

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

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





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Department of Homeland Security

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

MAY 2 2014

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

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

Attached for your action is our final report, *North Dakota's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012*. We incorporated the formal comments from the Office of Policy, Program Analysis and International Affairs and the North Dakota Department of Emergency Services in the final report.

The report contains 10 recommendations aimed at improving the overall effectiveness of North Dakota's management of Homeland Security Grant Program funds. Your office concurred with all of the recommendations. Based on information provided in your response to the draft report, we consider recommendations 2 through 10 resolved and open, and recommendation 1 resolved and closed. 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 email a signed PDF copy of all responses and closeout requests to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact John E. McCoy, II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



April 21, 2014

Ms. Anne L. Richards
Assistant Inspector General for Audits
U.S. Department of Homeland Security
Office of Inspector General, Mail Stop 0305
245 Murray Lane, SW
Washington, D.C. 20528

Dear Ms. Richards:

Foxx & Company performed an audit of North Dakota's management of the Department of Homeland Security's State Homeland Security Program grants for fiscal years 2010 through 2012. The audit was performed in accordance with our Task Order No. TPD-FIG-BPA-10-0006, Order No. 0019 dated June 19, 2013. This report presents the results of the audit and includes recommendations to help improve North Dakota's management of the audited State Homeland Security Program grants.

Our audit was conducted in accordance with applicable *Government Auditing Standards*, 2011 revision. The audit was a performance audit as defined by Chapter 2 of the *Standards* and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by North Dakota, we did not perform a financial audit, the purpose of which would be to render an opinion on North Dakota's financial statements or the funds claimed in the financial status reports and Federal financial reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of any further assistance, please call me at (513) 241-1616.

Sincerely,

Foxx & Company
Cincinnati, Ohio



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Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
MOU	memorandum of understanding
NDDDES	North Dakota Department of Emergency Services
OIG	Office of Inspector General
SHSP	State Homeland Security Program
SPR	state preparedness report
THIRA	Threat and Hazard Identification and Risk Assessment



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Executive Summary

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

The audit objectives were to determine whether North Dakota distributed and spent State Homeland Security Program grant funds effectively and efficiently, and in compliance with applicable Federal laws and regulations. We also addressed the extent to which grant funds enhanced North Dakota's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The Federal Emergency Management Agency (FEMA) awarded the State approximately \$14.6 million in State Homeland Security Program grants during fiscal years 2010 through 2012.

In most instances, North Dakota distributed and spent the awards in compliance with applicable laws and regulations. However, we identified areas where the State can improve its management of the grant funds. Specifically, state homeland security strategies did not contain a baseline for measuring improvements or target dates as to when objectives would be achieved, and obligations of grant funds to subgrantees did not always meet the Federal time requirements. Personnel time charges were not adequately supported, overall grant expenditures were not timely, and subgrantee property management did not always comply with Federal requirements. Additionally, subgrantee monitoring procedures needed improvements.

We have made 10 recommendations that call for FEMA to initiate improvements, which, if implemented, should strengthen grant program management, performance, and oversight. FEMA concurred with all of the recommendations. Written comments to the draft report are incorporated as appropriate and are included in appendix B



Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help state and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for administering the HSGP. FEMA supports preparedness by developing policies, ensuring that adequate plans are in place and validated, defining capabilities required to address threats, providing resources and technical assistance to states and U.S. territories, and synchronizing preparedness efforts throughout the Nation. Appendix C contains a detailed description of the interrelated grant programs that constitute the HSGP.

North Dakota was awarded approximately \$16.3 million in HSGP funds during fiscal years (FYs) 2010 through 2012. The \$16.3 million included \$14.6 million of State Homeland Security Program (SHSP) funds that the North Dakota Department of Emergency Services (NDDDES) awarded to counties, state agencies, and Native American tribes. NDDDES is responsible for administering the HSGP funds for North Dakota. The \$16.3 million in HSGP funding consisted of the following:

Table 1: Homeland Security Grant Program Funding

Homeland Security Grant Program FYs 2010 through 2012				
Funded Activity	FY 2010	FY 2011	FY 2012	Total
State Homeland Security Program	\$6,613,200	\$5,137,205	\$2,801,316	\$14,551,721
Operation Stonegarden	\$548,913	\$526,949	\$499,407	\$1,575,269
Citizen Corps Program	\$109,174	\$87,348	0	\$196,522
Grand Total	\$7,271,287	\$5,751,502	\$3,300,723	\$16,323,512

Source: Grant award documents provided by FEMA and NDDDES.

Results of Audit

In most instances, North Dakota distributed and spent the awards in compliance with applicable laws and regulations. However, we identified the following areas where the State can improve and enhance its management of SHSP grants:



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- State homeland security strategies
- Obligations to subgrantees
- Personnel time charges
- Timeliness of expenditures
- Property management and accountability
- Subgrantee monitoring

Improvements in these areas will enhance North Dakota's effectiveness in the overall use of the grant funds to improve preparedness and response capabilities and reduce the risk associated with the State's management of FEMA grant funds.

State Homeland Security Strategies

North Dakota homeland security strategies did not provide a sufficient basis to measure performance or capability improvements. A North Dakota homeland security strategy was issued for FY 2010 and FY 2011. The strategy document was updated in FY 2012 but there were no changes to the strategy, making it identical to the FY 2011 strategy. The strategies for FYs 2010, 2011, and 2012 did contain goals and objectives that could be used in measuring performance. However, the strategies did not contain a context (baseline) for measuring capability improvements or target dates as to when the objectives would be achieved. Without a baseline for measuring improvements or target dates when objectives would be achieved, the State could not evaluate the effect of grant expenditures on its preparedness and emergency response capabilities.

Code of Federal Regulations (CFR) Title 44 § 13.40, *Monitoring and Reporting Program performance*, requires that grantees monitor grant and subgrantee supported activities to assure that program goals are being achieved. DHS *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal, July 22, 2005*, states that an objective sets a tangible and measurable target level of performance over time against which actual achievement can be compared, including a goal expressed as a quantitative standard, value or rate. Therefore, an objective should be:

- specific, detailed, particular, and focused – helping to identify what is to be achieved and accomplished;
- measurable – quantifiable, providing a standard for comparison, and identifying a specific achievable result;
- achievable – the object is not beyond a state, region, jurisdiction, or locality's ability;



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- results-oriented – identifies a specific outcome; and
- time-limited – a target date exists to identify when the objective will be achieved.

In its FY 2011 *Homeland Security Grant Program Guidance and Application Kit*, FEMA strongly encouraged states and urban areas to update their homeland security strategies every two years beginning in 2011. Updates help ensure that existing goals and objectives reflect all FEMA mission areas, the National Priorities, and implement the whole community approach to emergency planning and management. Homeland security strategies should reflect an ongoing process of review and refinement as new lessons, priorities, challenges, threats, and hazards evolve. DHS strategy guidance states that updated state homeland security strategies provide a context for performing the strategic exercise of asking “How are we managing our homeland security programs?”

In April 2012, FEMA required state and local governments receiving FEMA preparedness grants to complete a Threat and Hazard Identification and Risk Assessment (THIRA) by December 31, 2012. The THIRA provides a comprehensive approach for identifying and assessing risks and associated impacts, using the core capabilities identified in the National Preparedness Goal. In addition to the THIRA, states and territories receiving FEMA preparedness grants are required to submit annually a state preparedness report (SPR). FEMA officials indicate that THIRA results and the SPR will provide a quantitative summary of preparedness. FEMA believes that the THIRA and SPR provide the required information in the strategies.

The NDDDES official responsible for completing the strategy acknowledged that the goals and objectives did not have timelines for completion. Although the strategies contained goals, multiple objectives, and steps to accomplish the objectives, the steps for the objectives did not have baselines for measuring improvements or target dates. Following are examples of three of nine goals, an objective for each goal, and steps for the objective in the 2012 strategy that did not have a baseline for measuring improvements or target dates.



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Table 2. Examples of Goals and Objectives in 2012 Strategy

<i>Goal</i>	<i>Objective</i>	<i>Steps</i>
Strengthen interoperable and operable communications capabilities.	Attain radio communication interoperability (P25 Compliant) among Federal, state, local, and tribal first responders within North Dakota.	<p><i>Step:</i> Planning Steps:</p> <ul style="list-style-type: none"> • Develop a priority list of State, local and tribal agencies for analog to digital conversion. • Continue State Interoperable Executive Committee • Conduct survey of P25 communication equipment needs. <p><i>Step:</i> Equipment Steps:</p> <ul style="list-style-type: none"> • Provide conversion equipment based on priority listing. • Provide funding for P25 communication equipment shortfalls. <p><i>Step:</i> Test analog to digital conversion through a tabletop exercise.</p>
Develop and enhance health and medical readiness and preparedness capabilities.	Establish a patient tracking system.	<p><i>Step:</i> Develop plans for the long-term tracking of patients following an event which will be integrated with existing public health and medical emergency preparedness and response plans.</p> <p><i>Step:</i> Ensure that all participating hospitals have the capacity to maintain, in negative pressure isolation, at least one suspected case of highly infectious disease or febrile patient with a suspect rash or other symptoms of concern that might be developing a highly communicable disease.</p> <p><i>Step:</i> Establish reporting systems/mechanisms that include hospitals reporting the number of patients in isolation, patients discharged against medical advice with communicable disease, and patients discharged to home that still require isolation.</p>
Provide a fully integrated web-based grants management system.	Streamline the grant process; Track where and how specific funds are used within jurisdictions, counties, or statewide; meet Office of Domestic Preparedness, Biannual Strategy Implementation Report, and Initial Strategy implementation Plan requirements; create real-time reports through a robust report tool.	<p><i>Step:</i> Organizational Steps:</p> <ul style="list-style-type: none"> • Create on-line grant program • Integrate web-based program with current access database to track what, where, and how funds are being utilized. • Create on-line project matrix progress report for Biannual Strategy Implementation Report. • Create robust reporting tool. <p><i>Step:</i> Identify technology need to create web-based program.</p> <p><i>Step:</i> Train staff and jurisdictional users to utilize web-based grant system.</p>

Source: FY 2012 state strategy for North Dakota.



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NDDDES also completed the first THIRA which was due December 2012. The THIRA contained the required information to:

- identify threats and hazards;
- give threats and hazards context (assess vulnerability, how they affect the community);
- examine core capabilities using the threats and hazards (estimate consequences, impacts to the community);
- set capability targets; and
- apply the results (use results for planning and preparedness activities to identify a means to deliver target level of capability).

The information in the THIRA did contain baseline information. The THIRA also contained three threats that were not addressed in the 2012 strategy.

NDDDES officials stated that the strategy was intended to be a 5-year plan based on continued funding levels. As the funding levels were reduced, the completion of the goals and objectives was extended. Because future funding levels were unknown, state officials said that estimating projects completions was difficult.

Without a baseline for measuring improvements or target dates when objectives would be achieved, the State did not have a sufficient basis to evaluate the accomplishment of goals and objectives during our audit period. It also made it difficult to provide a context for performing the strategic exercise of asking “How are we managing our homeland security programs?” as set forth in the DHS *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*. The lack of identification of baselines from which improvement could be measured impacted the determinations for future funding needs. However, with the advent of the THIRA, the issues identified with the strategies could be resolved if the State carried over the THIRA procedures when preparing its strategies.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to:



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Recommendation #1:

Develop and implement policies and procedures to ensure that:

- strategies contain target dates when objectives would be achieved,
- baselines are identified for the capabilities that will facilitate the measurement of progress toward achieving the goals and objectives, and
- the strategies are consistent with the THIRAs that are required by FEMA.

Management Comments and Auditor Analysis

FEMA and State Responses to Recommendation #1: FEMA concurred with the recommendation. FEMA has developed a system to help states, territories, and urban areas to establish measurable goals and objectives to measure improvements in first responder capabilities and statewide preparedness. FEMA has developed and is implementing performance assessments that measure progress toward achieving the National Preparedness Goal. The FEMA strategy is to base assessments on the principles that the Nation needs to understand existing risks, use those risks to determine required capabilities, assess current capability levels against those requirements, and track its progress in closing identified capability gaps.

FEMA released a consistent methodology for determining risks in the THIRA *Comprehensive Preparedness Guide 201*, Second Edition, in August 2013. The guidance details a four-step process jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. This approach allows jurisdictions to establish capability targets based on the risks it faces. Starting on December 31, 2012 states, territories, and urban areas were required to submit THIRAs to FEMA. States and territories are also required to annually submit SPRs. The THIRA results and SPR identify needs and gaps and the results highlight gaps in capability and the progress of grantees in closing gaps over time.

FEMA reports the results of the capability assessments annually in the National Preparedness Report. The goals and objectives to measure improvements in first responder capabilities and statewide preparedness are addressed by requiring states to prepare THIRAs, SPRs, and investment justifications. Strategy updates are encouraged but not required as the THIRA, SPR, and investment justifications methodology provide the goals and assessment of progress against the goals. FEMA provided copies of the North Dakota 2012 SPR and 2013 THIRA which supported the system to measure goals and objectives. FEMA requested that the recommendation be resolved and closed.



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The State concurred with this recommendation. The State is updating the strategy to include reformatting based on core capabilities and THIRA results. Target dates and baseline information were not in the strategy but were incorporated into grant investment justifications. The updated strategy will also include objectives and baseline information.

Auditor Analysis: The actions taken by FEMA are responsive to the intent of recommendation #1. This recommendation is resolved and closed.

Obligations to Subgrantees

NDDDES did not obligate at least 80 percent of the FY 2011 and 2012 SHSP funds to local units of government within 45 days. NDDDES did obligate the required percentage of SHSP funds to local governments for FY 2010 funds. As a result, NDDDES was not in compliance with the law.

According to *FEMA Homeland Security Grant Program Guidance*, state administrative agencies must obligate and make available to local government units at least 80 percent of SHSP and Urban Areas Security Initiative grant funds within 45 days of FEMA's award date. The guidance states that local governments have an important role in protecting the American people from terrorist threats. The obligation must include the following requirements:

1. There must be some action to establish a firm commitment on the part of the awarding entity.
2. The action must be unconditional on the part of the awarding entity (i.e., no contingencies for availability of funds, and all special conditions prohibiting obligation, expenditure, and drawdown must be removed).
3. There must be documentary evidence of the commitment.
4. The award terms must be communicated to the official grantee.

The FEMA Guidance states that the state may retain some of the allocation of grant funds for expenditures made by the state on behalf of the local unit of government or urban area jurisdiction. This may occur only with the written consent of the local unit of government or urban area jurisdiction. The written consent must specify the amount of funds to be retained and the intended use of funds.

NDDDES obligated SHSP funds to local governments and other subgrantees through grant awards to local governments and law enforcement organizations. Memorandums of understanding (MOUs) were also made with counties. As



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stated previously, NDDDES did not obligate at least 80 percent of FEMA’s FY 2011 and FY 2012 SHSP awards to local governments within 45 days. Table 3 shows the SHSP amount awarded by FEMA and the total amounts NDDDES obligated to local governments for FYs 2011 and 2012 within the 45 day timeframes.

Table 3: FYs 2011 and 2012 SHSP Grant Awards to Local Governments

Fiscal Year	Award Date	SHSP Award Amount	80% Of Award Amount	Obligated to Locals Government Within 45 Days	
				Amount	Percent
2011	9/7/11	\$5,137,205	\$4,109,764	\$0	0%
2012	8/28/12	\$2,801,316	\$2,241,053	\$500,000	18%

Source: Grant award and MOU documents provided by NDDDES.

The following table shows a summary of the range of subgrantee agreement dates for FYs 2011 and 2012 that exceeded the 45 day timeframe.

Table 4: FYs 2011 and 2012 Grant Awards to Local Governments Not Within 45 Days

Fiscal Year Awards	Number of Awards After 45 Days	Range of Awards After 45 Days	Amount of Awards
2011	154	75-622	\$3,884,533
2012	147	46-155	\$1,823,088

Source: Grant award and MOU documents provided by NDDDES.

NDDDES used an extensive process to provide awards to subgrantees, which delayed the awards to local governments beyond the 45 day required timeframe. This process involved awards for specific use of SHSP funds with award amounts being for the purchase of specific equipment or other specific purposes. The subgrantees were required to provide specific information to NDDDES on the use of funds to receive awards. When the 45 day requirement was not met, local governments and first responders were not provided Federal funding in a timely manner.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, FEMA, require the Director, North Dakota Department of Emergency Services to:



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Recommendation #2:

Review the current procedures to award SHSP funds to local governments to streamline the process to ensure that funds are available to subgrantees in a timely manner.

Management Comments and Auditor Analysis

FEMA and State Responses to Recommendation #2: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to review the current procedures to award SHSP funds to local governments to identify opportunities to streamline the process and ensure funds are available in a timely manner. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.

The State concurred with the recommendation. The State said that table 3 for FY 2011 should show \$821,953 that was obligated for an MOU that was signed and executed within 45 days for regional funding. The State said that the non-regional awards in many cases were not signed by subgrantees within 45 days. To ensure that the 45 day requirement is met in the future, applicants will apply before the State receives the Federal award. This will allow the State time to issue subgrantee awards within 45 days. For applications that require an environmental and historic review, which the State is not able to submit to DHS until after the Federal grant is received, NDDDES will issue a letter to the subgrantees asking them to sign and accept funding prior to the end of the 45 day period. The State does not agree that 45 days is sufficient time to complete the award process and believes the requirement should be reviewed and updated considering it is several years old.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #2. The recommendation is resolved will remain open until the proposed corrective action is fully implemented. The \$821,953 MOU indicated by the State was not signed within 45 days of the grant award and therefore table 3 was not changed.

Personnel Time Charges

Personnel time charges for FY 2010 SHSP funds were not supported by activity reports or time sheets which indicated that personnel had worked on grant projects or activities. Although the monthly time sheets for employees contained



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percentages for time worked on grants, these percentages were directed by NDDDES officials. The officials reviewed each individual's job duties and determined what percentages of their duties were eligible under homeland security activities. There was no verification made that these were the actual hours spent by employees working on particular grants. Because there was no assurance that the time charged was spent on allowable grant activities, the \$686,710 charged to the FY 2010 SHSP grant was questioned. Only FY 2010 funds were expended on personnel costs. No FY 2011 or FY 2012 funds have been spent on personnel costs.

According to 2 CFR § 225, *Cost Principles for State, Local, and Indian Tribal Governments*, when employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or timesheets. Personnel activity reports must reflect an after-the-fact distribution of the actual activity and must account for the total activity for each employee. In addition, they must be prepared at least monthly, and must be signed by the employee.

NDDDES employee time charges were reported on timesheets that recorded only hours worked. These timesheets did not indicate the specific hours worked on SHSP grants or other activities. The State did not require individual staff to prepare timesheets identifying the time spent on each grant. To determine the amounts charged, a percentage determined by NDDDES management officials was applied to individual employees' salaries. The officials then assumed that no more time was charged to the grant than that percentage. As a result, there is no specific documentation showing the hours worked for the 2010 award. As of June 30, 2013, NDDDES had not charged personnel expenses to the FYs 2011 and 2012 SHSP awards.

NDDDES did not have standard operating procedures to ensure that personnel activity costs were claimed in accordance with Federal requirements. Without documentation indicating what grant activities employees worked on, there is no assurance that the time spent by employees was actually expended to further the purposes of the SHSP awards. Accordingly, the costs charged to the FY 2010 SHSP award of \$686,710 were considered questionable costs (see appendix F).

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota's Department of Emergency Services to:



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Recommendation #3:

Establish and implement procedures to ensure compliance with Federal time reporting requirements for personnel costs charged to Federal awards by requiring employees to prepare activity reports, or develop a substitute system, to identify hours charged on Federal awards by activity.

Recommendation #4:

Document that personnel costs claimed for FY 2010 FEMA award were actually expended on SHSP activities and that activities were beneficial to the FEMA awards by providing documentation that adequately supports the \$686,710 questioned as valid charges to the FEMA award, or refund the amount not supported to FEMA.

Management Comments and Auditor Analysis

FEMA and State Responses to Recommendation #3: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to establish and implement standard operating procedures to ensure compliance with 2 CFR § 225, *Cost Principles for State, Local, and Indian Tribal Governments*. The standard operating procedures will require employees to prepare activity reports for personnel costs charged to Federal awards, or develop a substitute system to identify hours charged on Federal awards by activity. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.

The State concurred with the recommendation. It will coordinate with FEMA to put in place a system compliant with 2 CFR § 225.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #3. The recommendation is resolved and will remain open until the proposed corrective action is fully implemented.

FEMA and State Responses to Recommendation #4: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to submit documentation on the questioned personnel costs for FEMA's analysis and determination of allowability, and where warranted, recoupment of grant funds. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.



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The State did not concur with the recommendation, saying to agree with the recommendation would assume absolutely no individual work or management time was expended to implement any of the 2010 grant. NDDDES assesses employee contributions to grant programs and properly charges the appropriate funding source. Documentation of personnel activities during this time period can be provided to FEMA.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #4. The recommendation is resolved and will remain open until the proposed corrective action is fully implemented.

Timeliness of Expenditures

NDDDES's rate of expenditures for SHSP awards showed that the grant funds were not being expended in a timely manner. At the end of the grant period, NDDDES returned \$80,148 of the 2010 SHSP award funds to FEMA. Because FEMA has shortened the grant period for the FY 2012 SHSP awards from 3 to 2 years, NDDDES has more than \$4 million of FYs 2011 and 2012 SHSP funding to spend by August 31, 2014. As a result, unless the expenditure of SHSP funding is accelerated, NDDDES may have to return portions of its 2011 and 2012 SHSP awards to FEMA. The slow rate of expenditure of SHSP funds could result in a loss of opportunities for the State to enhance its capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies.

According to *FEMA Grants Program Directorate Information Bulletin 379*, extensions for periods of performance will require more information than in the past in order to obtain FEMA approval. For the FY 2012 SHSP funding, the period of performance was reduced from 3 years to 2 years. Therefore, the FY 2011 and FY 2012 grant funding must be expended by August 31, 2014.

The following table shows the amount awarded, expenditures, and percentage of SHSP funds not spent for each of the three grant years included in the scope of our audit, as of June 30, 2013.



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Table 5: FY 2010-2012 SHSP Expenditures as of June 30, 2013

Grant Year	Period of Performance End Date	Amount Awarded	Expenditures as of 6/30/2013	Unspent	Percent Unspent As of 6/30/13
2010	7/31/13	\$6,613,200	\$6,347,296	\$265,904	4%
2011	8/31/14	\$5,137,205	\$3,063,639	\$2,073,566	40%
2012	8/31/14	\$2,801,316	\$648,356	\$2,152,960	77%

Source: Award and expenditure amounts provided by NDDES.

Comparing the period of performance end date with the unspent amounts showed that the NDDES was not expending SHSP funds at a sufficient rate to expend all the funds by the end of the grant periods. For the FY 2010 SHSP award, NDDES deobligated and returned \$80,148 of SHSP funds to FEMA. A comparison of the rate of expenditures for 2011 and 2012 identified that NDDES will need to expend SHSP funds at a greater rate than it had prior to June 30, 2013 as shown above. With slightly more than a year remaining in the period of performance for both the 2011 and 2012 grants, the State must expend about 40 percent of the 2011 grant funds and about 77 percent of the 2012 grant.

Delays in grant fund expenditures can impede state and subgrantees' opportunities to enhance the most critical preparedness and response capabilities and result in reallocating of funding to lesser priorities to ensure funding does not expire. Spending funds in a relatively short period of time raises questions about whether the grant funds will be spent in an effective and efficient manner on projects and equipment that will best address the State's homeland security needs. Finally, NDDES could lose the unexpended funds, possibly resulting in lost opportunities to protect the citizens of North Dakota from terrorism and disasters.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director North Dakota Department of Emergency Services to:

Recommendation #5:

Develop and implement procedures, with appropriate internal controls, to ensure that SHSP grant funds are expended in a timely manner and within the grant period.



Management Comments and Auditor Analysis

FEMA and State Responses to Recommendation #5: FEMA concurred with this recommendation. FEMA will require the Director of NDDDES to develop and implement procedures, with appropriate internal controls, to ensure that SHSP grant funds are expended in a timely manner and within the grant period. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.

The State did not concur with the recommendation. According to the State, it already has procedures in place to ensure that SHSP grant funds are expended. As of March 27, 2014, 82 percent of the FY 2011 and almost 60 percent of the FY 2012 grants have been expended. Considering the nature of the grants, it is not practical to expect a defined amount of funds to be expended each month. At the local level, the Federal grant may not be included in the budget cycle that coincides with the receipt of the award which means personnel are not authorized to spend dollars until the following budget cycle.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #5. The recommendation is resolved and will remain open until the proposed corrective actions have been fully implemented.

Property Management and Accountability

NDDDES subgrantees did not adhere to property management requirements prescribed by the Federal government. Additionally, NDDDES did not have written policies and procedures to ensure that the property management accountability requirements were being implemented and maintained by its subgrantees. Of the 21 subgrantees we visited that had purchased equipment with SHSP funds, none had property management systems that complied with Federal requirements. As a result, NDDDES had no assurance that property acquired with SHSP funding was being adequately accounted for, protected, and utilized for the purpose it was purchased.

Equipment is defined by 44 CFR § 13.3, *Definitions*, as tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Also, 44 CFR § 13.32(d)(1), *Equipment*, requires that property records be maintained that include the property's cost, description, identification number, location, use, condition, and ultimate



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disposition. Equipment and supplies are considered personal property. Also required by 44 CFR § 13.32(d) (2), (3), are:

- a control system be developed to ensure adequate safeguards to prevent loss, damage, or theft of equipment and other personal property procured with Federal funds, and
- a physical inventory of the property be taken and the results reconciled with the property records at least once every two years.

Furthermore, 44 CFR § 13.20, *Standards for financial management systems*, requires that effective control and accountability be maintained for all personal property procured with Federal funds. Sensitive equipment that is portable, such as laptop computers and handheld radios, should be safeguarded even though the cost of the equipment might be less than the \$5,000.

The regulations also state that property records (including equipment) must be maintained that include:

- a description of the property,
- a serial number or other identification number,
- the source of property,
- who holds title,
- the acquisition date,
- the cost of the property,
- percentage of Federal participation in the cost of the property,
- the location,
- use and condition of the property, and
- any ultimate disposition data including the date of disposal and sale price of the property.

Our selected subgrantee visits disclosed that subgrantee property management records did not include all the asset tracking data elements required in 44 CFR § 13.32(d)(1). In addition, some of these subgrantees were unaware of the requirement to identify equipment items purchased with Federal grant funds or to maintain the required records.

As shown in the table 6, of the 23 subgrantees and subrecipients visited, 2 did not purchase any equipment items, and 1 did not maintain an equipment inventory. Of the 21 who purchased equipment with SHSP funding, none had property management records in compliance with all of the Federal property



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management requirements. Following is a summary of the noncompliances we noted at 21 of the 23 subgrantees we visited:

Table 6: North Dakota Property Asset Control Shortcomings

Subgrantees	Description of Noncompliant Element
20	Did not include all 10 required data elements
19	Did not identify items were purchased with Federal funds
17	Did not identify the acquisition date
11	Did not identify equipment cost
4	Did not identify the location of the equipment
6	Did not identify equipment serial numbers
1	Did not maintain an equipment inventory list

Source: Subgrantee visits by Foxx & Company auditors.

NDDDES officials told us that property management control requirements were provided as a part of the accompanying subgrantee award documentation. However, a review of the NDDDES notice of grant award simply stated that Federal and state regulations must be met and the subgrantee must be in compliance with Office of Management and Budget (OMB) A-133 guidelines. There were no specific property management control requirements that accompanied the subgrantee awards for FYs 2010-12.

In addition, the absence of written policies and procedures that specify Federal property management controls limited followup actions with subgrantees to verify that assets were recorded and protected. Also, the limited NDDDES staff available for conducting subgrantee monitoring site visits contributed to the noncompliance with Federal property management requirements. As a result, NDDDES and its subgrantees did not have reasonable assurance that property purchased with Federal grant funds was being adequately identified and safeguarded to prevent loss, damage, or theft.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to:

Recommendation #6:

Develop property management procedures to ensure compliance with Federal property management requirements and incorporate the property management



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requirements in the notice of grant awards special conditions section of the awards.

Recommendation #7:

Ensure that all subgrantees have adequate property management systems that comply with Federal requirements for equipment purchased with Federal funds.

Management Comments and Auditor Analysis

FEMA and State Responses to Recommendations #6: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to develop property management procedures to ensure compliance with Federal property management requirements. FEMA will also require NDDDES to incorporate the property management requirements contained in 44 CFR § 13.32 *Equipment* in the notice of grant awards special conditions section of its subawards. FEMA requested that the recommendations be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.

The State concurred with the recommendation. NDDDES has developed a grant closure procedure that requires the subgrantee to submit a property record with all of elements mandated under 44 CFR § 13.32. Property management requirements have always been part of the notice of grant award. As of February 2014, once property records are returned to NDDDES, the subgrantee is provided stickers to place on equipment identifying that it was purchased with SHSP funds.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #6. The recommendation is resolved and will remain open until the proposed corrective actions are fully implemented.

FEMA and State Responses to Recommendation #7: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to ensure that all subgrantees have adequate property management systems that comply with Federal requirements for equipment contained in 44 CFR § 13.32. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.



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The State concurred with the recommendation. According to NDDDES, it has incorporated a review of the local property management procedures into the on-site monitoring form.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #7. The recommendation is resolved and will remain open until the proposed corrective actions are fully implemented.

Subgrantee Monitoring

The NDDDES did not adequately monitor subgrantee activities for the FYs 2010-12 DHS grants. Although NDDDES had written procedures for subgrantee monitoring, it only performed a small number of subgrantee visits during our audit period. Also, there was only one person permanently assigned to perform subgrantee monitoring. As a result, NDDDES did not have assurances that the subgrantees were in compliance with Federal requirements and that the subgrantees were efficiently and effectively using SHSP grant funds to accomplish program objectives.

According to 44 CFR § 13.40, *Monitoring and reporting program performance*, grantees are required to (1) provide day-to-day management of all grants and subgrant supported activities and (2) assure that subgrantees comply with applicable Federal requirements and achieve program performance goals. The regulations also specify that the grantees' monitoring programs must cover each program, function, or activity, and require subgrantees to adhere to the same performance monitoring and reporting standards as required of grantees.

Office of Management and Budget Circular A-133, Part 3-M also includes grantee monitoring requirements. Part 3-M states that grantees are responsible for monitoring subgrantee's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subgrantee administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.

According to the NDDDES's grant Program and Fiscal Review Policy, grant monitoring site visits will be conducted for 1/3 of the grant recipients each year, and all subgrantees are to be covered over a 3-year period. A typical site visit is a 1-day visit in a community, and a normal site visit trip that includes multiple counties is set up for 3 days. One month before the site visit, NDDDES personnel pull the grant awards and conduct a quick review of the award. NDDDES then



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notifies the subgrantee of the impending visit. During the site visit, a Program & Fiscal Review Procedures' checklist is completed. A review of the subgrantee's grant files is conducted, where a percentage of equipment items are selected and the supporting documentation is checked.

The following table shows the NDDDES grant monitoring schedule of completed site visits for calendar years 2010 through 2013.

Table 7: Assessment of NDDDES Grant Monitoring Site Visits

Calendar Year	Site Visits Completed (1-week/visit)	Number of Counties Visited	Number of Additional First Responders Visited
2010	2	2	21
2011	0	0	0
2012	1	4	11
2013	1	3	10
Totals	4	9	42

Source: NDDDES's schedule of completed grant monitoring site visits.

Our assessment of the site visit schedule disclosed the following:

- the schedule showed that only four 1-week site visits have occurred between 2010 and 2013;
- a total of 9 out of the 53 counties were included in the 4 site visits;
- an additional 42 subgrantee and subrecipient (city and county agencies considered first responders) grant files were reviewed; and
- there were no site visits made during calendar year 2011.

This schedule did not include any of the 23 subgrantees we selected for our site visits. Since we selected the largest entities in our sample, it was unusual that none of the sites were monitored given the amount of SHSP funding received by the jurisdictions we visited. We also noted that some subgrantees were visited, but not scheduled.

We reviewed checklists for the completed NDDDES grant monitoring site visits. Documentation areas covered on the checklist include: revenue, reimbursements, payments, payroll, equipment, asset management, procurement, and grant administration. This checklist was revised in February 2013, where asset management was added. The checklist comments completed for the monitoring visits were general statements and did not have specific



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information to answer the section headings. With regard to asset management, there were no specifics reported on what was checked during the site visits. Comments such as “city or county maintains inventory listing” does not identify the contents of the listing, or if equipment items were purchased with SHSP funding. As for procurement reviews, it appears that the only review made was to see if the subgrantee had a written procurement policy, not to check how equipment items were procured. While a checklist was completed for all of the NDDDES subgrantee visits performed, no summary reports were generated that would identify similarities or dissimilarities found. The reports we reviewed had no findings identified.

According to an NDDDES official, because of the state geography, travel to subgrantee locations in the winter months and the unavailability of subgrantees during spring flooding makes monitoring visits difficult considering the number of NDDDES staff available. The staff assigned to perform subgrantee monitoring was limited to one full-time employee with periodic help of another employee. With this limited staff, the schedule for site visits appeared to be a very ambitious plan to accomplish in a short amount of time.

In the absence of adequate subgrantee monitoring visits, NDDDES was not fully aware of the extent that its subgrantees adhered to Federal requirements and grant guidelines or achieved DHS and state programmatic goals and objectives. NDDDES was unable to obtain first-hand knowledge of specific subgrantee administrative problems and issues due to an ineffective on-site subgrantee monitoring program.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to:

Recommendation #8:

Assess the protocol for monitoring subgrantees to include:

- reviewing the performance monitoring checklist for evaluating subgrantee compliance with Federal requirements, such as procurement and equipment inventories, and
- determining criteria and methodologies for assessing subgrantee efficiency and effectiveness in accomplishing program objectives.



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Recommendation #9:

Implement the procedures for subgrantee monitoring that was revised in 2013 and determine whether the procedures need to be more specific.

Recommendation #10:

Consider allocating more resources to subgrantee monitoring in order to meet the NDDDES requirement of completing site visits for all subgrantees over a 3-year period.

Management Comments and Auditor Analysis

FEMA and State Responses to Recommendation #8: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to assess the protocol for monitoring subgrantees. The assessment would include reviewing the performance monitoring checklist for evaluating subgrantee compliance with Federal requirements such as procurement and equipment inventories. The assessment would also include determining criteria and methodologies for assessing subgrantee efficiency and effectiveness in accomplishing program objectives. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.

The State concurred with the recommendation. According to the State, the monitoring form has already been reviewed and updated. For years, subgrantees have completed quarterly progress reports that provide NDDDES with subgrantees status for accomplishing program objectives.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #8. The recommendation is resolved and will remain open until the proposed corrective actions are fully implemented.

FEMA and State Responses to Recommendation #9: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to implement the procedures for subgrantee monitoring that was revised in 2013, and determine whether the procedures need to be more specific. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014. The State concurred with the recommendation and said the procedures have been implemented.



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Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #9. The recommendation is resolved and will remain open until FEMA validates that the proposed corrective actions have been fully implemented.

FEMA and State Responses to Recommendation #10: FEMA concurred with the recommendation. FEMA will require the Director of NDDDES to consider allocating more resources to subgrantee monitoring in order to meet the NDDDES requirement of completing site visits for all subgrantees over a 3-year period. FEMA requested that the recommendation be considered resolved and open until the actions are implemented, with an estimated completion date of September 5, 2014.

The State concurred with the recommendation. The State said it does not have sufficient funding to hire additional personnel to conduct site visits for more than one third of the subgrantees per year. According to the State, a schedule has been developed to ensure the visits occur. Desk monitoring is conducted for subgrantees upon the receipt of a reimbursement request and subgrantees submit quarterly progress reports.

Auditor Analysis: FEMA's proposed corrective actions are responsive to the intent of recommendation #10. The recommendation is resolved and will remain open until the proposed corrective actions are fully implemented.



Appendix A Objectives, 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*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

This report provides the results of our work to determine whether North Dakota spent SHSP grant funds (1) effectively and efficiently, and (2) in compliance with applicable Federal laws and regulations. We also addressed the extent to which funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

The HSGP and its five interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, only SHSP funding, equipment, and supported programs were reviewed for compliance. The scope of the audit included the SHSP grant awards for FYs 2010, 2011, and 2012. The HSGP awards to North Dakota for FYs 2010 through 2012 are included in table 8.

Table 8: Homeland Security Grant Program Funding

Homeland Security Grant Program FYs 2010 through 2012				
Funded Activity	FY 2010	FY 2011	FY 2012	Total
State Homeland Security Program	\$6,613,200	\$5,137,205	\$2,801,316	\$14,551,721
Operation Stonegarden	\$548,913	\$526,949	\$499,407	\$1,575,269
Citizen Corps Program	\$109,174	\$87,348	\$0	\$196,522
Grand Total	\$7,271,287	\$5,751,502	\$3,300,723	\$16,323,512

Source: FEMA

We reviewed the plans developed by North Dakota to improve preparedness and respond to all types of hazards, the goals set within those plans, the measurement of progress toward the goals, and the assessments of performance improvement that result from this activity. We also reviewed the notice of grant award documents awarded to subgrantees to determine if the awards were made within the 45 day timeframe.



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We visited the designated state administrative agency and the recipients of FYs 2010 through 2012 grant funds. The recipients/subgrantees included:

State Agencies:

- Department of Agriculture
- Fusion Center
- League of Cities
- North Dakota Department of Emergency Services

Counties:

- Burleigh
- Cass
- Grand Forks
- Morton
- Sioux
- Stutsman
- Ward
- Williams

First Responders:

- Bismarck Fire Department
- Cass County Sheriff
- City of Fargo Fire Department
- City of West Fargo Police Department
- Grand Forks Fire Department
- Grand Forks Sheriff
- Jamestown Fire Department
- Minot Fire Department
- Morton County Sheriff
- Stutsman County Sheriff

Native American Tribe

- Standing Rock Sioux Tribe

At each location, we interviewed responsible officials, reviewed documentation supporting state and subgrantee management of grant funds, and physically inspected a sample of the equipment procured with the grant funds. We met with representatives of 10 first responder organizations such as fire, police, and emergency medical services to discuss the grant process, and the benefits the grant funds have brought to their organization and communities.



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In accordance with the audit guide provided by the DHS OIG, Foxx & Company auditors met with FEMA officials and conducted reviews and interviews at FEMA Headquarters at the beginning of the audit and, as needed, during the audit. The FEMA officials provided important background information and key documentation concerning North Dakota's management and expenditure of the SHSP grants.

We conducted this performance audit between July 2013 and January 2014 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. This was a performance audit as defined by Chapter 2 of the *Standards*, and included a review and report of program activities with a compliance element. Foxx & Company was not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, Foxx & Company was neither required to review, nor express an opinion on, the costs claimed for the grant programs included in the scope of the audit. Had Foxx & Company been required to perform additional procedures, or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to their attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of North Dakota.

While the audit was performed and the report prepared under contract, the audit results are being reported by the DHS OIG to appropriate FEMA and North Dakota officials.



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Appendix B
Management Comments to the Draft Report

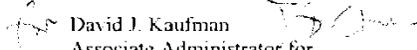
U.S. Department of Homeland Security
Washington, DC 20472



FEMA

MAR 25 2014

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

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

SUBJECT: FEMA Response to Draft Report: "North Dakota's Management of
Homeland Security Grant Program Awards for Fiscal Years 2010
Through 2012" OIG Project No. 13-141-AUD-FEMA

Thank you for the opportunity to comment on the Office of Inspector General's draft report, "North Dakota's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 through 2012." The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our program. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report. The following are our responses to the ten recommendations for implementation, of which FEMA concurs with all ten.

Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to develop and implement policies and procedures to ensure that:

- strategies contain target dates when objectives would be achieved.
- baselines are identified for the capabilities that will facilitate the measurement of progress toward achieving the goals and objectives, and
- the strategies are consistent with the THIRAs that are required by FEMA.

Response: Concur. The integrated preparedness system has its basis in the strategic plan and planning process. As part of this plan and process, OIG has recommended that FEMA help states, territories and urban areas establish measurable goals and objectives that will enable them to systematically measure improvements in first responder capabilities and statewide preparedness. FEMA has established and implemented a system to do exactly that, as described below.

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Measuring Grant Effectiveness

As part of the National Preparedness System, FEMA has developed and is implementing performance assessments that measure progress toward achieving the National Preparedness Goal. FEMA's strategy is to base assessments on the principles that the Nation needs to understand existing risks, use those risks to determine required capabilities, assess current capability levels against those requirements, and track its progress in closing identified capability gaps.

On August 29, 2013, FEMA released a consistent methodology for determining risks in the Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide (CPG-201) Second Edition. CPG-201 details a four-step process jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. This approach allows a jurisdiction to establish its own capability targets based on the risks it faces.

Starting on December 31, 2012 and thereafter annually, states, territories, and major urban areas receiving Homeland Security Grant Program (HSGP) funds are required to submit their THIRAs to FEMA. Once each jurisdiction has determined capability targets through the THIRA process, it estimates its current capability levels against those targets. Also, states and territories are required to submit State Preparedness Reports (SPRs) to FEMA annually. The THIRA and SPR processes are scalable to allow sub-jurisdictions, sub-grantees and subject matter experts to provide input to the state or territory. In conjunction, the THIRA results and the SPR identify capability needs and gaps. The THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report (NPR).

Sustaining, Building and Delivering Capabilities

After estimating capability requirements, the next component of the National Preparedness System is to build and sustain capabilities. This step ties grant investments directly to needs and shortfalls. Grantees address documented capability requirements and gaps in their grant applications. Within the Investment Justifications (IJ) submitted in the grant application, grantees must specifically identify the core capability or capabilities, the priority of the core capability as well as the capability gaps noted in their SPR that investment intends to address. In addition, grantees must identify the specific outcome(s) of each investment. FEMA verifies completion of the investment/projects through its programmatic monitoring and the Biannual Strategy Implementation Report (BSIR). Since the period of performance for the HSGP is two years, a time limit is set for completion of the project once it is funded.

FEMA addressed the OIG recommendation for States to establish SMART goals and objectives that will enable states and territories to systematically measure improvements in first responder capabilities and statewide preparedness by requiring states to use a set of tools including the THIRA, SPR, and IJs. Strategy updates are encouraged but not required as the THIRA, SPR, and IJ methodology provide the goals and assessment of progress against those goals. Finally, CPG 201: Threat and Hazard Identification and Risk Assessment Guide Supplement 1: Toolkit provides all the required templates to complete the THIRA process including information



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and documentation used to develop and compile threat and hazard information. As the THIRA will be an annual process, subsequent iterations will build on the documents from previous years.

Based on this information, FEMA requests that this recommendation be resolved and closed.

Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to review the current procedures to award SHSP funds to local governments to streamline the process to ensure that funds are available to subgrantees in a timely manner.

Response: Concur. FEMA will require the Director, North Dakota Department of Emergency Services to review the current procedures to award SHSP funds to local governments in order to identify opportunities to streamline the process and ensure that funds are available to subgrantees in a timely manner. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014

Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota's Department of Emergency Services to establish and implement procedures to ensure compliance with Federal time reporting requirements for personnel costs charged to Federal awards by requiring employees to prepare activity reports, or develop a substitute system, to identify hours charged on Federal awards by activity.

Response: Concur. FEMA will require the Director, North Dakota's Department of Emergency Services to establish and implement standard operating procedures to ensure compliance with 2 CFR § 225, Cost Principles for State, Local, and Indian Tribal Governments, for personnel costs charged to Federal awards by requiring employees to prepare activity reports, or develop a substitute system, to identify hours charged on Federal awards by activity. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014

Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota's Department of Emergency Services to document that personnel costs claimed for FY 2010 FEMA award were actually expended on SHSP activities and that activities were beneficial to the FEMA awards by providing documentation that adequately supports the \$686,710 questioned as valid charges to the FEMA award, or refund the amount not supported to FEMA.

Response: Concur. FEMA will require the Director, North Dakota's Department of Emergency Services to submit documentation on the personnel costs identified as questioned costs for FEMA's analysis and determination of their allowability, and recoupment of grant funds, where warranted. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.



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Estimated Completion Date: September 5, 2014

Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director North Dakota Department of Emergency Services to develop and implement procedures, with appropriate internal controls, to ensure that SHSP grant funds are expended in a timely manner and within the grant period.

Response: Concur. FEMA will require the Director, North Dakota Department of Emergency Services to develop and implement procedures, with appropriate internal controls, to ensure that SHSP grant funds are expended in a timely manner and within the grant period. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014

Recommendation #6: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to develop property management procedures to ensure compliance with Federal property management requirements and incorporate the property management requirements in the Notice of Grant Awards Special Conditions section of the awards.

Response: Concur. FEMA will require the Director, North Dakota Department of Emergency Services to develop property management procedures to ensure compliance with Federal property management requirements and incorporate the property management requirements contained in 44 CFR Part 13.32 Equipment in the Notice of Grant Awards Special Conditions section of its subawards. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014

Recommendation #7: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to ensure that all subgrantees have adequate property management systems that comply with Federal requirements for equipment purchased with Federal funds.

Response: Concur. FEMA will require the Director, North Dakota Department of Emergency Services to ensure that all subgrantees have adequate property management systems that comply with Federal requirements for equipment contained in 44CFR Part 13.32. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014

Recommendation #8: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to assess the protocol for monitoring subgrantees to include:



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- Reviewing the performance monitoring checklist for evaluating subgrantee compliance with Federal requirements, such as procurement and equipment inventories, and
- Determining criteria and methodologies for assessing subgrantee efficiency and effectiveness in accomplishing program objectives.

Response: Concur. FEMA will require the Director, North Dakota Department of Emergency Services to assess the protocol for monitoring subgrantees to include:

- Reviewing the performance monitoring checklist for evaluating subgrantee compliance with Federal requirements, such as procurement and equipment inventories, and
- Determining criteria and methodologies for assessing subgrantee efficiency and effectiveness in accomplishing program objectives. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014

Recommendation #9: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to implement the procedures for subgrantee monitoring that was revised in 2013 and determine whether the procedures need to be more specific.

Response: Concur. FEMA will require the Director, North Dakota Department of Emergency Services to implement the procedures for subgrantee monitoring that was revised in 2013 and determine whether the procedures need to be more specific. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014

Recommendation #10: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director, North Dakota Department of Emergency Services to consider allocating more resources to subgrantee monitoring in order to meet the NDDDES requirements of completing site visits for all subgrantees over a 3-year period.

Response: Concur. FEMA will require the Director, North Dakota Department of Emergency Services to consider allocating more resources to subgrantee monitoring in order to meet the NDDDES requirements of completing site visits for all subgrantees over a 3-year period. FEMA requests that the recommendation be considered resolved and open until the actions are implemented.

Estimated Completion Date: September 5, 2014



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Again, we thank you for the work that you and your team did to inform us of measures we can take to enhance the program's overall effectiveness. We look forward to OIG's final report for "North Dakota's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012". Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.

Enclosure:

1. North Dakota THIRA
2. North Dakota SPR



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ND Department of Emergency Services

PO Box 5511 Tel: (701) 328-8100 Email: nddes@nd.gov
Bismarck, ND 58506-5511 Fax: (701) 328-8181 Website: www.nd.gov/des

Ensuring a safe and secure homeland for all North Dakotans

March 28, 2014

Ms. Anne L. Richards
Assistant Inspector General for Audits
U.S. Department of Homeland Security
Office of Inspector General, Mail Stop 0305
245 Murray Lane, SW
Washington, D.C. 20528

Dear Ms. Richards:

Enclosed are the North Dakota Department of Emergency Services responses to recommendations in the draft audit report provided by Foxx & Company for fiscal years 2010, 2011, and 2012. Because there is concurrence with some of the recommendations, department personnel have begun implementing steps to modify grant administration practices or have already instituted practices that rectify the inadequacies.

However, the department does not concur with recommendations four and five. Additional information will be provided concerning activities performed by staff during the designated time period that will document compliance.

We are determined to work cooperatively with the U.S. Department of Homeland Security staff to resolve this matter expeditiously. If questions arise, please call me or my Homeland Security Grants Chief, Debbie LaCombe at 701-328-8100.

Sincerely,

Greg M. Wilz
Director, Division of Homeland Security

Cc: John A. Wanska, Foxx & Company

Enclosure

Jack Dalrymple
Governor

Major General David Sprynczynatyk
Director - Department of Emergency Services

Greg M. Wilz
Director - Division of Homeland Security

Mike Lynk
Director - Division of State Radio



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Recommendation #1 – State Homeland Security Strategies

Develop and implement policies and procedures to ensure that:

- strategies contain target dates when objectives would be achieved
- baselines are identified for the capabilities that will facilitate the measurement of progress toward achieving the goals and objectives, and
- the strategies are consistent with the THIRAs that are required by FEMA.

Management Comments

Concur. The State Homeland Security Strategy, although updated every two years, has remained in the same format as originally prescribed by DHS. No feedback from DHS about the current strategy was ever provided to NDDES. NDDES is in the process of updating the State Homeland Security Strategy to include reformatting based on core capabilities and THIRA results. Even though target dates were not in the strategy, target dates were incorporated into grant investment justifications. However, target dates will be assigned to objectives in the updated plan. Baseline information was provided in the investment justifications and will also be incorporated into the updated strategy.

Recommendation #2 – Obligations to Subgrantees

Review the current procedures to award SHSP funds to local governments to streamline the process to ensure that funds are available to subgrantees in a timely manner.

Concur. MOUs were signed and executed within 45 days for regional funding. Therefore, Table 3 for FY 2011 is inaccurate and should show \$821,953 was obligated within 45 days. Non-regional awards did not in many cases were not signed by subgrantees within the 45 days. To ensure the 45 days is met in the future, NDDES will have applicants apply before receiving the federal award. This will allow NDDES to review the applications and determine funding distributions prior to receiving the federal award; thereby, allowing NDDES sufficient time to issue subgrantee awards within the 45 days once the federal award is received. This is supported by the new FY 2014 Homeland Security Grant Program Guidance that requires items be identified at time of federal application. For those applications that require an Environmental and Historic Review (EHP), which we are not able to submit to DHS until after the federal grant award is received, NDDES will issue a letter to the subgrantees asking them to sign and accept funding prior to the 45 day period ending. The letter will state funding is contingent upon DHS approval of the EHP and approval by the county commission. North Dakota does not agree 45 days is sufficient time to complete the award process and believes the 911 commission report should be reviewed and updated considering it is several years old.

Recommendation #3 – Personnel Time Charges

Establish and implement procedures to ensure compliance with Federal time reporting requirements for personnel costs charged to Federal awards by requiring employees to prepare activity reports, or develop a substitute system, to identify hours charged on Federal awards by activity.

Concur. NDDES will coordinate with FEMA Regional headquarters to put in place a system compliant with 2 CFR Part 225. However, NDDES has had numerous programmatic and financial monitoring visits, and no issue with timesheet completion was ever noted by visiting DHS staff.



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Recommendation #4 – Personnel Time Charges

Document that personnel costs claimed for FY 2010 FEMA award were actually expended on SHSP activities and that activities were beneficial to the FEMA awards by providing documentation that adequately supports the \$686,710 questioned as valid charges to the FEMA award, or refund the amount not supported to FEMA.

NDDes does not concur. To agree with the above recommendation would assume absolutely no individual work or management time was expended to implement any of the 2010 grant. Results from DHS/FEMA monitoring visits associated with the grant recorded goals, objectives, and investment justifications were on track and being obtained; no issues with timesheet preparation were noted. While individuals do not record specific minutes of work per funding source, NDDes assesses employee contributions to grant programs and properly charges the appropriate funding source. Employees sign their timesheets each month certifying they performed the work as allocated within the funding sources.

Documentation of personnel activities during this time period can be provided to DHS/FEMA. The majority of these activities directly relates to Investment Justifications #3 State and Local Intelligence Center, Investment #4 Regional Response, and Investment #5 NIMS/NRF.

Recommendation #5 – Timelines of Expenditures

Develop and implement procedures, with appropriate internal controls, to ensure SHSP grant funds are expended in a timely manner and within the grant period.

NDDes does not concur. NDDes already has procedures in place to ensure SHSP grant funds are expended. NDDes shortens the performance period of the grant to local subgrantees by six months in order to provide sufficient time to reallocate unexpended funding to other subgrantees. For FY 2010 as of 6/30/13, 4 percent of the total grant was unspent versus 2.78 percent that would be the amount one would derive by dividing the amount of funding by the performance period. This is only a difference of 1.22 percent. For FY 2011, 40 percent was unspent as of 6/30/13 versus 38.9 percent, which is a difference of 1.10 percent. The fluctuations appear almost negligible. The FY 2012 grant award was only received on August 28, 2012, and the fact 2012 was a transition year when the performance period changed from 3 years to 2 years, accounts for the expenditure of just 23 percent by 6/30/13. As of March 27, 2014, 82 percent of the FY 2011 and almost 60 percent of the FY 2012 grants have been expended.

Considering the nature of these grants (planning, training, exercising, equipment, organizational), it is not practical to expect a defined amount of funds be spent each month. Training and exercising follow local training and exercise plan schedules, which vary significantly. In addition, equipment purchases can be delayed by the EHP process as well at local budget cycles. At the local level, the federal grant may not be included in the budget cycle that coincides with receipt of the award, which often means personnel are not authorized to spend the dollars until the following budget cycle. Local jurisdictions are on a calendar year budget cycle, the state is on a bi-annual budget cycle that runs from July through June.



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Recommendation #6 – Property Management and Accountability

Develop property management procedures to ensure compliance with Federal property management requirements and incorporate the property management requirements in the Notice of Grant Awards Special Conditions section of the awards.

Concur. NDDDES has developed a grant closure procedure that requires the subgrantee to submit a property record of equipment purchased with the grant award with all of the elements mandated under 44 CFR 13.32. Property management requirements have always been part of the Notice of Grant Award. It is provided to the subgrantees in a document entitled, "Requirements of Grant Awards Issued by The North Dakota Department of Emergency Services". By signing the Notice of Grant Award, the subgrantees certify acceptance of these terms.

As of February 2014, once the property record is completed and returned to NDDDES, the subgrantee is provided with stickers to place on the equipment identifying it was purchased with State Homeland Security funds.

Recommendation #7 – Property Management and Accountability

Ensure that all subgrantees have adequate property management systems that comply with Federal requirements for equipment purchased with Federal funds.

Concur. NDDDES has incorporated into the on-site monitoring form a review of the local property management system. The property record procedure discussed above ensures local subgrantee compliance.

Recommendation #8 – Subgrantee Monitoring

Assess the protocol for monitoring subgrantees to include:

- Reviewing the performance monitoring checklist for evaluating subgrantee compliance with Federal requirements, such as procurement and equipment inventories, and
- Determine criteria and methodologies for assessing subgrantee efficiency and effectiveness in accomplishing program objectives.

Concur. The monitoring form has already been reviewed and updated. Subgrantees have for years completed quarterly progress reports that provide NDDDES with subgrantees status for accomplishing program objectives.

Recommendation #9 – Subgrantee Monitoring

Implement the procedures for subgrantee monitoring that was revised in 2013 and determine whether the procedures need to be more specific.

Concur. The procedures have been implemented.



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Recommendation #10 – Subgrantee Monitoring

Consider allocating more resources to subgrantee monitoring in order to meet the NDDDES requirement of completing site visits for all subgrantees over a 3-year period.

Concur. However, with the amount of funding Tier III states like North Dakota are able to keep and the fact a large portion of that must be obligated to maintain and sustain the fusion center (ND SLIC) as well as other core capabilities previously funded by SHSP funds, NDDDES does not have sufficient funding available to hire additional personnel to conduct site visits for more than one third of the subgrantees per year. A schedule has been developed to ensure these visits occur.

Desk monitoring is conducted for every subgrantee upon receipt of a reimbursement request, prior to funding reimbursement. In addition, subgrantees submit quarterly progress reports.



Appendix C

Description of the Homeland Security Grant Program

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

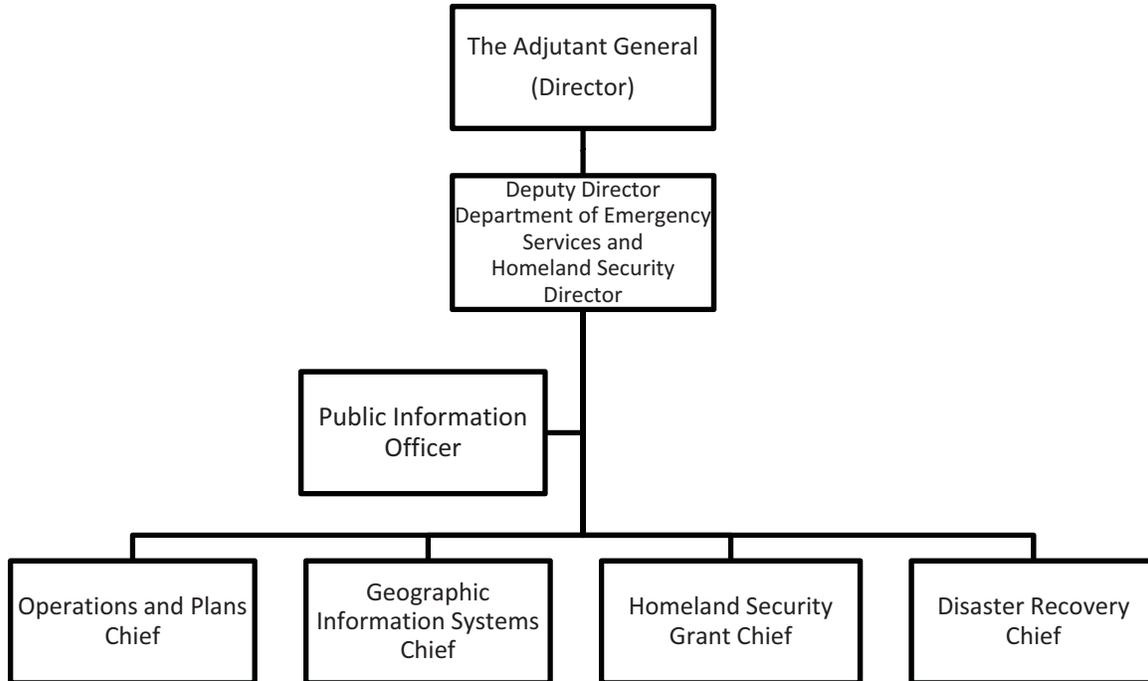
- **The State Homeland Security Program** provides financial assistance directly to each of the states and territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the state homeland security strategy to address identified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

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

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



Appendix D
North Dakota Department of Emergency Services
Organization Chart





Appendix E

Threat and Hazard Identification and Risk Assessment

The National Preparedness System establishes the process to define and achieve specific capability targets and meet the National Preparedness Goal. One of the six components of the National Preparedness System includes identifying and assessing risk. The THIRA provides a comprehensive approach for identifying and assessing risks and associated impacts, using the core capabilities identified in the National Preparedness Goal and employing the following five-step process:

1. Identify threats and hazards;
2. Give threats and hazards context (assess vulnerability, how affects the community);
3. Examine core capabilities using the threats and hazards (estimate consequences, impacts to the community);
4. Set capability targets; and
5. Apply the results (use results for planning and preparedness activities, identify means to deliver target level of capability).

THIRA submission is required of all 56 states and territories receiving HSGP and Emergency Management Performance Grant funds and 31 eligible urban areas. The first THIRA submission was due December 31, 2012. Subsequent submissions will be an annual performance requirement for FEMA preparedness grant awards.

In addition to the THIRA, states and territories receiving FEMA preparedness grants are required to annually submit a state preparedness report. FEMA officials state that THIRA results and the state preparedness report will provide a quantitative summary of preparedness, document current capabilities and potential shortfalls, and set priorities for addressing shortfalls. FEMA officials also state that the state preparedness report results will be used by the states to identify funding requirements and set priorities for subgrantee project applications. The grant application (investment justification) must demonstrate how proposed projects address gaps and deficiencies in delivering one or more core capabilities outlined in the National Preparedness Goal, and as FEMA officials state, address capability gaps reported in the state preparedness report.

FEMA officials said that the FY 2013 HSGP funding announcement will require applicants to map proposed investments to specific core capabilities and capability gaps identified in the state preparedness reports, linking investments to actions that build and sustain capabilities aligned with the National Preparedness Goal.



Appendix F Potential Monetary Benefits

Classification of Monetary Benefits					
Finding	Rec. No.	Funds To Be Put to Better Use	Questioned Costs – Unsupported Costs	Questioned Costs – Other	Total
Personnel Time Charges	3&4	\$0	\$686,710	\$0	\$686,710
Total		\$0	\$686,710	\$0	\$686,710

Source: Foxx & Company



Appendix G

Report Distribution

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General Counsel
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Director, GAO/OIG Liaison Office
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Federal Emergency Management Agency

Administrator
Assistant Administrator, Grant Programs Directorate
Federal Emergency Management Agency Audit Liaison
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