

**FEMA's Grant Programs
Directorate Did Not
Effectively Manage
Assistance to Firefighters
Grant Program - AFG Grants**





DHS OIG HIGHLIGHTS

FEMA's Grant Programs Directorate Did Not Effectively Manage Assistance to Firefighters Grant Program – AFG Grants

June 9, 2016

Why We Did This Audit

Since 2001, the Federal Emergency Management Agency's (FEMA) Assistance to Firefighters Grant (AFG) Program has awarded fire departments and first responder organizations almost \$10 billion through AFG and Staffing for Adequate Fire and Emergency Response (SAFER) grants. We reviewed whether recipients complied with grant requirements and guidance to prevent waste, fraud, and abuse of grant funds. This report on AFG grants is being issued as a companion report to our previously issued report on SAFER grants.

What We Recommend

We recommend FEMA's Grant Programs Directorate (GPD) develop and implement an organizational framework to manage the risk of fraud, waste, abuse, and mismanagement.

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

Sixty-four percent (243 of 379) of AFG grant recipients (grantees) we reviewed did not comply with grant guidance and requirements to prevent waste, fraud, and abuse of grant funds. AFG grant appropriations for fiscal years 2010 through 2012 totaled approximately \$1.13 billion. We examined about \$50 million in grant funds spent and are questioning \$7.1 million.

FEMA's GPD did not sufficiently manage or oversee the Program's administration of AFG grants and did not effectively control the risk of fraud, waste, abuse, and grant mismanagement. FEMA cannot assure grant funds were used to help local fire departments and other first responder organizations obtain equipment, protective gear, emergency vehicles, training, and other resources.

FEMA's Response

FEMA concurred with and has taken corrective actions to resolve both recommendations. Recommendations 1 and 2 are open and resolved.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

JUN 9 2016

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

FROM: Mark Bell *Mark Bell*
Assistant Inspector General for Audits

SUBJECT: *FEMA's Grant Programs Directorate Did Not
Effectively Manage Assistance to Firefighters
Grant Program – AFG Grants*

Attached for your action is our final report, *FEMA's Grant Programs Directorate Did Not Effectively Manage Assistance to Firefighters Grant Program – AFG Grants*. We incorporated the formal comments provided by your office.

The report contains two recommendations aimed at improving Federal Emergency Management Agency's Grant Programs Directorate's management of its Assistance to Firefighters Grant program. Your office concurred with both recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to 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 Don Bumgardner, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Table of Contents

Background	1
Results of Audit	2
Grantees Did Not Comply with Grant Guidance and Requirements	3
GPD Did Not Effectively Mitigate Fraud Risk	6
Conclusion.....	7
Recommendations.....	7

Appendixes

Appendix A: Objective, Scope, and Methodology	10
Appendix B: FEMA Comments to the Draft Report.....	13
Appendix C: Funding for Firefighter Assistance (AFG and SAFER) FYs 2001–2015 Grants	19
Appendix D: Fraud Risk Management Framework and Selected Leading Practices	20
Appendix E: FEMA’s Operational Regions.....	21
Appendix F: Potential Monetary Benefits	22
Appendix G: Office of Audits Major Contributors to This Report.....	23
Appendix H: Report Distribution.....	24

Abbreviations

AFG	Assistance to Firefighters Grant
CFR	Code of Federal Regulations
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
GPD	Grant Programs Directorate
OIG	Office of Inspector General
OMB	Office of Management and Budget
PRA	<i>Paperwork Reduction Act of 1995</i>
the program	AFG Grant Program Office
SAFER	Staffing for Adequate Fire and Emergency Response



OFFICE OF INSPECTOR GENERAL

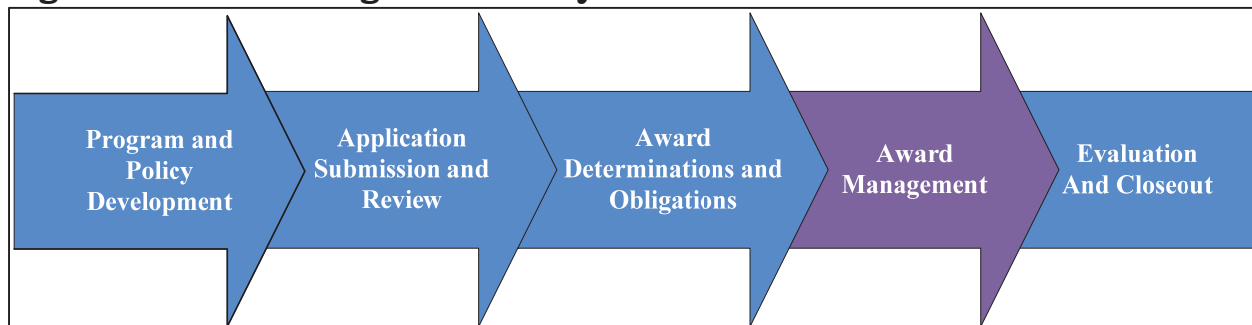
Department of Homeland Security

Background

The Federal Emergency Management Agency's (FEMA) mission is to support citizens and first responders to build, sustain, and improve the Nation's capability to prepare for, protect against, respond to, recover from, and mitigate all hazards. In fiscal year (FY) 2001, Congress established FEMA's Assistance to Firefighters Grant (AFG) Program to meet firefighting and emergency response needs of fire departments and nonaffiliated emergency medical service organizations.¹ Within FEMA's Grant Programs Directorate (GPD), the AFG Grant Program Office (the program) currently administers three grant types: the Assistance to Firefighters grants (AFG), Fire Prevention and Safety grants, and Staffing for Adequate Fire and Emergency Response (SAFER) grants.

AFG grants are used to obtain equipment, protective gear, emergency vehicles, training, and other resources. This audit focused on nearly \$1.13 billion in AFG grant appropriations during FYs 2010 through 2012 as shown in appendix C. Specifically, we reviewed award management, which is the payment and reimbursement process for grants. Grantees submit reimbursement requests, and program personnel review, approve, and pay them. Figure 1 shows the grant management lifecycle phases.

Figure 1: Grant Management Lifecycle



Source: FEMA GPD Award Administration Fire Grants Programs Payments Desk Guide, December 2014

¹ As defined at 15 United States Code § 2229(a)(7): a “nonaffiliated EMS organization” is a public or private nonprofit emergency medical service organization that is not affiliated with a hospital and does not serve a geographic area in which the Administrator of FEMA finds that emergency medical services are adequately provided by a fire department.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Results of Audit

Sixty-four percent (243 of 379) of the AFG grantees in our sample did not comply with grant guidance and requirements to prevent waste, fraud, and abuse of grant funds. We examined about \$50 million in grant funds spent and are questioning \$7.1 million. Twenty-nine percent (111 of 379) of the grantees did not have required procurement policies. In addition, we were unable to contact 36 (10 percent) AFG grantees, who spent about \$4.2 million in grant funds. We also assisted Office of Inspector General (OIG) investigators with two cases of suspected fraud and grant mismanagement, totaling about \$482,000.

GPD did not sufficiently manage or oversee AFG grants and did not effectively mitigate the risk of fraud, waste, abuse, and grant mismanagement. Specifically, GPD did not ensure that the program:

- consistently collected or validated documentation, such as receipts, invoices, and proof of payment to support reimbursement requests;
- provided clear and concise grant guidance on whether items and activities were eligible for reimbursement;
- verified grantee expenditures were eligible for reimbursement, such as within the period of performance or allowable per guidance;
- verified that grantees paid cost shares in accordance with award agreements;
- verified the existence or sufficiency of grantee policies and procedures used to administer grant-funded activities; and
- resolved difficulties maintaining communication with grant recipients after grants were awarded.

“While we at FEMA work to ensure resilience to disasters, we also bear the responsibility for demonstrating good stewardship over taxpayer dollars. This means minimizing and eliminating waste, fraud, and abuse of our programs.” - Craig Fugate, FEMA Administrator

“FEMA personnel are public servants entrusted with public resources to perform a critical mission. They have ethical, moral, and legal responsibilities to protect these resources and ensure they are used effectively and for their intended purpose.” - FEMA Guiding Principles

As a result, FEMA cannot assure grant funds were spent appropriately or used for their intended purpose.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Grantees Did Not Comply with Grant Guidance and Requirements

We reviewed 379 AFG grants and found 243 (64 percent) of the AFG grantees in our sample did not comply with grant guidance and requirements because they did not support expenditures of more than \$6.3 million with adequate documentation. The AFG grantees may have expended funds on \$423,350 in ineligible items and activities, and they did not pay \$373,632 in cost shares. We are questioning about \$7.1 million in grant funds spent. Table 1 shows the questioned cost areas and amounts we identified.

Table 1: Questioned Costs (as of March 2, 2015)

A # of Grants	B Grant Dollars Awarded	C Grant Dollars Expended	D Unsupported Reimbursements	E Ineligible Expenditures	F Unpaid Cost Shares	G Questioned Costs (D+E+F)
379	\$51,119,802	\$50,119,609	\$6,327,911	\$423,350	\$373,632	\$7,124,893

Source: eGrants records, AFG grantees, and OIG analysis

We collected 365 statistically valid and 14 judgmental samples of 7,153 AFG grants. See appendix A for a detailed explanation of our sampling methodology. The AFG statistical analysis results in table 2 show potential questioned costs across the entire population of AFG grants awarded for FYs 2010 through 2012. Based on the results of our statistical sample analysis, \$147.2 million (13 percent) of the \$1.13 billion grant funds appropriated are possible questioned costs.

Table 2: Potential Questioned Costs Based on Statistical Analysis

# of Grants Examined	Appropriated FYs 2010–2012	Possible Questioned Costs
365	\$1,132,500,000	\$147,225,000

Source: eGrants records, Congressional Research Service, and OIG analysis

Insufficient Documentation to Support Reimbursement Requests

Ninety-two grant recipients did not maintain and provide documentation to us as required. Program grant guidance² required grantees “to maintain and retain documentation on file for review by Federal personnel.” The guidance cautions that “grantees who fail to fully document their purchases may find that their expenditures will be questioned and subsequently disallowed.” However, grant guidance did not require grantees to submit supporting

² DHS Fiscal Year 2010 *Assistance to Firefighters Grants Program Guidance and Application Kit* and DHS Fiscal Years 2011–12 *Assistance to Firefighters Grants Program Guidance*



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

documentation with reimbursement requests. According to program officials, reimbursements were generally paid “on the honor system.”

In our sample of 379 AFG grants, the program reimbursed grantees for \$6.3 million in costs that were not adequately supported by receipts, invoices, or proof of payment. These grantees provided some documentation to us, but it was missing essential information needed to validate expenditures, or grantees initially agreed to send documentation but never did. For example, program personnel reimbursed one AFG grantee almost \$500,000 for radio equipment and training. The grantee provided some documentation but did not provide us with the invoices or proof of payment we requested.³

Ineligible Expenditures

The program may have improperly reimbursed 30 AFG grantees a total of more than \$423,000 for ineligible expenditures. Program personnel are responsible for reviewing reimbursement requests to ensure compliance with guidance and deny payments for disallowed items and activities. For example, program personnel repeatedly reimbursed grantees for expenditures occurring after the grant’s period of performance had ended. Grant guidance states specifically that only those items and activities procured within the period of performance are eligible for reimbursement. Grantees are to request grant amendments to extend periods of performance. Grantees should not have made purchases beyond the end of the period of performance without approved amendments.

Although grant guidance included some specific guidelines about how grant funds could be used, it was not clear and explicit enough for grantees and program personnel to make informed expenditure and reimbursement decisions. In the absence of comprehensive lists, program personnel and grantees were not always sure what was eligible for reimbursement and what was not. For example, program personnel told us they regularly escalated questionable items and activities to GPD for individual reimbursement decisions.

Grantees Did Not Pay Required Cost Shares

Fifty-five AFG grantees did not pay cost shares — totaling \$373,632 — as required by the terms of their awards. These grantees were reimbursed Federal shares without appropriately contributing their own funds. AFG grantees agreed to contribute their own, non-Federal funds to carry out activities

³ The U.S. Department of Justice OIG *Grant Fraud Awareness* presentation, September 2009, asserts that one strategy to mitigate fraud risks in grant programs includes ensuring reimbursements are adequately supported with appropriate documentation and evidence.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

specified in their grants. AFG grant agreements stipulated that each grantee contribute 5 to 20 percent of its total award. For example, if a grantee applied for a \$10,000 grant and the agreed upon cost share was 5 percent, the grantee was eligible for a \$9,500 reimbursement (Federal share) and had to contribute \$500 from its own funds (cost share).

Program officials said they did not collect documentation or verify the information in financial reports grantees submitted to ensure they paid their cost shares. Program officials also said they were unaware grantees were not paying their cost shares.

Policies and Procedures

Program personnel did not verify that required policies and procedures were used to administer grant-funded activities prior to processing their reimbursement requests. Federal regulations⁴ require grantees to use documented procurement policies, standards of procurement conduct, and inventory safeguard policies for grant-funded equipment. We asked our sample of AFG grantees to provide us copies of the policies they used to procure goods and services. For 111 of the 379 (29 percent) grants we examined, the grantee did not have a procurement policy or did not provide it to us.

Grantees Could Not Be Located

During our review, we experienced difficulty locating some of the grantees in our sample. See appendix A for the methods we used to contact grantees. We were unable to contact 36 AFG grant recipients that spent nearly \$4.2 million in grant funds. We could not determine whether they properly spent the grant funds because we could not examine the records. Similar to our experience, program officials said they had difficulty maintaining communication with grant recipients after grants were awarded. The National Procurement Fraud Task Force suggests that consistent communication with grant recipients helps reduce risk and prevent fraud.

In the absence of sufficient supporting documentation, distinct guidance, verification of reimbursement eligibility, required policies and procedures, and consistent communication with grantees after awarding funds, GPD cannot be sure funds were spent appropriately or as intended. These weaknesses may

⁴ 44 Code of Federal Regulations (CFR) § 13.36(b)(1-3); 44 CFR § 13.32(d)(1-5) – *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* and 2 CFR § 215.44; 2 CFR § 215.42; 2 CFR § 215.34(f)(1-5) – *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-profit Organizations*.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

also increase the risk of fraud, waste, abuse, and mismanagement of grant funds.

GPD Did Not Effectively Mitigate Fraud Risk

The purpose of the program is to ensure grant funds are awarded directly to local firefighting and other first responder organizations,⁵ which GPD and the program have done. However, GPD did not effectively mitigate the risk of fraud, waste, abuse, and grant mismanagement. We are assisting OIG investigators with instances of suspected fraud and grant mismanagement involving two contract grant managers totaling about \$482,000.

According to the Association of Certified Fraud Examiners Report to the Nations 2014, "Fraud is ubiquitous; it does not discriminate in its occurrence. And while anti-fraud controls can effectively reduce the likelihood and potential impact of fraud, the truth is that no entity is immune to this threat. Unfortunately, however, many organizations still suffer from an 'it can't happen here' mindset."

GPD did not demonstrate an organizational commitment to detect and prevent fraud, waste, and abuse. This includes:

- implementing an effective balance of resources to develop a risk-based approach and risk profile;
- regular risk assessments;
- a strategy with specific control activities; and
- a series of measured improvements.

In addition, GPD did not ensure the program dedicated resources specifically to controlling fraud risk. For example, program personnel were not required to complete fraud awareness and avoidance training. Although Grants Management Certification is available, personnel said they must be on the job for 2 years before they qualify to be certified. According to the curriculum, study on grant fraud is an elective.

According to current industry standards⁶ for managing fraud risk, Federal programs must commit to preventing fraud by creating an organizational culture and structure conducive to fraud risk management. Programs need to adopt a risk-based approach and risk profile, plan regular risk assessments, design and implement a strategy with specific control activities focused on prevention and detection, and conduct risk-based monitoring and evaluations

⁵ *Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001*, PL 106-398, Title XVII

⁶ Association of Certified Fraud Examiners, 2014 *Global Fraud Study Report to the Nations on Occupational Fraud and Abuse*; and *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP, July 2015



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

to improve fraud risk management. See appendix D for the Government Accountability Office's (GAO) *Fraud Risk Management Framework and Selected Leading Practices*.

Conclusion

The risk of grant fraud, waste, abuse, and mismanagement was high for AFG grants awarded from FYs 2010 through 2012. Because GPD did not sufficiently manage and oversee AFG grants, FEMA cannot assure grant funds were used appropriately or for their intended purpose to meet firefighting and emergency response needs.

Recommendations

Recommendation 1: We recommend Federal Emergency Management Agency's Assistant Administrator for Grant Programs Directorate develop and implement an organizational framework to manage the risk of fraud, waste, abuse, and mismanagement for the Assistance to Firefighters Grants. Grant Programs Directorate should demonstrate its organizational commitment by effectively balancing resources; adopting a risk-based approach and risk profile; conducting regular risk assessments; implementing a strategy with specific control activities focused on prevention and detection; and developing cycles of measured improvement.

FEMA can improve oversight by:

- ✓ ensuring guidance is as distinct and inclusive as possible;
- ✓ tailoring guidance to the intended audience and include cycles of attestations and confirmations of understanding at decision points in grant life cycles; and
- ✓ developing and requiring completion of training for all participants in the grant cycle (e.g., compliance requirements, ethics, fraud awareness and avoidance, and how to create and maintain a complete auditable grant file).

FEMA can improve monitoring of grantees by:

- ✓ ensuring information stored in the system of record is up to date;
- ✓ validating the information entered in performance and financial reports;
- ✓ reviewing supporting documentation for reimbursement requests;
- ✓ conducting site visits to review documentation and observe how grant funds have been invested; and
- ✓ conducting rigorous desk reviews.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Recommendation 2: We recommend Federal Emergency Management Agency's Assistant Administrator for Grant Programs Directorate review Assistance to Firefighters Grants for FYs 2010–2012 to identify and recover potentially disallowed expenditures of the \$7,124,893 total questioned costs.

FEMA Comments and OIG Analysis

FEMA appreciated the OIG's audit work, and began improving oversight and monitoring of grantees prior to the completion of our review. As the OIG learned of potential fraud and mismanagement, we updated FEMA and collaboratively pursued appropriate actions to address potential fraud and contractor mismanagement. At the conclusion of our audit, we provided FEMA with a detailed list representing the questioned costs and those recipients we were unable to contact. FEMA's assistance and proactive plan to confirm questioned costs, and to potentially recoup the grant funds, is indicative of FEMA's commitment to improvement.

FEMA concurred with each of the recommendations and provided technical comments and a response to the draft of this report. FEMA indicated that it had been working on additional oversight and monitoring activities over the past 2 years, which would not have been in place during the scope of our audit.

Additionally, FEMA's technical comments were incorporated into this final report. These edits did not change the original intent of the report but enhanced clarity. A summary of the responses and our analysis follows. Appendix B includes the verbatim management response to the draft report.

FEMA Response to Recommendation #1: Concur. FEMA's response identified ongoing and planned activities that address the recommended GPD framework for managing the risk of fraud, waste, abuse, and mismanagement in the AFG Grant Program. GPD will work to improve its oversight of guidance and training for grant cycle participants and will continue to implement the core components of the monitoring process.

Annually, GPD will assess the risk factors, monitoring assessment tools, and sampling methodology for monitoring. This will allow GPD to modify any or all elements of the monitoring plan and address emerging risk factors. Additional monitoring and oversight activities may be developed in order to support outcomes for the annual assessment. GPD will also assess the monitoring plan annually and will implement necessary changes in the first quarter of each fiscal year.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The development of additional monitoring and oversight activities as described previously will be implemented by December 31, 2016.

OIG Analysis of FEMA Comments

FEMA's action is responsive to the intent of the recommendation, and recommendation #1 is considered open and resolved. OIG will close the recommendation when FEMA provides evidence of full implementation of the Fraud Risk Framework, specifically:

- ✓ Documented evidence of actions taken to implement the GPD fraud framework in the AFG Grant Program.
- ✓ Documented evidence of actions taken to improve grantee oversight as outlined.
- ✓ Documented evidence of actions taken to improve grantee monitoring as outlined in the recommendation.

FEMA Response to Recommendation #2: Concur. FEMA's response indicated that officials will review information and documentation pertaining to the questioned costs in this report. If FEMA determines that the costs are unallowable, FEMA will take proper enforcement actions pursuant to the *Uniform Administrative Requirements*, including the recoupment of funds. Estimated Completion Date (ECD): September 30, 2016.

OIG Analysis of FEMA Comments

FEMA's action is responsive to the intent of the recommendation, and recommendation #2 is considered open and resolved. OIG will close the recommendation when FEMA provides documented evidence of its allowable cost determination and enforcement actions taken to recoup potential questioned costs.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix A

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

Our objective was to determine the extent to which AFG Program recipients comply with grant requirements and guidance precluding waste, fraud, and abuse of grant funds. The scope of this audit included AFG and SAFER grant awards for FYs 2010 through 2012 (see companion report OIG-16-98). Auditors conducted site visits during 2014 and a data call during 2015. For site visit reviews, auditors examined funds expended through the date of the site visit. For data call reviews, auditors examined funds expended through March 2, 2015. We answered the objective using a data collection instrument to reconcile FEMA's reimbursements with grantee records. We categorized the questioned costs we identified using Office of Management and Budget (OMB) Circular No. A-133 - Revised, *Audits of States, Local Governments, and Non-Profit Organizations*.

The team conducted research to develop an understanding of FEMA's AFG Program. Survey work included preliminary discussions with FEMA Headquarters and Regional AFG management to determine how these grants are managed. During this phase, auditors reviewed the Program mission, policies and procedures, performance measures, and periodic reports to determine how the Program should be operating. We developed an understanding of the grant process after applicants are chosen with particular attention to oversight and monitoring.

We identified and summarized prior audits and reports related to the audit subject, including DHS OIG audits and inspections, GAO and Congressional Research Service reports, and external OIG reports. We documented follow-up work on significant findings and recommendations identified in previous audit reports that could affect our current audit objectives. We reviewed and analyzed FEMA's FY 2010 through 2012 *Grant Guidance and Application Kits*, *National Defense Authorization Acts*, applicable Codes of Federal Regulations (44 CFR 13 and 2 CFR 215), and OMB Circular No. A-133, as well as industry standards for managing fraud risk from the U.S. Department of Justice OIG, Association of Certified Fraud Examiners, the National Procurement Fraud Task Force, and GAO.

We interviewed personnel from FEMA's GPD; AFG Program, technical, and operations personnel; and grantees. We selected a judgmental sample of 14 AFG grants for Survey site visits for Regions I, III, VI, and VIII (see appendix E).



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

We specifically selected grantees from Houston, TX; Boston, MA; Washington, DC; and Denver, CO, prior to fieldwork to test data collection instruments and standardized questionnaires. The locations were selected due to their proximity to team members' work locations and to conserve travel resources.

FEMA was appropriated almost \$2.3 billion in AFG and SAFER grants for more than 8,000 fire departments and first responder organizations from FYs 2010 through 2012. After initial survey site visits, the team consulted the Office of Audits statistician to develop a statistical sampling methodology that would be used for fieldwork. Using 90 and 95 percent confidence levels, our statistician determined for a population of 7,153 AFG grants, the statistically valid sample size was 262 to 365 respectively. This allowed the team to project the resulting rate of questioned costs in the sample to the entire population of grant dollars appropriated from FYs 2010 through 2012.

Since it was not possible to conduct different site visits to examine 365 grants, we chose to conduct site visits for 41 AFG grants in geographical clusters representing the majority of FEMA's Operational Regions (see appendix E). Documentation for the remaining 324 grants was collected using an electronic data call, and including the 14 Survey site visits, we examined a total of 379 AFG grants.

A	B	C	D (A+B+C)
Survey grants analyzed	Fieldwork grants analyzed via site visit	Fieldwork grants analyzed via data call	Total grants examined
14	41	324	379

Of the 379 grants examined, we were unable to contact grantees for 36 AFG grants. We used the contact information stored in FEMA's grant management system of record and internet searches to contact grantees. Due to time and resource constraints, and after several unsuccessful attempts, we discontinued efforts to contact them.

Since grantees do not submit documentation in support of reimbursement requests to FEMA, the only source of those documents was the grantees. Therefore, the data call portion of the sample consisted of an email request to provide supporting documents and copies of other relevant information via email or mail. Because the data call needed to comply with requirements in the *Paperwork Reduction Act of 1995* (PRA), we could not conduct further field work via data call until OMB approved the request.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

We completed and submitted the request for processing to the DHS PRA Office in June 2014. The PRA Office completed its review and approved the request for posting on the Federal Register in October 2014 for 60 days to allow for public comment. The PRA Office posted the request on the Federal Register in December for another 30 days to allow for an additional round of public comment. The PRA Office submitted our request to OMB in January 2015, and OMB approved it March 17, 2015. Within a week, FEMA sent its introductory email to data call grantees. We sent explanatory emails and document requests to all data call grantees by April 1, 2015. The PRA process delayed audit fieldwork by almost 9 months.

This performance audit was conducted between January 2014 and December 2015 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.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
FEMA Comments to the Draft Report


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



FEMA

MAY 6 2016

MEMORANDUM FOR: Mark Bell
Assistant Inspector General
for Audits

FROM: David Bibo 
Associate Administrator (Acting)
Office of Policy and Program Analysis

SUBJECT: Management's Response to OIG Draft Report: "FEMA's
Assistance to Firefighters Grant Program – AFG Grants"
(OIG-16-XXX)

Thank you for the opportunity to review and comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

It should be noted that FEMA's Grant Programs Directorate (GPD) has incorporated additional oversight and monitoring activities over the last two (2) years that were not included in the OIG's assessment for Fiscal Years (FY) 2010 through 2012 of the Assistance to Firefighters (AFG) Grant Program.

The draft report contained 2 recommendations with which FEMA concurs. Specifically:

Recommendation 1: We recommend the Federal Emergency Management Agency Assistant Administrator for the Grant Programs Directorate develop and implement an organizational framework to manage the risk of fraud, waste, abuse, and mismanagement for the Assistance to Firefighter grants. GPD should demonstrate its organizational commitment by effectively balancing resources; adopting a risk-based approach and risk profile; conducting regular risk assessments; implementing a strategy with specific control activities focused on prevention and detection; and developing cycles of measured improvement.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Improve oversight by:

- ensuring guidance is as distinct and as inclusive as possible;
- tailoring guidance to the intended audience, and include cycles of attestations and confirmations of understanding at decision points in grant life cycles; and
- developing and requiring completion of training for all participants in the grant cycle (e.g., compliance requirements, ethics, fraud awareness and avoidance, and how to create and maintain a complete auditable grant file).

Improve monitoring of grantees by:

- ensuring information stored in the system of record is up to date;
- validating the information entered in performance and financial reports;
- reviewing supporting documentation for reimbursement requests;
- conducting announced and unannounced site visits to review documentation and observe how grant funds have been invested; and
- conducting rigorous desk reviews.

Response: Concur. This response covers ongoing and planned activities that address the recommended GPD framework for managing the risk of fraud, waste, abuse, and mismanagement in the AFG Grant Program. As recommended, GPD will work to improve its oversight of guidance and training for grant cycle participants, and will continue to implement the core components of the monitoring process.

Oversight process – Technical Assistance and Resources (implemented):

- In FY 2015, GPD piloted webinars in order to familiarize grantees under the AFG Grant Program with the new requirements of 2 C.F.R. Part 200, the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Each webinar had more than 150 attendees. GPD will expand the delivery of webinars to new AFG recipients in FY 2016 to cover additional grants management topics and provide technical assistance.
- In FY 2012, GPD developed a robust grants management technical assistance course. This three (3) day course is offered to all recipients of GPD-administered grants. In FY 2015 and FY 2016, 431 individuals attended this training opportunity.
- In calendar year 2015, the AFG program office hired seven (7) additional staff, three (3) of whom joined the team managing all AFG awards. This increase allowed the AFG team to re-distribute the workload in order to ensure adequate span of control among the staff. Each AFG Program Analyst manages an average of 500 open awards.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Monitoring process – Risk Based Monitoring (implemented):

Due to the large number of awards issued, it is not possible to analyze every award. FEMA uses a statistically valid methodology to ensure, with a high level of confidence, that the sample of awards selected are representative of the entire awardee population. The monitoring staff use the Pre-Monitoring Checklist to determine whether a grant needs additional monitoring, in either the form of a desk review or a site visit.

Historically, financial and programmatic monitoring of all programs under the AFG were separate and distinct activities. However, beginning in FY 2013, GPD created one monitoring plan for both financial and programmatic monitoring. This risk based monitoring plan, which applies to all programs under AFG, provides a standard monitoring framework in order to promote consistency across all monitoring activities (financial and programmatic). Financial monitoring staff use a monitoring assessment to identify FEMA recipients and grant awards in need of monitoring using a set of assessment indicators. The data set provided to AFG Award Administration Branch includes a sample of all states and territories and is derived from the same database used by programmatic staff. The set of grants assessed by Grants Management Specialists is exported from the AFG Portal system. The assessment includes a 25% random sample of grants from the AFG, SAFER and FP&S programs with a federal share of \$50,000 or more.

Core components of the monitoring process:

1. **Monitoring Assessment:** Grants Management Specialists conduct a risk assessment of 25% of the open and active awards sampled by using a system of pre-determined financial evaluation criteria on each selected award across the 12 indicators for low, medium, and high scores and descriptions of each indicator. The criteria helps to assess the vulnerability of the grantees and potential challenges to the success of the grant award. The indicators used are as follows:
 - a) Audit Findings
 - b) Change in Grant Staff
 - c) Corrective Actions
 - d) FFR Reporting/Spending Patterns/Cash Analysis Reporting
 - e) Grant Dollar Value
 - f) Grantee Responsiveness
 - g) New FEMA Grantee
 - h) Pre-Award
 - i) Prior Indication of Problems
 - j) Program Type
 - k) Reporting Challenges
 - l) Times Since Previous Monitoring Activity



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

2. **Monitoring Selection and Scheduling:** Monitoring staff determine which awards to select for additional monitoring activities. Staff make selections and scheduling decisions in accordance with applicable statutory requirements and take into account the results of the monitoring assessment process.
3. **Monitoring Activities:** Monitoring activities include cash analysis, desk reviews, and site visits. Grants Management Specialists are responsible for conducting cash analysis on 20% of the open and active AFG awards. The approach for cash analysis is based on the data collected from the recipients' SF 425 and the analysis of drawdowns, unobligated balances and deficiencies in cash management. Also, Grants Management Specialists select site visits and desk reviews based on the monitoring risk assessment results.
4. **Post-Monitoring Actions:** Monitoring staff follow-up with grantees via post-monitoring actions based on the outcomes of the cash analysis, desk reviews or site visits. Post-monitoring actions include conducting additional monitoring; reviewing Corrective Action Plans (CAP) and monitoring the progress of CAP content; documenting the resolution of identified corrective actions and issues; providing technical assistance and grantee training; and recoupment of funds.

Improper Payments Elimination and Recovery Act (IPERA) Test Results:

IPERA requires FEMA to identify and periodically test programs that may be susceptible to significant improper payments and take steps to reduce and recover improper payments.

- GPD has taken steps to improve internal controls and drive down error rates. An improper payment rate of 1.5% or less is considered to indicate low risk/susceptibility to significant improper payments.
- For the most recent testing (in FY 2015 based on FY 2014 payments), the GPD programs had improper payment rates ranging from 0.10% to 0.64%, which is well within the acceptable threshold of 1.5% or less. Historically, that has not always been the case, and the recent results demonstrate the effectiveness of internal control improvements. The progress is particularly notable in the AFG program.

	Historical Extrapolated Improper Payment Error Rate and Dollar Value						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	Disbursements	Disbursements	Disbursements	Disbursements	Disbursements	Disbursements	Disbursements
FEMA Program	10/01/07 - 09/30/08	10/01/08 - 09/30/09	10/01/09 - 09/30/10	10/01/10 - 09/30/11	10/1/11 - 9/30/12	10/1/12 - 09/30/13	10/1/13 - 9/30/14
Assistance to	4.63%	6.32%	5.09%	1.60%	1.07%	0.10%	0.64%
Firefighters Grant							
Program (AFG)	\$23,407,353	\$27,109,375	\$19,605,269.93	\$7,556,704.12	\$4,567,325.84	\$325,110.98	\$1,443,459.58



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

FY 2016 Monitoring (in-progress):

Grants Management Specialists completed the FY 2016 financial monitoring risk assessments for 738 awards and from the assessment results selected and are performing 150 desk reviews and conducting 23 site visits.

The AFG Grant Program has the highest volume of awards in GPD's grant portfolio. Since all grants business functions are managed by Grants Management Specialists, multiple opportunities are provided to continuously monitor and assess the grantees cash management activities. In addition to the cash analysis process, Grants Management Specialists assess cash management through the review and approval of amendments, payment requests, pre-monitoring financial risk assessments, monitoring desk reviews, past award performance and financial integrity reviews. The intent of performing additional cash management activities is to evaluate timely and accurate grantee financial reporting, review grantee cumulative payment/drawdowns balances and provide technical assistance to comply with FEMA and Federal requirements in accordance with 2 Code of Federal Regulations (CFR) 200.

Future Oversight and Monitoring Activities: In addition to the oversight and monitoring activities implemented within the last two (2) years, GPD is reviewing additional internal control and outreach efforts to include:

- GPD is exploring the feasibility of including an electronic version of the AFG post-award orientation within the E-Grants system, which will be standardized for all programs. This orientation will need to be completed prior to the recipient being able to accept the award. This would allow GPD to present core grants management functions and requirements to new recipients in order to ensure recipients understand the grants management requirements.
- As mentioned above, GPD has had success with the payment review process associated with the Improper Payments Elimination and Recovery Act (IPERA). Using the findings from this process, GPD will develop risk indicators by which additional sampling of payments can be established. GPD receives over 12,000 payment requests per year. By using risk indicators, GPD will be able to determine which of the 12,000 payment requests should include a rigorous review of supporting documents.
- In FY 2017, GPD will conduct desk reviews on the 25% of open and active awards evaluated through the monitoring risk assessment in conjunction with balancing scheduled and unscheduled site monitoring visits for Assistance to Firefighters Grants (AFG), Staffing for Adequate Fire & Emergency Response (SAFER) and Fire Prevention & Safety (FP&S).
- In FY 2017, GPD will expand the Cash on Hand Analysis process for awards under



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

the AFG Programs to include sampling grantee documentation to support their drawdown requests in an effort to identify and resolve questioned costs.

GPD will review the risk factors, monitoring assessment tool, and sampling methodology on an annual basis. This will allow GPD to modify any or all elements of the monitoring plan to address emerging risk factors. Additional monitoring and oversight activities may be developed in order to improve grants management outcomes. GPD will assess the monitoring plan on an annual basis with changes implemented in the first quarter of each fiscal year.

Estimated Completion Date (ECD): December 31, 2016

Recommendation 2: We recommend (sic) Federal Emergency Management Agency Assistant Administrator for (sic) Grant Programs Directorate review the Assistance to Firefighter grants for FYs 2010–2012 to identify and recover potentially disallowed expenditures of the \$7,123,893 total questioned costs.

Response: Concur. FEMA will review information and documentation provided by OIG regarding question costs. If FEMA determines that the costs are unallowable, FEMA will take proper enforcement actions pursuant to the *Uniform Administrative Requirements*, including the recoupment of funds.

ECD: September 30, 2016

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please contact FEMA's Audit Liaison Office Director, Gary McKeon, at 202-212-1308, should you have further questions. We look forward to working with you in the future.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C
Funding for Firefighter Assistance (AFG and SAFER)
FYs 2001–2015 Grants

AFG and SAFER Grant Funds Appropriated FYs 2001–2015

FY	AFG (\$ million)	SAFER (\$ million)	FY Total (\$ million)
2001	\$100		\$100
2002	\$360		\$360
2003	\$745		\$745
2004	\$746		\$746
2005	\$650	\$65	\$715
2006	\$539	\$109	\$648
2007	\$547	\$115	\$662
2008	\$560	\$190	\$750
2009	\$565	\$210	\$775
2010*	\$390	\$420	\$810
2011*	\$405	\$405	\$810
2012*	\$337.5	\$337.5	\$675
2013	\$321	\$321	\$642
2014	\$340	\$340	\$680
2015	\$340	\$340	\$680
Total	\$6.94 billion	\$2.85 billion	\$9.79 billion

Source: Congressional Research Service Report – Assistance to Firefighters Program: Distribution of Fire Grant Funding, March 10, 2015. Appropriations do not total exactly due to rounding.

*Funding for AFG grants for FYs 2010–2012 totals \$1.132 billion.
Funding for SAFER grants for FYs 2010–2012 totals \$1.162 billion.
Funding for both grant types together for FYs 2010–2012 totals \$2.295 billion.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix D

Fraud Risk Management Framework and Selected Leading Practices



Source: *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP, July 2015



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix E
FEMA's Operational Regions



Source: FEMA, Operational Regions and Regional Offices



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix F
Potential Monetary Benefits

Classification of Monetary Benefits					
Finding	Rec. No.	Questioned Cost - Unsupported Reimbursements	Questioned Cost - Ineligible Expenditures	Questioned Cost - Unpaid Cost Shares	Total
AFG	2	\$6,327,911	\$423,350	\$373,632	\$7,124,893

Source: OIG analysis of AFG grant data



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix G

Office of Audits Major Contributors to This Report

Patrick O'Malley, Director
Michael Sivi, Director
Cecilia Carroll, Audit Manager
Lorinda Couch, Audit Manager
Sean Pettersen, Audit Manager
Jacque Bear, Analyst-in-Charge
Brandon Landry, Program Analyst
Erica Stern, Program Analyst
Philip Emswiler, Program Analyst
Jason Kim, Senior Auditor
Rebecca Mogg, Program Analyst
Kendra Starkus, Program Analyst
Andre Marseille, Program Analyst
Elizabeth Argeris, Communications Analyst
Mohammad Faizul Islam, Ph.D., Statistician
Johnson Joseph, Independent Data Referencer
Dawn Pizarro, Independent Data Referencer
Pamela Brown, Independent Referencer
Kevin King, Independent Referencer



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix H **Report Distribution**

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs
Federal Emergency Management Agency Liaison

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees

ADDITIONAL INFORMATION AND COPIES

To view this and any of our other reports, please visit our website at: www.oig.dhs.gov.

For further information or questions, please contact Office of Inspector General Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov. Follow us on Twitter at: @dhsoig.



OIG HOTLINE

To report fraud, waste, or abuse, visit our website at www.oig.dhs.gov and click on the red "Hotline" tab. If you cannot access our website, call our hotline at (800) 323-8603, fax our hotline at (202) 254-4297, or write to us at:

Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Hotline
245 Murray Drive, SW
Washington, DC 20528-0305