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

Homeland
Security

June 8, 2016

OIG-16-98

DHS OIG HIGHLIGHTS

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

June 8, 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 SAFER grants is being issued as a companion report to our report on AFG 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-three percent (88 of 139) of SAFER grant recipients (grantees) we reviewed did not comply with grant guidance and requirements to prevent waste, fraud, and abuse of grant funds. SAFER grant appropriations for fiscal years 2010 through 2012 totaled approximately $1.16 billion. We examined about $72 million in grant funds spent and are questioning $18.4 million.

FEMA's GPD did not sufficiently manage or oversee the Program's administration of SAFER 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 hire and retain firefighters, obtain equipment, and provide training.

FEMA's Response

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

JUN 8 2016

MEMORANDUM FOR: Brian E. Kamoie
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency
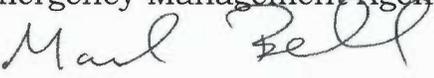
FROM: Mark Bell
Assistant Inspector General for Audits

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

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

The report contains two recommendations aimed at improving FEMA's Grant
Programs Directorate's management of its Assistance to Firefighters Grant
Staffing for Adequate Fire and Emergency Response (SAFER) grants program.
Your office concurred with both recommendations. Based on information
provided in your response to the draft report, we consider both
recommendations 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
Donald Bumgardner, Deputy Assistant Inspector General for Audits, at
(202) 254-4100.

Attachment

Table of Contents

Appendixes

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	*Paperwork Reduction Act of 1995*
the program	AFG Grant Program Office
R&R	Recruitment and Retention
SAFER	Staffing for Adequate Fire and Emergency Response

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 Grants (AFG) 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: AFG grants, Fire Prevention and Safety grants, and Staffing for Adequate Fire and Emergency Response (SAFER) grants.

SAFER hiring grants are used to hire new firefighters and rehire laid-off firefighters, and SAFER Recruitment and Retention (R&R) grants are used to recruit and retain volunteer firefighters. This audit focused on about $1.16 billion in SAFER grant appropriations during FY 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
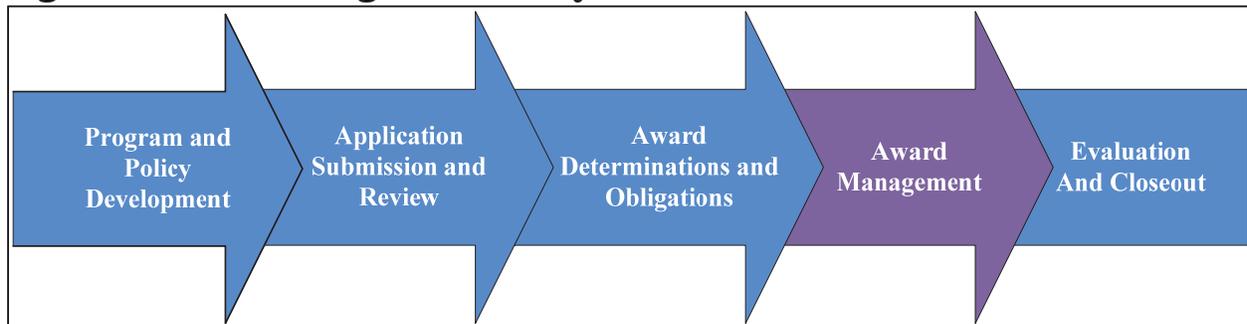
Source: *FEMA GPD Award Administration Fire Grants Programs Payments Desk Guide,* December 2014

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[1] As defined at 15 United States Code § 2229(a)(7): a "nonaffiliated EMS organization" is a public or private nonprofit emergency medical services 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.

Results of Audit

Sixty-three percent (88 of 139) of the SAFER grantees in our sample did not comply with grant guidance and requirements to prevent waste, fraud, and abuse of grant funds. We examined about $72 million in grant funds spent and are questioning $18.4 million. Sixteen percent (9 of 57) of the R&R grantees did not have required procurement policies. In addition, we were unable to contact 22 (8 percent) SAFER grantees, who spent about $8.8 million in grant funds. We also identified and assisted Office of Inspector General (OIG) investigators with four instances of suspected fraud and grant mismanagement, totaling about $2.4 million.

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

- consistently collected or validated documentation, such as invoices, payroll records, and proof of payment, to support reimbursement requests;
- provided clear and concise grant guidance regarding 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 the existence or sufficiency of grantee policies and procedures used to administer grant-funded activities; and
- resolved difficulties maintaining consistent communication with all 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.

Grantees Did Not Comply with Grant Guidance and Requirements

We reviewed 139 SAFER grants and found 88 (63 percent) grantees did not comply with grant guidance and requirements because they did not support expenditures of more than $17.75 million with adequate documentation, and they may have expended funds on ineligible items and activities of more than $692,000. We are questioning about $18.4 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 Grant Type	B # of Grants	C Grant Dollars Awarded	D Grant Dollars Expended	E Unsupported Reimbursements	F Ineligible Expenditures	G Questioned Costs (E+F)
SAFER HIRING	82	$103,754,400	$62,869,203	$12,729,690	$183,441	$12,913,131
SAFER R&R	57	$19,926,555	$9,065,612	$5,021,345	$508,971	$5,530,316
Totals	**139**	**$123,680,955**	**$71,934,815**	**$17,751,035**	**$692,412**	**$18,443,447**

Source: eGrants records, SAFER grantees, and OIG analysis

Insufficient Documentation to Support Reimbursement Requests

Sixty-six grant recipients did not maintain and provide documentation to us as required. Program grant guidance[2] required grantees to maintain and retain documentation on file for review by Federal personnel. Grant guidance told grantees that FEMA, DHS OIG, and the Comptroller General of the United States may require access to grantee books and records. The guidance cautions that grantees who fail to document their purchases may find that their expenditures will be questioned and possibly disallowed. However, grant guidance did not require grantees to submit supporting documentation with reimbursement requests. According to program officials, reimbursements were generally paid "on the honor system."

In our sample of 139 SAFER grants, the program reimbursed grantees for $17.75 million in costs that were not adequately supported by receipts, invoices, payroll records, 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 SAFER grantee

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[2] DHS Fiscal Year 2010–11 *Staffing for Adequate Fire and Emergency Response (SAFER) Grants Program Guidance and Application Kit* and DHS Fiscal Year 2012 *Staffing for Adequate Fire and Emergency Response (SAFER) Grants Program Guidance*

more than $2.2 million for salaries and benefits, but the grantee did not provide us with the supporting documents we requested.[3]

Ineligible Expenditures

The program may have improperly reimbursed 17 SAFER grantees a total of more than $692,000 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 reimbursed a grantee for an awards banquet and another grantee for uniform allowances. Banquets and uniform allowances are specifically not allowed, according to grant guidance. Grantees should not have expended funds on these items.

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.

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 regulations[4] require grantees to use documented procurement policies, standards of procurement conduct, and inventory safeguard policies for grant-funded equipment. We did not review whether grantees who used the funds for hiring personnel had procurement policies, because a procurement policy is not necessary for salary and benefit expenditures. We asked our sample of SAFER R&R grantees to provide us copies of the policies they used to procure goods and services. For 9 of the 57 (16 percent) grants we examined, the grantee did not have a procurement policy or did not supply it to us.

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[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.
[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*

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 22 SAFER grant recipients that spent about $8.8 million in grant funds. We could not determine if 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 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 identified and assisted OIG investigators with four instances of suspected fraud and grant mismanagement totaling about $2.4 million.

- We referred two grantees to OIG investigations. One case is ongoing and the other was referred to FEMA for administrative action.
- In collaboration with FEMA, we referred one contract grant manager to OIG investigations and recommended that FEMA refer the contractor for suspension and debarment.
- We are also assisting investigators with one additional fraud case involving a contract grant manager.

> *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. In addition, GPD did not ensure the program

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

dedicated resources specifically to controlling fraud risk. 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 cycles of measured improvement. 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 standards[6] for managing fraud risk, Federal programs must commit to preventing fraud by creating an organizational culture 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 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 SAFER grants awarded from FYs 2010 through 2012. Because GPD did not sufficiently manage and oversee SAFER 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 Staffing for Adequate Fire and Emergency Response 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.

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

FEMA can 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).

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.

Recommendation 2: We recommend Federal Emergency Management Agency's Assistant Administrator for Grant Programs Directorate review the Staffing for Adequate Fire and Emergency Response grants for FYs 2010–2012 to identify and recover potentially disallowed expenditures of the $18,443,447 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. During the audit, 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 the 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 during 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's 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 SAFER 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, assessment methods, and the 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.

The development of additional monitoring and oversight activities as described above 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's 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): GPD will complete the initial review of questioned costs by 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.

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 SAFER and AFG grant awards for FYs 2010 through 2012 (see companion report OIG-16-100). 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 SAFER management to determine how these grant programs 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 FYs 2010 through 2012 *SAFER Grant Program 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. We also reviewed 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 11 SAFER grants for survey site visits for Regions I, III, VI, and VIII (see appendix

E). 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 for AFG and SAFER grants to 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. Our statistician determined a statistically valid sample size of 283 SAFER grants. Since it was not possible to conduct site visits for 283 grants, we chose to conduct site visits for 51 SAFER grants in geographical clusters representing the majority of FEMA's Operational Regions (see appendix E). Documentation for the remaining 77 grants was collected using an electronic data call.

In August 2015, management directed the team to suspend analysis of the 155 SAFER grants not yet reviewed due to the complexity of the submissions and the significant time required analyzing each one. We examined a total of 139 SAFER grants.

Survey grants analyzed	Fieldwork grants analyzed via site visit	Fieldwork grants collected via data call	Total grants examined
11	51	77	139

We were unable to contact grantees for 22 SAFER 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 consisted of an email request to provide supporting documents and copies of other relevant information via email or mail. The data call needed to comply with requirements in the *Paperwork Reduction Act of 1995* (PRA). We could not conduct further fieldwork via data call until OMB approved the request.

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 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.

Appendix B
FEMA Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528

**Homeland
Security**

MAY   9 2016

MEMORANDUM FOR: Mark Bell
                                  Assistant Inspector General for
                                  Audits

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

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

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.

FEMA's Grant Programs Directorate (GPD) recognizes the need for oversight and has incorporated additional oversight and monitoring activities over the last two years that were not included in the OIG's assessment review for Fiscal Years (FY) 2010 – 2012 of the Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program.

The draft report contains 2 recommendations. FEMA concurs with the recommendations. 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 Staffing for Adequate Fire and Emergency Response 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.

   <u>Improve oversight by:</u>
     •   ensuring guidance is as distinct and as inclusive as possible;

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- 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 SAFER 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.

Core components of the monitoring process (implemented):

1. <u>Monitoring Assessment</u>: 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

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2. <u>Monitoring Selection and Scheduling</u>: 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. <u>Monitoring Activities</u>: Monitoring activities include cash analysis, desk reviews, and site visits. Grants Management Specialists are responsible for conducting annual reviews of 20% of the open and active awards via cash analysis. 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. <u>Post-Monitoring Actions:</u> 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.

Due to the large number of awards issued (over 2,500 annually), it is not possible to conduct a detailed analysis of every award. FEMA will use 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 will 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.

Outcomes for FY 2016 - Programmatic Monitoring (in-progress): As of the date of this response, there were 828 open SAFER awards identified for the whole population (FY 2011-FY 2013 Recruitment and Retention open awards and FY 2012 – FY 2014 Hiring of Firefighters Grants). Then, utilizing methodology outlined above, we were able to identify a manageable number of awards to be monitoring during FY 2016. These 62 awards to be monitored were proportionally split among 5 program analysts at the GPD. Monitors were assigned randomly selected awards within the FEMA regions they are responsible for managing, utilizing a randomizing software application, to conduct either a Desk Review or Site Visit. Currently the SAFER team has issued approximately 44 of the 62 Notices of Monitoring to grantees, conducted pre-monitoring risk assessments and collected documentation of at least a 25% sample of all funds spent for each desk review in order to assess our grant recipient's current deficiencies. We have excluded FY 2014 Hiring Grants until there has been time for funds to be drawn down and Performance Reports submitted for review.

Outcomes for FY 2016 - Financial Monitoring (in-progress): Grants Management

3

Specialists (GMS) 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 on-site visits. On a semi-annual basis, GMSs analyze recipient drawdowns vs expenditures via cash on hand analysis process. For the period ending June 2015, 572 analysis were completed and for the period ending December 2015, 594 reviews are now in progress. The Fire Grant Programs have the highest volume of awards in GPD's grant portfolio. Since all grants business functions are managed by GMSs, it provides multiple opportunities to continuously monitor and assess the grantees cash management activities. In addition to the cash analysis process, GMSs 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.

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.

- GPD has had tremendous success with the payment review process associated with the Improper Payments Elimination and Recovery Act (IPERA). Each year a sampling of payments disbursed are assessed for compliance. This rigorous review assists GPD with determining whether payments were properly disbursed and whether the recipient can provide sufficient documentation to support the payment. Since FY 2013, GPD has seen a dramatic decrease in the IPERIA assessment rate (5.09% in FY 2010 to .64% in FY 2015). This review process has been focused on the Assistance to Firefighters grants, however, GPD expects to conduct the same process with SAFER in FY 2017.

- The FY 2016 SAFER program will include a cost share for the Hiring of Firefighters activity. This will be the first time a cost share will be incorporated since the FY 2009 SAFER funding opportunity. GPD will develop a review process, similar to the IPERA assessment, to sample awards for cost share contributions. This review process will be implemented in FY 2017.

  - 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 on-site monitoring visits for Assistance to Firefighters Grants (AFG), Staffing

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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 the AFG Programs to include sampling grantee documentation to support their drawdown requests and to identify any questioned costs.

GPD will assess the risk factors, monitoring assessment tool, and sampling methodology for monitoring 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 support outcomes for the annual assessment.

Outcomes for the implemented monitoring activities will be available by October 30, 2016. The development of additional monitoring and oversight activities as described above will be implemented by December 31, 2016. 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 the Federal Emergency Management Agency Assistant Administrator for the Grant Programs Directorate review the Staffing for Adequate Fire and Emergency Response grants for FYs 2010–2012 to identify and recover potentially disallowed expenditures of the $18,443,447 total questioned costs.

Response: Concur. FEMA will review information and documentation provided by OIG regarding questioned 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: 60 days from receipt of OIG files

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.

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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.

Appendix D
Fraud Risk Management Framework and Selected Leading Practices
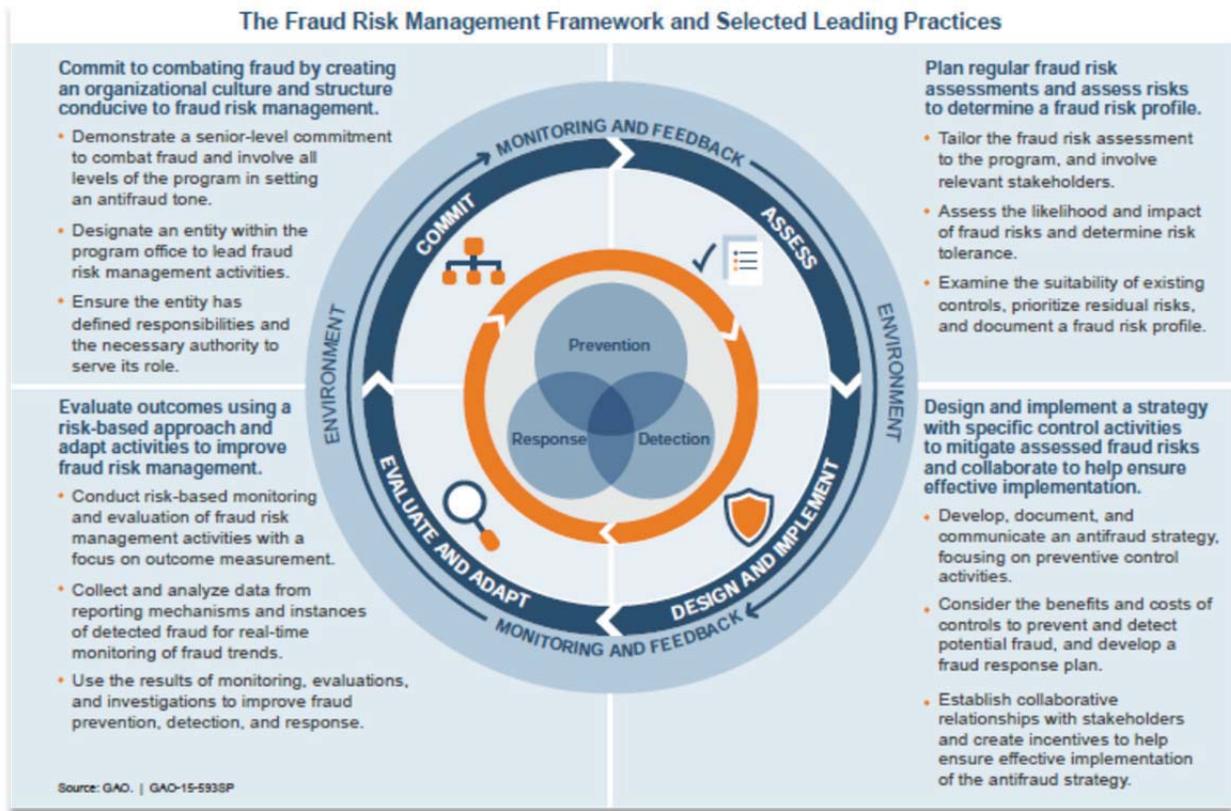
Source: A Framework for Managing Fraud Risks in Federal Programs, GAO-15-593SP, July 2015

Appendix E
FEMA's Operational Regions
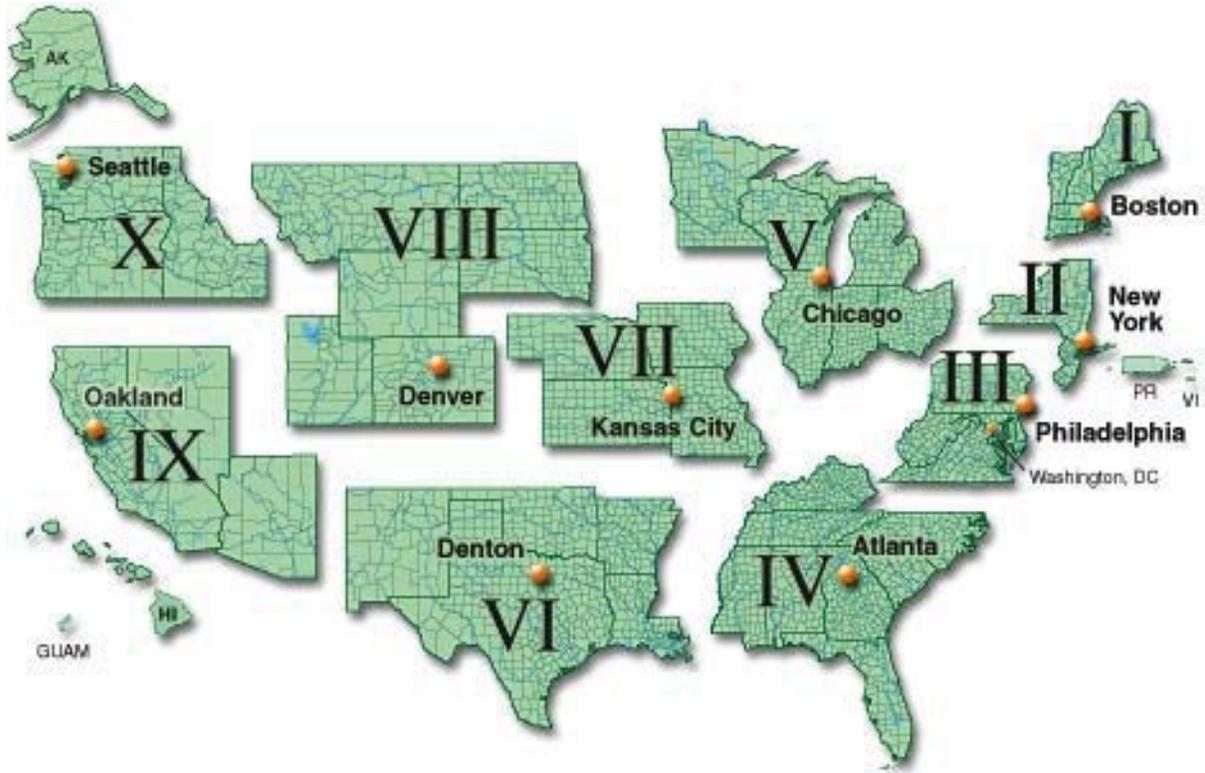
Source: FEMA Operational Regions and Regional Offices

Appendix F
Potential Monetary Benefits

Classification of Monetary Benefits				
Finding	Rec. No.	Questioned Cost - Unsupported Reimbursements	Questioned Cost - Ineligible Expenditures	Total
SAFER Hiring of Firefighters	2	$12,729,690	$183,441	$12,913,131
SAFER Recruitment and Retention of Volunteer Firefighters	2	$5,021,345	$508,971	$5,530,316
Total		$17,751,035	$692,412	$18,443,447

Source: OIG analysis of SAFER grant data

Appendix G
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Appendix H
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