio was following all Federal regulations and grant guidance. FEMA's general reviews of Ohio's grants included the SHSP and UASI grants, but did not identify these reoccurring issues.

Because Ohio continues to face challenges in managing its HSGP funding, FEMA needs to provide more targeted and stronger oversight. This would help to ensure that Ohio manages its limited HSGP funds more efficiently and effectively. It would also help improve Ohio's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

Other Observations

The State approved one subgrantee's use of FY 2010 UASI grant funds for a "Planner" position, for which the subgrantee did not submit timely documentation to support \$61,499.69 in reimbursement. The timesheets supporting the cost also appeared to have been completed retroactively. According to the position description, the Planner was responsible for preparing and delivering presentations. The subgrantee was unable to provide us with documentation to validate the Planner's performance. Thus, we consider the \$61,499.69 a questioned cost because we were unable to determine whether this was an allowable expense.

Prior to the close of the award period, the subgrantee submitted timesheets and payroll registers dated for May 2012 to May 2013 for reimbursement. A review of the documents showed that the supervisor signed the documents before the employee. In addition, time and project descriptions for each month were short and duplicative in nature. A UASI official said that the employee left service shortly after the FY 2010



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UASI funding agreement lapsed, and the supervisor had to locate the former employee to obtain signatures for the timesheets.

A UASI official told us that there have been similar situations, in which, contrary to grant guidance, this subgrantee did not submit timely reimbursement documentation. According to FEMA's Information Bulletin 352, "... to provide an accurate representation of FEMA grant fund usage, we would like to reemphasize the importance of the timely drawdown of grant dollars. The Grant Programs Directorate is requesting that, whenever possible, grantees draw down funds no less than on a quarterly basis." To avoid questionable reimbursements in the future, Ohio should apply FEMA's request to its subgrantees.

Recommendations

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

Recommendation #1:

Increase and strengthen monitoring of Ohio to ensure compliance with Federal grant requirements.

Recommendation #2:

Assist Ohio in developing a comprehensive performance measurement system for homeland security goals and objectives. This should include target levels of performance and the means to measure progress toward enhancing preparedness. It should also include specific, measurable, achievable, results-oriented, and time-limited goals and objectives with attainable target dates.

Recommendation #3:

Conduct a reconciliation of Ohio's program and accounting ledgers for FY 2010 and require Ohio to return grant funds for expenditures that do not have support.

Recommendation #4:

Direct Ohio to develop policies and procedures that include documenting changes in planned budgets and periodic reconciliation of program and accounting ledgers, so the State can track funds as required by Federal regulations.



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Recommendation #5:

Direct Ohio to review all supporting procurement documentation to ensure compliance with procurement requirements in 44 CFR § 13.36 when subgrantees submit requests for reimbursement.

Recommendation #6:

Direct Ohio to require subgrantees to submit all grant-funded inventory records annually to OEMA for review.

Recommendation #7:

Direct Ohio to develop and implement additional controls to compensate for the limited staff available for onsite monitoring.

Recommendation #8:

Direct Ohio to provide documentation that adequately supports the questioned \$3,559,066.76 for noncompliant procurements or return to FEMA the amount not supported.

Recommendation #9:

Direct Ohio to provide documentation that adequately supports the \$61,499.69 for the Planner position or return to FEMA the amount not supported.

Management Comments and OIG Analysis

FEMA concurred with all of the recommendations in this report. The component will use the findings to strengthen the effectiveness and efficiency of executing and measuring the program. Based on information provided by FEMA, recommendation 2 is resolved and closed. The remaining eight recommendations are resolved and open. A summary of the planned action and our analysis follow.

FEMA's and the State's responses to Recommendation #1: FEMA concurred with the recommendation. FEMA's Grant Programs Directorate (GPD) has revised its monitoring protocols for grantees. The new monitoring protocol, implemented in 2013, is risk based and ensures 100 percent of awards are reviewed annually through a first-line review process. The risk-based approach enables FEMA to focus its programmatic monitoring resources on those awardees administering higher risk awards. The protocol then



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allocates monitoring resources and focuses monitoring activities on awards with a high potential for noncompliance with regulations or that fail to meet project objectives. The protocol uses quantifiable measures (criteria) to prioritize and rank grantees according to identified risks that threaten the success of preparedness grant awards. Ohio commented that it continues to welcome any monitoring, technical assistance, or grant support FEMA provides.

OIG Analysis: FEMA's implementation of GPD's new protocol for monitoring grantees is responsive to the intent of the recommendation. The recommendation is considered resolved and open until we receive documentation of increased monitoring of Ohio to ensure compliance with Federal grant requirements.

FEMA's and the State's responses to Recommendation #2: FEMA concurred with the recommendation; Ohio did not concur. FEMA indicated it addressed OIG's recommendation for specific, measurable, achievable, results-oriented, and time-limited goals and objectives, which will enable states and territories to systematically measure improvements in first responder capabilities and statewide preparedness. FEMA requires states to use a set of tools including the Threat and Hazard Identification and Risk Assessment, State Preparedness Report, and Investment justifications. Therefore, FEMA encourages, but does not require, strategy updates.

OIG Analysis: FEMA's response addresses the intent of this recommendation. This recommendation is resolved and closed.

FEMA's and the State's response to Recommendation #3: FEMA concurred with the recommendation; Ohio did not concur. GPD will require Ohio to conduct an independent audit of its program and accounting ledgers for FY 2010 to reconcile all discrepancies and require Ohio to return grant funds for expenditures that do not have support. Ohio contended that final reconciliations occurred during the close-out process of the FY 2010 award. Ohio also said it did not give OIG all necessary documents to conduct a reconciliation of its program and accounting ledgers for FY 2010. Ohio also contended that OIG did not request an updated accounting ledger to validate that the final expenditure amount did not match the ledgers, nor did OIG consider supporting documentation provided at the exit conference.

OIG Analysis: GPD's corrective action planned is responsive to the recommendation. Throughout the audit, OIG requested documentation showing planned and actual expenditures of all programs and projects so that we could reconcile them with Ohio's accounting records. In addition, OIG reviewed all documentation provided at the exit conference, but the documentation was still not sufficient to reconcile the differences in Ohio's official accounting record with the amount the State reported to FEMA. The



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recommendation is resolved and open until we receive documentation of the independent audit report.

FEMA's and the State's responses to Recommendation #4: FEMA concurred with the recommendation; Ohio partially concurred. GPD will work with Ohio to ensure the State develops policies and procedures that include documenting changes in planned budgets and periodic reconciliation of program and accounting ledgers. FEMA anticipates a completion date of December 15, 2014. According to Ohio, it already conducts financial reconciliations quarterly and then provides the information to the grant area. Ohio agreed that developing stronger policies and procedures for documenting and communicating changes to the planned budget is needed. The State also acknowledged it could improve tracking of state activities by communicating the program budget to the fiscal branch.

OIG Analysis: GPD's corrective action plan is responsive to the recommendation. This recommendation is resolved and open until we receive documentation of the policies and procedures that include documenting changes in planned budgets and periodic reconciliation of program and accounting ledgers, along with evidence of the implementation of the policies and procedures.

FEMA's and the State's responses to Recommendation #5: FEMA and Ohio concurred with the recommendation. By March 2015, GPD will require Ohio to review and modify all supporting procurement documentation to ensure subgrantees comply with procurement requirements in 44 CFR § 13.36 when submitting requests for reimbursement. Ohio will submit its procurement documentation to FEMA for review and approval.

OIG Analysis: FEMA's corrective action plan is responsive to the recommendation. This recommendation is resolved and open until we receive evidence that procurement documentation is submitted with requests for reimbursement.

FEMA's and the State's responses to Recommendation #6: FEMA and Ohio concurred with the recommendation. FEMA GPD will direct Ohio to require its subgrantees to submit all grant-funded inventory records annually for review in accordance with 44 CFR § 13.32. By December 15, 2014, FEMA will also require that Ohio draft and submit a policy to this effect and submit the policy to GPD for review and approval.

OIG Analysis: FEMA's corrective action plan is responsive to the recommendation. This recommendation is resolved and open until we receive evidence of Ohio's approved policy for requiring subgrantees to submit all grant-funded inventory records annually for review.



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FEMA's and the State's responses to Recommendation #7: FEMA and Ohio concurred with the recommendation. GPD will direct Ohio to develop and implement additional controls to compensate for the limited staff available for onsite monitoring. FEMA will also require Ohio to draft and submit a policy to include desk-monitoring procedures, along with increased review of progress reports to GPD for review and approval. FEMA plans a December 15, 2014 completion date.

OIG Analysis: FEMA's corrective action plan is responsive to the recommendation. This recommendation is resolved and open until we receive evidence of the additional controls implemented to compensate for limited staff for onsite monitoring and Ohio's approved policy for desk-monitoring procedures, along with increased review of progress reports.

FEMA's and the State's responses to Recommendation #8: FEMA and Ohio concurred with the recommendation. Although FEMA's response misstated the cost of \$3,559,006.76, GPD will direct Ohio to provide documentation that adequately supports the questioned \$3,559,066.76 for noncompliant procurements or return to FEMA the amount not supported. FEMA reported a planned March 2015 completion date.

OIG Analysis: FEMA's corrective action plan is responsive to the recommendation. Therefore, this recommendation is resolved and open until we receive evidence of clear documentation supporting the questioned amount and approved by GPD, or return of all questioned funding.

FEMA's and the State's responses to Recommendation #9: FEMA concurred with the recommendation; Ohio did not concur. GPD will direct Ohio to provide documentation that adequately supports the \$61,499 for the Planner position or return to FEMA the amount not supported. FEMA reported a planned March 2015 completion date. Ohio said that, in compliance with Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, it requires support for all personnel reimbursement requests. According to Circular A-87, time and effort certifications must reflect an after-the-fact distribution of actual activity and must be signed by the employee. Ohio contended the subgrantee provided documentation that met these requirements.

OIG Analysis: FEMA's corrective action plan is responsive to the recommendation. This recommendation is resolved and open until we receive evidence of clear documentation supporting the questioned amount and approved by GPD or return of all questioned funding. Regarding Ohio's response, clear documentation must include documentation validating the Planner's performance. The timesheets we reviewed during the audit did not appear authentic.



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Appendix A

Objectives, Scope, and Methodology

DHS 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 DHS OIG to audit individual states' management of SHSP and UASI grants. This report responds to the reporting requirement for Ohio. The audit objectives were to determine whether Ohio distributed, administered, and spent HSGP funds, including SHSP and UASI funds, strategically, effectively, and in compliance with laws, regulations, and guidance. We also addressed the extent to which funds awarded enhanced Ohio's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

The HSGP encompasses several interrelated grant programs that fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. We reviewed only SHSP and UASI funding and equipment and supported programs for compliance. The scope of the audit included reviewing the plans developed by Ohio to improve preparedness and response to all types of hazards, goals, and objectives in those plans; measurement of progress toward the goals; and compliance with laws, regulations, and grant guidance. The scope of this audit included about \$61.6 million in SHSP and UASI grants awarded for FYs 2010 through 2012.

Our audit methodology included work at OEMA and several subgrantee locations throughout Ohio. 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 funds. We reviewed the plans developed by the State to improve preparedness and respond to hazards.

We judgmentally selected a sample of 16 subgrantees, including OEMA, and reviewed FYs 2010 through 2012 files of those SHSP and UASI subgrantees. These 16 subgrantees had total awards of about \$46.4 million representing about 75 percent of the total grant funds awarded to Ohio. We determined our sample based on the total expenditures reported by OEMA as of June 2013. The subgrantees in our sample were in the Columbus, Cincinnati, Cleveland, and Toledo urban areas. Table 4 shows the value of the subgrantee grant awards from our sample selection.



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Table 4: Subgrantee Sample Selection for FYs 2010 through 2012

Subgrantees	Total Grant Awards	Grant(s)	FY(s)
Ohio Emergency Management Agency	\$6,339,132	SHSP	2010–2012
Ohio Homeland Security Division	\$1,983,412	SHSP	2010–2012
Cincinnati / Hamilton Urban Area	\$8,468,899	UASI	2010–2011
Cleveland / Cuyahoga Urban Area	\$8,684,822	UASI	2010–2011
Columbus / Franklin Urban Area	\$5,661,588	SHSP & UASI	2010–2012
Toledo / Lucas Urban Area	\$2,291,708	UASI	2010
Butler County EMA	\$647,837	SHSP	2010–2012
Cuyahoga County EMA	\$3,571,179	SHSP	2010–2012
Delaware County EMA	\$220,858	SHSP	2010–2011
Franklin County EMA	\$1,757,695	SHSP	2010–2012
Hamilton County EMA	\$2,370,534	SHSP	2010–2012
Knox County EMA	\$104,034	SHSP	2010–2011
Lucas County EMA	\$850,822	SHSP	2010–2012
Lucas County Sheriff	\$1,175,031	SHSP	2010–2012
Summit County EMA	\$2,087,806	SHSP	2010–2011
Union County EMA	\$195,310	SHSP	2010–2012
Total	\$46,410,667		

Source: DHS OIG analysis of FEMA data

We conducted this performance audit between December 2013 and June 2014 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

OCT 09 2014

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

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

SUBJECT: Federal Emergency Management Agency (FEMA)
Response to OIG's Draft Report: "Ohio's Management of
Homeland Security Grant Program Awards for Fiscal Years
2010 Through 2012" OIG Project No. 14-086-AUD-FEMA

Thank you for the opportunity to comment on your Draft Report, "Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012" OIG Project No. 14-086-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 our processes, including addressing the recommendations raised in this report. The following are our written responses to the nine (9) recommendations for implementation, of which, FEMA concurs with all nine (9) recommendations.

Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to increase and strengthen monitoring of Ohio to ensure compliance with Federal grant requirements.

Response: Concur. The Grant Programs Directorate (GPD) has revised its monitoring protocols for grantees. The new protocol, implemented in 2013, complies with the monitoring requirements described in Section 2022 of the Homeland Security Act of 2002, as amended. Programmatic monitoring increases oversight throughout the award lifecycle to enable FEMA GPD to better validate that programs and projects undertaken by grantees are consistent with approved plans and comply with applicable laws, rules, regulations and program guidance.

The monitoring protocol is risk-based and ensures 100 percent of awards are reviewed annually, through a first line review process. The risk-based approach enables the organization to focus its programmatic monitoring resources on those awardees administering higher risk awards. The protocol then allocates monitoring resources, and focuses monitoring activities on awards with a high potential for noncompliance with regulations or for failure to meet project objectives. The

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protocol uses quantifiable measures (criteria) to prioritize and rank grantees according to the risks identified that threaten the success of GPD preparedness grant awards. Program Analysts then conduct advanced monitoring, through intensive desk reviews and targeted on-site monitoring, to high-risk awards identified during the first line review and prioritization process. Post-monitoring activities ensure that proper documentation, corrective actions and technical assistance are provided to grantees.

Based on this monitoring protocol already implemented by GPD, FEMA requests that this recommendation be considered resolved and closed.

Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to assist Ohio in developing a comprehensive performance measurement system for homeland security goals and objectives. This should include target levels of performance and the means to measure progress toward enhancing preparedness. It should also include specific, measurable, achievable, results-oriented, and time-limit goals and objectives with attainable target dates.

Response: Concur. The integrated preparedness system has its basis in the strategic plan and planning process. As part of this plan and process, 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 National Preparedness 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.

On August 29, 2013, 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) Second Edition. CPG-201 details a four-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 Homeland Security Grant Program (HSGP) funds were required to submit their THIRAs 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. In conjunction, 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



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in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report (NPR).

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. Within 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, grantees must identify the specific outcome(s) of each investment. FEMA verifies completion of the investment/projects through its programmatic monitoring and the Biannual Strategy Implementation Report (BSIR). Since the period of performance for the HSGP 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 Specific, Measurable, Achievable, Results Oriented, Time Limited (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.

FEMA requests that this recommendation be considered resolved and closed.

Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to conduct a reconciliation of Ohio's program and accounting ledgers for FY 2010 and require Ohio to return grant funds for expenditure that do not have support.

Response: Concur. GPD will require Ohio to conduct an independent audit of its program and accounting ledgers for FY 2010 for the purposes of reconciling all discrepancies, and require Ohio to return grant funds for expenditures that do not have support.

FEMA requests that this recommendation be considered resolved and open pending submission and approval by GPD of the independent audit report, full reconciliation of accounting ledgers, and the return of any unsupported grant funds, if applicable.

Estimated Completion Date (ECD): March 16, 2015

Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to direct Ohio to develop policies and procedures that include documenting changes in planned budgets and periodic reconciliation of program and accounting ledgers, so the State can track funds as required by Federal regulations.

Response: Concur. GPD will work with Ohio to ensure they develop policies and procedures that include documenting changes in planned budgets and periodic reconciliation of program and accounting ledgers.



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FEMA requests that this recommendation be considered resolved and open pending a submission and approval by GPD of the above mentioned policies and procedures.

ECD: December 15, 2014

Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to direct Ohio to review all supporting procurement documentation to ensure compliance with procurement requirements in 44 CFR § 13.36 when sub-grantees submit requests for reimbursement.

Response: Concur. GPD shall require Ohio to review and modify all supporting procurement documentation to ensure compliance with procurement requirements in 44 CFR § 13.36 when sub-grantees submit requests for reimbursement. Ohio will submit its procurement documentation to GPD for review and approval.

FEMA requests that this recommendation be considered resolved and open pending submission and approval of Ohio's procurement policies.

ECD: March 16, 2015

Recommendation #6: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to direct Ohio to require sub-grantees to submit all grant funded inventory records annually to OEMA for review.

Response: Concur. GPD shall direct Ohio to require its sub-grantees to submit all grant funded inventory records annually for review in accordance with 44 CFR § 13.32. Ohio will draft and submit a policy to this effect and submit it to FEMA GPD for review and approval.

FEMA requests that this recommendation be considered resolved and open pending submission and approval of the above mentioned Ohio Emergency Management Agency (OEMA) policy for sub-grantees.

ECD: December 15, 2014

Recommendation #7: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to direct Ohio to develop and implement additional controls to compensate for the limited staff available for onsite monitoring.

Response: Concur. GPD shall direct Ohio to develop and implement additional controls to compensate for the limited staff available for onsite monitoring. OEMA will draft and submit a policy to include desk monitoring procedures along with increased review of progress reports to FEMA GPD for review and approval.

FEMA requests that this recommendation be considered resolved and open pending submission and approval of the alternate monitoring controls.

ECD: December 15, 2014



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Recommendation #8: We recommend that the Assistant Administrator, Grant Programs Directorate for FEMA to direct Ohio to provide documentation that adequately supports the questioned \$3,559,066.76 for noncompliant procurements or return to FEMA the amount not supported.

Response: Concur. GPD shall direct Ohio to provide documentation that adequately supports the questioned \$3,559,066.76 for noncompliant procurements or return to FEMA the amount not supported.

FEMA requests that this recommendation be considered resolved and open pending either the submission of clear documentation supporting the questioned amount to be reviewed and approved by GPD, or the return of all questioned funding.

ECD: March 16, 2015

Recommendation #9: We recommend that the Assistant Administrator, GPD for FEMA to direct Ohio to provide documentation that adequately supports the \$61,499 for the Planner position or return to FEMA the amount not supported.

Response: Concur. GPD shall direct Ohio to provide documentation that adequately supports the \$61,499 for the Planner position or return to FEMA the amount not supported.

FEMA requests that this recommendation be considered resolved and open pending either the submission of clear documentation supporting the questioned amount to be reviewed and approved by GPD, or the return of all questioned funding.

ECD: March 16, 2015

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 "Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 through 2012". Please direct any questions regarding this response to Gary McKeon, Director, Audit Liaison Office, at 202-646-1308.



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- Emergency Medical Services
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- Ohio Homeland Security
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- Ohio State Highway Patrol



John R. Kasich, Governor
John Born, Director

Nancy J. Dragani
Executive Director

Emergency Management Agency
2855 West Dublin-Granville Road
Columbus, Ohio 43235-2206
(614) 889-7150
www.ema.ohio.gov

October 8, 2014

Office of the Inspector General/MAIL STOP 0305
Department of Homeland Security
Attn: John E. McCoy, II, Deputy Assistant Inspector General for Audits
245 Murray Lane SW
Washington, DC 20528-0305

Dear Mr. McCoy,

The Ohio Department of Public Safety, Ohio Emergency Management Agency would like to thank you and your team for providing us a copy of the draft report from your recent Office of Inspector General Audit (OIG) of "Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 through 2012." We would like to take this opportunity to provide comments to the recommendations noted in the draft version provided to us on September 8, 2014.

Recommendation #1: Increase and strengthen monitoring of Ohio to ensure compliance with Federal grant requirements.

State Response:

Ohio continues to welcome any monitoring, technical assistance, or grant support that the Federal Emergency Management Agency (FEMA) is able to provide.

Recommendation #2: Assist Ohio in developing a comprehensive performance measurement system for homeland security goals and objectives. This should include target levels of performance and the means to measure progress toward enhancing preparedness. It should also include specific, measureable, achievable, results-oriented, and time-limited goals and objectives with attainable target dates.

State Response:

Ohio does not concur with the basis used in compiling this recommendation and is prepared to provide supporting documentation to substantiate this opinion. While Ohio has developed a strategic planning process that includes target levels of performance and the means to measure progress toward enhancing preparedness and includes specific, measureable, achievable, results-oriented, and time-limited goals and objectives with attainable target dates, we always welcome updated guidance and technical assistance from FEMA in developing Ohio's strategic plan. In the 2011 OIG audit report of Ohio's Homeland Security Grant Program Awards for Fiscal Years 2007-2009, it was noted "[t]he State used an appropriate process for developing a

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strategy for improving preparedness that contained measurable goals and objectives that were consistent with Federal Emergency Management Agency (FEMA) guidance.” Ohio used the same methodology from 2007-2009 as we did during 2010-2012, the period of time subject to this audit. Ohio regularly researches current strategic planning best practices and reviews available plans from states across the Nation to inform our development process. Additional information and assistance from FEMA will fit well into our current best practices review process.

Recommendation #3: Conduct a reconciliation of Ohio’s program and accounting ledgers for FY 2010 and require Ohio to return grant funds for expenditures that do not have support.

State Response:

Ohio does not concur with this recommendation. We contend that final reconciliations have occurred during the close-out process of the FY 2010 award. In addition, Ohio further contends that we continue to follow our policies and procedures and only process payments with appropriate supporting documentation. Ohio conducts financial reconciliations quarterly and provides the financial reconciliation to the grants areas to reconcile against their records. Any variances identified during this process are investigated and appropriately adjusted. At the close-out of a grant, a final life to date reconciliation is conducted. This process has been reviewed in multiple FEMA Region V financial monitoring visits without comment.

Ohio utilizes the Ohio Administrative Knowledge System (OAKS) as our financial system or accounting ledger and the Electronic Grants Management System (EGMS) as our grants system or program ledger. As part of the audit, the OIG reviewed subsidiary working documents or spreadsheets created by and utilized as tracking tools by employees as the official program ledger. Although these tracking tools were utilized by staff as quick reference tools, they were never intended to be the official record of programmatic activity or serve as the program ledger therefore corrections or errors of inputted information may not have been identified and corrected through reconciliation. The OIG report indicated the program ledger, or the subsidiary working documents, did not agree to the accounting ledger; however, it is Ohio’s opinion that the working documents were inappropriately classified as program ledgers. We assert that any variances found in these working documents do not provide indication that expenditures within the program were inappropriate or unsupported.

In addition, the OIG report contends Ohio’s program and accounting ledgers differed from the final 2010 SHSP expenditure amount reported to FEMA on July, 2014. The OIG was provided electronic accounting ledgers at the beginning of field work, thus activities that occurred following the beginning of field work were not in the ledgers provided or audited. Therefore, when Ohio received a return of funds from a sub-grantee on June 25, 2014, immediately returned funds to FEMA and re-filed an amended Financial Status Report 425 on July 7, 2014, the OIG noted in their report that the accounting and program ledgers did not match the final 2010 SHSP expenditure amount. However, Ohio processed the refund and subsequent expenditure through the State’s OAKS system which would show up on the accounting ledger. The OIG failed to request an updated accounting ledger to validate their claim that the final expenditure amount did not match the ledgers, nor did they consider supporting refund documentation that was provided to them (to include screen prints of the transaction from the State’s OAKS system) at the exit conference on July 22, 2014. Ohio’s accounting ledger does agree to the final expenditure amount reported to FEMA in July, 2014.

Recommendation #4: Direct Ohio to develop policies and procedures that include documenting changes in planned budgets and periodic reconciliation of program and accounting ledgers, so the State can track funds as required by Federal regulations.



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State Response:

Ohio partially concurs with this recommendation. Ohio conducts financial reconciliations quarterly and then provides the financial reconciliation to the grants area to reconcile against their records. However, we concur with the recommendation as it relates to the development of stronger policies and procedures for documenting and communicating changes to the planned budget. The lack of communicating and carrying forward changes to the planned budget resulted in the OIG noting inaccuracies in the June, 2013 Biannual Strategy Implementation Reports (BSIR) in comparison to actual activity when the grant expired on July 31, 2013. In the last quarter of the program, Ohio redirected funds originally planned as State training and exercise to a priority local interoperable communications project. This change was not reflected in the June, 2013 BSIR submission as an older version of the budget was used to complete the BSIR. Ohio has already implemented a date footnote and sequential version number to the budget to distinguish older versions from the most current. In addition, a systematic file naming methodology and location will be developed and communicated to all grants staff to ensure all have access to the most current budget. Ohio also acknowledges improvement can be made in tracking state activities by communicating the program budget to the fiscal branch. A recent reorganization aligned the grants branch with the fiscal branch, thus it is anticipated this area will improve.

Recommendation #5: Direct Ohio to review all supporting procurement documentation to ensure compliance with procurement requirements in 44 CFR 13.36 when subgrantees submit requests for reimbursement.

State Response:

Ohio concurs with this recommendation. Based on corrective action from the previous OIG audit, Ohio has focused their efforts on subgrantee procurements over \$100,000. Currently, Ohio requires subgrantee procurements over \$100,000 to be coordinated and pre-approved by the State. In addition, Ohio currently reviews all contracts as part of their desk review process prior to processing reimbursement requests. We plan to strengthen our subgrantee document submission requirements when requesting reimbursement. Effective with the 2014 State Homeland Security grant notice of award, Ohio now requires the submission of three quotes and/or the bid package for all procurements requesting reimbursement. If a sole source purchase is requested, then a subgrantee is now required to get pre-approval from the State utilizing a sole source form which documents the required elements justifying a sole source purchase. Ohio plans to announce to subgrantees these requirements will be effective for all other open grants beginning January 1, 2015.

Recommendation #6: Direct Ohio to require subgrantees to submit all grant funded inventory records annually to OEMA for review.

State Response:

Ohio concurs with this recommendation. Effective with the 2014 State Homeland Security grant notice of award, Ohio now requires an annual submission of a subgrantee's inventory listing. We still plan to review inventory as part of the on-site subgrantee monitoring protocol.

Recommendation #7: Direct Ohio to develop and implement additional controls to compensate for the limited staff available for on-site monitoring.

State Response:

Ohio concurs with this recommendation. Recognizing the importance in conducting on-site reviews, Ohio is currently working to either re-assign personnel or fill three on-site monitoring positions to assist with completing more on-site visits annually. The increased staffing should be in place by January 1, 2015. Ohio has also made other efforts to strengthen the monitoring program with limited staffing. The current State Fiscal



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Year 2015 monitoring plan was prepared using a risk based approach, thus ensuring subgrantees with the highest risk for non-compliance will be visited. Moreover, increased desk reviews of newly required procurement support and inventory listings should supplement other monitoring efforts and provide greater coverage of ensuring compliance of subgrantees.

Recommendation #8: Direct Ohio to provide documentation that adequately supports the questioned \$3,559,066.76 for noncompliant procurements or return to FEMA the amount not supported.

State Response:

Ohio concurs with this recommendation. Ohio will reach out to subgrantees identified and obtain the procurement documentation. Effective with the 2014 State Homeland Security grant notice of award, Ohio now requires the submission of three quotes and/or the bid package for all procurements requesting reimbursement. If a sole source purchase is requested, then a subgrantee is now required to get pre-approval from the State utilizing a sole source form which documents the required elements justifying a sole source purchase. This change will not only provide stronger monitoring of subgrantees in regards to procurement, but also allows support of compliance to be maintained by the State.

Recommendation #9: Direct Ohio to provide documentation that adequately supports the \$61,499 for the Planner position or return to FEMA the amount not supported.

State Response:

Ohio does not concur with this recommendation. Ohio requires support in accordance with OMB A-87 to be provided for all personnel reimbursement requests. According to OMB A-87, time and effort certifications must reflect an after the fact distribution of actual activity, as well as, must be signed by the employee. Documentation was provided from the subgrantee meeting these requirements. Ohio concurs that subgrantees should request funds at least quarterly instead of at the end of the grant program, therefore a new requirement effective with the 2014 State Homeland Security Grant Program requires subgrantees to submit quarterly progress reports. These reports will not only provide programmatic activity progress for evaluation, but will also point out subgrantees with large remaining balances. It is the State's intent that these reports will facilitate a timelier draw of funds by subgrantees.

Again, we would like to thank you for providing us feedback on our administration and management of the Homeland Security Grant Program and the opportunity to comment.

Sincerely,

Nancy Dragani
Executive Director

Cc: Dorothy Hayes-Long, FEMA GPD



OFFICE OF INSPECTOR GENERAL

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Appendix C

Description of the Homeland Security Grant Program

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

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

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

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

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



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix D

Number of Procurement Transactions Reviewed/Questioned

Subgrantee	Number of Procurement Transactions Reviewed	Number of Procurement Transactions Questioned	Total Dollar Value of Questioned Procurement Transactions	Federal/State/Local (Noncompliance)
Ohio Emergency Management Agency	4	0	\$0	N/A
Ohio Homeland Security Division	7	0	\$0	N/A
Cincinnati / Hamilton Urban Area	8	2	\$89,823.51	Rate Quotes
Cleveland / Cuyahoga Urban Area	13	3	\$347,571.50	Rate Quotes
Columbus / Franklin Urban Area	6	5	\$622,304.25	Rate Quotes
Toledo / Lucas Urban Area	8	2	\$59,500.00	Rate Quotes
Butler County EMA	7	6	\$142,157.95	Rate Quotes Sole Source Justification Cost Analysis
Delaware County EMA	8	8	\$102,277.63	Rate Quotes Sole Source Justification
Cuyahoga County EMA	14	6	\$342,435.32	Rate Quotes
Hamilton County EMA	11	10	\$233,393.72	Rate Quotes Sole Source Justification Cost Analysis
Franklin County EMA	8	6	\$402,524.80	Rate Quotes
Knox County EMA	4	3	\$14,497.79	Rate Quotes Sole Source Justification Cost Analysis
Lucas County EMA	4	3	\$86,500.00	Rate Quotes
Lucas County Sheriff	10	10	\$306,835.51	Rate Quotes
Summit County EMA	9	5	\$675,708.19	Rate Quotes Sole Source Justification No Emergency Justification Cost Analysis
Union County EMA	17	17	\$133,536.59	Rate Quotes
Totals	138	86	\$3,559,066.76	

Source: DHS OIG analysis



Appendix E

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
Noncompliant Procurements	8	\$0	\$3,559,066.76	\$0	\$3,559,066.76
Personnel cost for Planner position	9	\$0	\$61,499.69	\$0	\$61,499.69
Total		\$0	\$3,620,566.45	\$0	\$3,620,566.45

Source: DHS OIG analysis



Appendix F

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Appendix G

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