



# Department of Homeland Security Office of Inspector General

## Federal Emergency Management Agency's Capabilities to Oversee American Recovery and Reinvestment Act of 2009 Grant Programs



*American Recovery and Reinvestment Act of 2009*



Homeland  
Security

MAR 15 2010

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities for programs, grants, and projects awarded by the department under the *American Recovery and Reinvestment Act of 2009* to promote economy, efficiency, and effectiveness within the department.

This report discusses the department's capabilities to manage funds appropriated by the *American Recovery and Reinvestment Act of 2009* and identifies issues that should be addressed by the department and its components to improve the management of those funds. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

*Richard L. Skinner*  
Richard L. Skinner  
Inspector General

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## Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
OIG	Office of Inspector General

# OIG

*Department of Homeland Security  
Office of Inspector General*

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## **Executive Summary**

Public Law 111-5, *American Recovery and Reinvestment Act of 2009* (the “Recovery Act”), provided \$610 million in grant funds to the Federal Emergency Management Agency for the Emergency Food and Shelter, Port Security, Public Transportation Security and Railroad Security Assistance, and Firefighters Assistance grant programs. Our objective was to determine whether the Federal Emergency Management Agency has the capability, including processes, internal controls, and personnel, to ensure the effective and efficient use of these grant funds.

The Federal Emergency Management Agency generally has the capability to ensure the effective and efficient use of Recovery Act funds. However, there are areas where the agency can improve its processes and internal controls for managing and overseeing Recovery Act funds. If the Federal Emergency Management Agency collects and reports information for a Recovery Act grant program, as it does for non-Recovery Act grants, it will be able to demonstrate the impact Recovery Act funds are having in the most affected regions of the country. The Federal Emergency Management Agency needs to ensure its grantees submit documentation required by the Recovery Act, and update financial and program monitoring plans as appropriate to include Recovery Act requirements.

In addition, the Federal Emergency Management Agency can improve its oversight of Recovery Act funds by providing grant program managers and employees with fraud prevention training and by obtaining direct access to a grantee’s tracking system.

We are making five recommendations to the Administrator of the Federal Emergency Management Agency to improve the management and oversight of Recovery Act funds. In its comments on a draft of this report, the Federal Emergency Management Agency concurred with all five recommendations and provided information on actions implemented or proposed to address them. A copy of the comments in their entirety is in Appendix B.

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## Background

The *American Recovery and Reinvestment Act of 2009* (Recovery Act), enacted on February 17, 2009, allocated almost \$787 billion to preserve and stimulate economic growth in the United States. To help accomplish this objective, the Recovery Act made supplemental appropriations to federal departments and agencies for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed and disabled veterans, and state and local stabilization for the fiscal year ending September 30, 2009. The Department of Homeland Security (DHS) received approximately \$2.8 billion for equipment, construction, infrastructure improvement, and emergency management grants.

The Federal Emergency Management Agency (FEMA) received \$610 million in Recovery Act funds for four of its grant programs, listed in Table 1:

Table 1

FEMA Recovery Act Funds	
Grant Programs	Funds (Millions)
Emergency Food and Shelter	\$100
Public Transportation and Railroad Security Assistance	\$150
Port Security	\$150
Assistance to Firefighters Grants	\$210
<b>Total</b>	<b>\$610</b>

Source: *The American Reinvestment and Recovery Act of 2009*

### Emergency Food and Shelter National Board Program

The Emergency Food and Shelter Program, established by Congress in 1983, was designed to feed and shelter hungry and homeless people through local private, nonprofit, and government organizations. Emergency Food and Shelter Program objectives are to allocate funds to the neediest areas, ensure fast response, foster public-private sector partnerships, ensure local decision making, and maintain minimal but accountable reporting. Grant recipients are to use the funds for a broad range of services, including mass shelter and feeding, food distribution through food pantries and banks, 1-month assistance with rent and mortgage to

prevent evictions, utility payments, and assistance with transitioning the homeless from shelters to stable living conditions.

On April 9, 2009, FEMA obligated all \$100 million in Recovery Act funds allocated for this purpose to the Emergency Food and Shelter National Board. The National Board (grantee) is in the process of notifying qualifying jurisdictions of award eligibility. The National Board will award these funds directly to the local agency providers based on plans submitted by local boards. United Way of America is the secretariat and fiscal agent for the program.

**Public Transportation and Railroad Security Assistance Grant Program (Transit Security Grant Program)**

The Transit Security Grant Program, described in the Recovery Act as Public Transportation and Railroad Security Assistance, focuses on the use of visible, unpredictable deterrents to reduce risk to transit systems. Transit Security Grants will fund canine teams, mobile explosives detection screening teams, and anti-terrorism teams. In addition, Transit Security Grants will fund capital projects including Multi-User High-Density Key Infrastructure Protection, Single-User High-Density Key Infrastructure Protection, Key Operating Asset Protection, and other mitigation activities. In its program-specific Recovery Act Plan for the Transit Security Grant Program, FEMA detailed the schedule for awarding funds as shown in Table 2:

Table 2

Transit Security Grant Recovery Act Plan	
Action	Date (s)
Outreach to Stakeholder to Solicit Input	February 17 – May 20, 2009
Grant Guidance Released to Prospective Applicants	May 21, 2009*
Receipt of Applications and National Review Process	June 16 – August 31, 2009
Allocations Announced and Awards Processed	October 15 – December 31, 2009

Source: Transit Security Recovery Act Plans, May 15, 2009

\*Officially Issued May 29, 2009

**Port Security Grants**

The Port Security Grant Program is one tool in a comprehensive set of measures designed to strengthen the Nation’s critical infrastructure against risks associated with potential terrorist

attacks. The funds are used to strengthen our Nation’s ports and stimulate the economy. Port Security Grant Program funds will support increased port-wide risk management, enhanced domain awareness, and increased capabilities to prevent, detect, respond to, and recover from attacks involving improvised explosive devices, weapons of mass destruction, and other non-conventional weapons. In the program-specific Recovery Act Plan for the Port Security Grant Program, FEMA detailed the schedule for awarding funds as shown in Table 3:

Table 3

Port Security Grant Recovery Act Plan	
Action	Date(s)
Outreach to Stakeholder to Solicit Input	February 17 – May 20, 2009
Grant Guidance Released to Prospective Applicants	May 21, 2009*
Receipt of Applications and National Review Process	July 3 – August 31, 2009
Allocations Announced and Awards Processed	October 15 – December 31, 2009

Source: Port Security Recovery Act Plans, May 15, 2009

\*Officially Issued May 29, 2009

### Assistance to Firefighters Grants

The Assistance to Firefighters Fire Station Construction Grants is a unique program designed to modify and construct nonfederal fire stations. Fire Station Construction Grants provide financial assistance directly to fire departments on a competitive basis to build new or modify existing fire stations to enhance their response capabilities and protect the communities they serve from fire and fire-related hazards. The primary goal of the program is to help fire departments meet their firefighting and emergency response needs. Fire Station Construction Grants seek to support organizations that do not have the tools and resources necessary to effectively protect the health and safety of the public and their emergency response personnel in the event of fire and all other hazards. In its Recovery Act Plan, the Assistance to Firefighters Grant Program documents its delivery schedule for awarding funds as shown in Table 4:

Table 4

Assistance to Firefighters Grants Recovery Act Plan	
Action	Date(s)
Outreach to Stakeholder to Solicit Input	February 17 – May 20, 2009
Grant Guidance Released to Prospective Applicants	May 21, 2009*
Receipt of Applications and National Review Process	July 2 – September 29, 2009
Allocations Announced and Awards Processed	October 15 – December 31, 2009

Source: Assistance to Firefighters Grants Recovery Act Plan, May 15, 2009

\*Officially Issued May 29, 2009

## Results of Review

FEMA generally has the capability to ensure the effective and efficient use of Recovery Act funds. However, there are areas where FEMA can improve its processes and internal controls for managing and overseeing Recovery Act funds. If FEMA collects and reports information for a Recovery Act grant program, as it does for non-Recovery Act grants, it will be able to demonstrate the impact Recovery Act funds are having in the most affected regions of the country. FEMA needs to ensure its grantees submit documentation required by the Recovery Act; and the agency also needs to update financial and program monitoring plans as appropriate to include Recovery Act requirements.

In addition, the Federal Emergency Management Agency can improve its oversight of Recovery Act funds by providing grant program managers and employees with fraud prevention training and by obtaining direct access to a grantee’s tracking system.

## Processes Used to Manage and Oversee Recovery Act Funds

FEMA implemented a number of processes to manage and oversee Recovery Act funds; however, there are opportunities for improvement. Specifically, one of FEMA’s program-specific Recovery Act Plans does not collect information on how recipients are using Recovery Act funds, and FEMA grant programs’ Recovery Act Guidance and Application Kits for prospective applicants were missing Recovery Act guidance and reporting requirements.

FEMA’s Recovery Act plan did not include a provision to collect or report information that will demonstrate how Recovery Act funds assist



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distressed communities, even though one of the main purposes of the Recovery Act is to help those most hurt by the recession, including unemployed individuals who are having difficulties providing for themselves and their families. Specifically, FEMA does not plan to collect information on the number of meals or nights of lodging the funds will provide, or the amount of rent, mortgage, or utility payments the funds will cover. Based on the Emergency Food and Shelter Program's Recovery Act Plan, FEMA has typically captured this type of information to show program accomplishments since 1990. In its Recovery Act Plan, FEMA officials said that meeting the Recovery Act's reporting requirements will require a significant increase in the amount of administrative work on the part of sub-grantees. Many may not have the personnel to accomplish this additional reporting.

FEMA also did not incorporate all Recovery Act requirements in its grant guidance and did not always require applicants to provide essential Recovery Act information. Although Port Security, Transit Security, and Assistance to Firefighters Grant Program Guidance and Application Kits were comprehensive and included most of the applicable Recovery Act requirements, the following were not included in these documents:

- The Port Security Grant Program investment justification template does not require the applicant to identify the number of jobs the funds will help retain or give instructions on how to determine this information. The template requires only that the applicant identify the number of jobs that the project will create.
- The Transit Security Grant Program investment justification template does not require the applicant to identify the number of jobs created or retained.
- The Assistance to Firefighters Grant Program guidance does not address Recovery Act Section 1553, Whistleblower Protection. Section 1553 prohibits nonfederal employers, who receive covered funds, from discharging, demoting, or discriminating against employees in reprisal for disclosing certain covered information to certain categories of officials.
- The Assistance to Firefighters Grant Program guidance does not include recipient responsibilities for monitoring award activities, including subawards, to provide reasonable assurance the federal award complies with Recovery Act requirements.
- In response to energy efficiency and green building requirements included in Office of Management and Budget Memorandum

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M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, FEMA stipulated in its grant guidance that applicants include environmental and historic preservation requirements before they expend funds. The Port Security, Transit Security, and Assistance to Firefighters Grant Programs environment guidance and spreadsheet instruction sections require applicants to list instances when using an Energy Star or Federal Energy Management Program Label product is not cost effective. However, they do not require applicants to provide an explanation or justification for why the product is not cost effective or not reasonably available.

## **Recommendations**

We recommend that the Administrator, Federal Emergency Management Agency:

**Recommendation #1:** Implement a process to collect and report information for the Emergency Food and Shelter Program on the number of meals provided, nights of lodging provided, rent and mortgage payments made, and utility payments made to assess how Recovery Act funds are assisting communities affected by the economy.

**Recommendation #2:** Ensure grantees are made aware of and comply with required Recovery Act and Office of Management and Budget guidance mentioned above.

## **Management Comments and OIG Analysis**

FEMA provided formal written comments on a draft of this report. In its comments, FEMA concurred with all five recommendations and provided information on actions implemented or proposed to address them. We have incorporated a copy of the comments in their entirety in Appendix B.

**Management Comments to Recommendation #1:** FEMA concurred with this recommendation and stated that a process is in place to collect and report the information. Each fiscal year, sub-recipients report on the number of meals provided; number of bed nights provided; and number of rent, mortgage, and utility bills paid with Emergency Food and Shelter Program funding as part of their Final Reports to the grantee. The data in these reports are entered into the Emergency Food and Shelter database maintained by the grantee's fiscal agent (United Way Worldwide) and are used

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to estimate the total amount of goods and services provided with Emergency Food and Shelter funding during a fiscal year.

**OIG Analysis:** FEMA’s assertion that it has already implemented a process to collect and report information regarding the Emergency Food and Shelter Program satisfies the intent of this recommendation. This recommendation is resolved but will remain open until FEMA provides documentation to validate that the process is being used to collect and report information on the use of Recovery Act funds.

**Management Comments to Recommendation #2:** FEMA concurred with this recommendation and stated that it has made grantees aware of required Recovery Act and Office of Management and Budget guidance, including all reporting requirements. FEMA stated that it has held multiple conference calls and training sessions and has sent out informational bulletins to all grantees, outlining in detail the requirements of the Recovery Act and Office of Management and Budget guidance.

**OIG Analysis:** FEMA’s response satisfies the intent of the recommendation with respect to Energy Star, environmental and historic preservation, and Recovery Act Section 1553 Whistleblower provisions. However, the response is unclear regarding Recovery Act Section 1512 requirements for Port Security Grant Program job retention, Transit Security Grant Program job creation and retention, and Assistance to Firefighter recipient monitoring provisions. This recommendation is resolved but will remain open pending FEMA’s verification that grantees have been made aware of and are complying with these Recovery Act Section 1512 provisions.

## **Internal Controls for Managing and Overseeing Recovery Act Funds**

FEMA implemented a number of internal controls to manage and oversee Recovery Act funds; however, internal controls could be enhanced for financial and program monitoring, fraud training, and access to a grantee’s tracking system.

### **Financial and Program Monitoring**

Monitoring plans are designed to ensure grantees are using funds for their intended purpose. As shown in Table 5, FEMA has not

updated programmatic monitoring plans for two of the four grant program that received Recovery Act funds.

Table 5

ARRA Grant Programs Monitoring Plans	
FEMA Grant Programs	Anticipated Date of Completion
Emergency Food and Shelter	No Date Provided
Port Security	Update Issued in November 2009
Transit Security	Update Issued in November 2009
Assistance to Firefighters	Spring 2010

According to FEMA officials, the programmatic monitoring plans for the Assistance to Firefighters Grant Program are still being developed. This grant program provides funds for construction and is a new program-type for FEMA. FEMA officials said their schedule is to have the monitoring plan completed by the Spring of 2010 when it will begin to obligate funds. FEMA officials did not provide a planned completion date for updating the programmatic guidance for the Emergency Food and Shelter Program.

For the two programs that have updated the programmatic monitoring plans, Port Security and Transit Security grants, the plans do not address Recovery Act requirements. FEMA's November 2009 program monitoring plan for the Transportation Infrastructure Security Branch, which applies to the Transit Security and Port Security Recovery Act Grant Programs, did not specifically address Recovery Act related requirements. Effective Recovery Act monitoring plans should include:

- Ensuring that Recovery Act reporting, transparency, and accountability requirements, and general provisions are being followed;
- Reviewing grantee activities;
- Testing for grantee data integrity;
- Conducting an adequate number of office-based and onsite reviews;
- Developing a risk-based site selection process to decide which grantees to review; and,
- Developing program-specific review steps such as steps for modifying, upgrading, and constructing nonfederal fire stations.

According to FEMA officials, FEMA is currently in the process of approving the Headquarters and Regional Monitoring Plans to

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ensure that they include Recovery Act grants. Until all monitoring plans are updated with Recovery Act requirements, FEMA cannot evaluate whether recipients used funds for their intended purpose.

In addition, the Port Security and Transit Security Grant programs do not have a formal process to assess a level of risk (high, medium, low) for grantees awarded Recovery Act funds. FEMA could more effectively select sites to monitor by using a risk assessment process. A FEMA official said that grant personnel use monitoring tools to assess risks during office-based reviews and on-site visits of grantees. The FEMA official also told us that grant personnel's past experiences and frequent interaction with grantees can help to identify risks.

### **Training**

FEMA can improve its oversight of Recovery Act funds by providing grant officials with fraud prevention training, and by establishing an internal fraud communication program. This training, although not required, could assist grant personnel with preventing and detecting fraudulent conduct to ensure recipients are not unlawfully profiting from the funds. The Department of Justice offers training for grant officials specific to the types of fraud that can be committed with Recovery Act funds. Grant personnel should also share among themselves ideas and experiences regarding fraudulent grantee activity and other questionable matters. However, none of the grant programs' managers and employees have had this type of fraud training and they are not a part of an internal fraud communication program.

The Emergency Food and Shelter Program's program officer has not received risk assessment training, which would help in assessing how the National Board determined which Local Agency Providers would be awarded Recovery Act funds. This is of particular importance since the Emergency Food and Shelter Program managers anticipate approximately 100 new Local Agency Providers will receive Recovery Act funds. The training would help in evaluating United Way of America's risk-based selection process for deciding which Local Agency Providers should receive an onsite monitoring review.

The Port Security and Transit Security Grant Programs have not developed formal guidance for identifying indicators of fraud, misuse, or errors in grant funds by grantees. FEMA officials said that employees rely on their experience and sound judgment to

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make such determination. Having this guidance would assist employees in determining if funds are being used for their intended purpose.

### **Access to Tracking System**

Emergency Food and Shelter Program officials do not have direct access to United Way of America's system used to separately track all Recovery Act funds. A FEMA official said that while FEMA does have access to the website that accounts for Recovery Act funds separately, United Way provides reports from the tracking system to FEMA only on request. FEMA would benefit from direct access to this system to monitor the data being collected and tracked from grantees that received Recovery Act funds.

## **Recommendations**

We recommend that the Administrator, Federal Emergency Management Agency:

**Recommendation #3:** Update all financial and programmatic monitoring plans as appropriate to ensure grantees are adhering to Recovery Act requirements.

**Recommendation #4:** Provide training:

- a. On fraud awareness and prevention, including the establishment of an internal fraud communication program, for all grant program employees overseeing the use of Recovery Act funds; and
- b. On risk assessment for overseeing grantee activities to the Emergency Food and Shelter Grant program officer.

**Recommendation #5:** Ensure FEMA has direct access to United Way of America's tracking system for monitoring the use of Recovery Act funds.

## **Management Comments and OIG Analysis**

**Management Comments to Recommendation #3:** FEMA concurred with this recommendation and stated that it has updated its Financial Monitoring Plan to include all Recovery Act grant requirements. Regarding programmatic monitoring, FEMA is in the process of formally updating the plan for the Emergency Food and Shelter Program to include the Recovery Act funding, with completion planned for the spring of 2010.

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FEMA stated that the Assistance to Firefighter, Port Security, and Transit Security Grant Programs will be programmatically monitored in accordance with established monitoring protocols by staff from FEMA's Grant Programs Directorate's Grant Development and Administration Division. Monitoring activities will include desk monitoring as well as site visits. FEMA also stated that the FY 2010 Transportation Infrastructure Security Branch Monitoring Plan was finalized during the OIG engagement and a copy was provided. This plan includes the programmatic monitoring strategy for the Recovery Act Port Security and Transit Security Grants.

**OIG Analysis:** FEMA's response satisfies the intent of the recommendation with respect to financial monitoring. Regarding program monitoring, this recommendation is resolved but will remain open pending FEMA providing for each program updated programmatic monitoring plans that specifically address Recovery Act requirements.

**Management Comments to Recommendation #4:** FEMA concurred with this recommendation and indicated that in-house training, including fraud, waste, and abuse training and refresher courses on all updated Recovery Act requirements, has already been provided to all Grants Management Specialists and Program managers. FEMA has requested that its Office of Chief Counsel provide additional targeted assistance and training on fraud awareness and prevention to ensure all requirements are met and all staff is trained. FEMA also plans to have the Emergency Food and Shelter Grant program officer obtain training on risk assessment for overseeing grantee activities as soon as possible.

**OIG Analysis:** FEMA's response satisfies the intent of the recommendation regarding fraud awareness and prevention training. However, additional action is required regarding the fraud communication committee and risk assessment training. This recommendation is resolved but will remain open pending FEMA's verification that the fraud communications committee and risk assessment training has been provided.

**Management Comments to Recommendation #5:** FEMA concurred with this recommendation and stated that it has taken steps to make United Way's tracking system more visible to FEMA program staff. The Emergency Food and Shelter Program

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database system is being enhanced to allow FEMA read access to all data and the ability to view and print reports.

**OIG Analysis:** FEMA's proposed actions satisfy the intent of the recommendation. The recommendation is resolved but will remain open pending FEMA's verification that the system is accessible to its program staff.



## Appendix A

### Purpose, Scope, and Methodology

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Our objective was to determine whether FEMA has the capability, including processes, internal controls, and personnel, to ensure the effective and efficient use of grant funds made available in the Recovery Act for Emergency Food and Shelter, Public Transportation Security and Railroad Security Assistance, Port Security, and Firefighters Assistance Programs.

To accomplish our objective, we:

- Reviewed laws, regulations, and guidance related to the *American Recovery and Reinvestment Act of 2009*.
- Reviewed FEMA's Recovery Act grant agreement, dated April 9, 2009, for the Emergency Food and Shelter Program.
- Assessed staffing related to grants management and oversight, including but not limited to financial and programmatic monitoring.
- Reviewed the department's program-specific Recovery Act plans, dated May 15, 2009, for the Emergency Food and Shelter, Port Security, Transit Security, and Assistance to Firefighters Grant Programs to determine whether the plans are practical and comprehensive.
- Reviewed the department's program-specific Guidance and Application Kits issued on May 29, 2009, for Port Security, Transit Security, and Assistance to Firefighters Grant Programs.

During the review, we interviewed officials from FEMA's Grant Programs Directorate, Disaster Assistance Directorate, and Office of Policy and Program Analysis. We conducted these interviews at FEMA headquarters in Washington, DC.

We also evaluated FEMA program-specific Guidance and Recovery Act Plans according to Recovery Act requirements and prudent management principles, which include:

- Awarding and distributing funds in a prompt, fair, and reasonable manner;
- Making fund usage and recipients transparent to the public;
- Reporting public benefits;
- Mitigating fraud, waste, error, and abuse;
- Mitigating risk of delays; and
- Achieving program goals.

**Appendix A**  
**Purpose, Scope, and Methodology**

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We conducted our review between April 2009 and June 2009 under the authority of the *Inspector General Act of 1978*, as amended, and according to the Quality Standards for Inspections issued by the Council of Inspectors General on Integrity and Efficiency.

## Appendix B Management Comments to the Draft Report


U.S. Department of Homeland Security  
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FEMA

FEB 12 2010

MEMORANDUM FOR: Anne L. Richards  
Assistant Inspector General for Audits  
Office of Inspector General

FROM: David J. Kaufman   
Director  
Office of Policy and Program Analysis

SUBJECT: Comments on OIG Draft Report, *Federal Emergency Management Agency's Capabilities to Oversee American Recovery and Reinvestment Act of 2009 Grant Programs*

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) subject draft audit report. As the Federal Emergency Management Agency (FEMA) works toward refining its programs, the OIG's independent analysis of program performance greatly benefits our ability to continuously improve our activities.

FEMA concurs with the draft report's five recommendations but believes that two of these recommendations should not be included in the final report, as they have already been implemented. Another two should be revised to reflect actions already taken. While we will be providing corrective action plans in our 90-day response, we provide the following information relative to the five recommendations:

**Recommendation 1:** Implement a process to collect and report information for the Emergency Food and Shelter Program on the number of meals provided, nights of lodging provided, rent or mortgage payments made, and utility payments made to assess how Recovery Act funds are assisting communities affected by the economy.

**Response:** This recommendation should not be included in the final report as it has already been implemented. A process is in place to collect and report this information. Each funding cycle (fiscal year), sub-recipients report on the number of meals provided, number of bed nights provided, and number of rent, mortgage and utility bills paid with Emergency Food and Shelter Program (EFSP) funding as part of their Final Reports to the grantee.

The data in these reports are entered into the EFSP database maintained by the grantee's fiscal agent (United Way Worldwide) and EFSP uses this information to estimate the total amount of goods and services provided with EFSP funding in a phase (fiscal year) of funding.

[www.fema.gov](http://www.fema.gov)

## Appendix B

### Management Comments to the Draft Report

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**Recommendation 2:** Ensure grantees are made aware of and comply with required Recovery Act and Office of Management and Budget guidance mentioned above.

**Response:** This recommendation should not be included in the final report as it has already been implemented. FEMA has made grantees aware of required American Recovery and Reinvestment Act (ARRA) and Office of Management and Budget (OMB) guidance, including all reporting requirements. In fact, 329 of the 333 grant recipients have complied with all recipient reporting requirements. The four grant recipients that have not filed reports as required by Section 1512 of the ARRA encountered technical difficulties with the reporting site and its related registration requirements and are not considered by FEMA to be willful non-filers. None of them have begun to draw down the funds under their grants.

At the time of guidance development, all known ARRA requirements were documented within FEMA guidance, except for the ARRA Whistleblower protections, which is addressed in this response. At the time of award, each award document stipulated the terms and conditions of the award, including the terms and conditions specific to the ARRA—, thus legally binding the recipient and FEMA to adhere to them.

FEMA has also held multiple conference calls and training sessions and sent out informational bulletins to all grantees, which outlined, in detail, the requirements of ARRA and OMB Guidance.

With respect to the *Energy Star*<sup>TM</sup> requirements, we believe the Office of Inspector General is referring to the inclusion of the Sustainability and Environmental spreadsheets and instructions in the guidance documents. “These spreadsheets and accompanying instructions should not have been included in the guidance documents, as they were designed to track compliance with Executive Order 13423, which is applicable only to construction of Federal buildings and does not extend to buildings constructed by grantees. The AFG, Transit and Port Security program offices are informing grantees that while the program offices encourage all grantees to incorporate sustainability initiatives in their project to the extent feasible, the grantees are not required to fill out the sustainability or environmental worksheets as a condition of funding.”

With respect to the requirements of OMB’s guidance, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009” (M-09-15), we maintain that M-09-15 governs Federal departments’ and agencies’ implementation of Recovery Act programs and is not applicable to grantees’ implementation of grant activities.

With respect to the “environmental and historic preservation” requirements in accordance with M-09-15, we maintain that the Assistance to Firefighters Grant guidance document is very clear on National Environmental Protection Act requirements.

Finally, with respect to Recovery Act Section 1553 (ARRA Whistleblower Protection), the award packages specifically references Section 1553 of the ARRA. Specific language in the award package is as follows:

## Appendix B Management Comments to the Draft Report

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Whistleblower Protection. Each recipient or sub-recipient awarded funds made available under the ARRA shall promptly refer to the FEMA Office of Inspector General any credible evidence that a principal, employee, agent, contractor, sub-recipient, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving those funds (ARRA Sec. 1553). The DHS Office of Inspector General can be reached at <http://www.oig.Department.gov/fraud/hotline/>.

We have issued a clarification to all grantees that the ARRA Whistleblower Protection provisions were erroneously left out of the guidance. This clarification shall serve as an update to the applicable program guidance.

**Recommendations 3:** Update all financial and programmatic monitoring plans as appropriate to ensure grantees are adhering to Recovery Act requirements.

**Response:** FEMA requests that this recommendation be revised to delete the part concerning the Financial Monitoring Plan. FEMA has updated its Financial Monitoring Plan for all Recovery Act grants to include all ARRA requirements. The FEMA Financial Monitoring plan states:

To help ensure transparency and accountability for these funds, the Regions and HQ Operations Branches are required to conduct financial monitoring on applicable ARRA awards in FY10. An ARRA award is considered applicable for monitoring if grant activity has commenced. The protocols for conducting financial monitoring activities outlined in this document are applicable to all ARRA awards.

As additional guidance and instructions on ARRA funds are released from the Office of Management and Budget (OMB) or other applicable entities, FEMA will communicate this information to the Regions and HQ Operations Branches.

FEMA is in the process of formally updating its programmatic monitoring plan for the Emergency Food and Shelter Program to include ARRA funding. The completion date is planned for spring of 2010. Extensive monitoring of the Emergency Food and Shelter Program is already being conducted. Each month, the grantee holds a monthly meeting, which includes all representatives of the National Board for the Emergency Food and Shelter Program. The FEMA program manager attends each of these meetings and reviews the financial and programmatic administration of the program, including current allocations and outlays, budget updates, compliance and fraud issues, and any other policy and funding activities underway for the accurate and successful implementation of the program.

The Fire Station Construction, Port Security, and Transit Security grants will be programmatically monitored in accordance with established monitoring protocols by staff from

## Appendix B

### Management Comments to the Draft Report

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FEMA's Grant Programs Directorate's Grant Development and Administration Division. Monitoring activities will include desk monitoring as well as site visits.

The FY 2010 Transportation Infrastructure Security Branch (TISB) Monitoring Plan was finalized during this OIG engagement and a copy was provided. This plan includes the programmatic monitoring strategy for the ARRA Port Security and Transit Security grants. Its' successful implementation is dependent upon funding in the FY 2010 budget.

**Recommendation 4:** Provide training:

- a. On fraud awareness and prevention, including the establishment of an internal fraud communication program, for all grant program employees overseeing the use of Recovery Act funds; and
- b. On risk assessment for overseeing grantee activities to the Emergency Food and Shelter Grant program officer.

**Response:** Recommendation 4a should not be included in the final report because it has already been implemented. FEMA provided in-house training to all Grants Management Specialists and Program Managers on July 23, 2009, and October 8, 2009, which included fraud, waste, and abuse training and refresher courses on all updated ARRA requirements. FEMA has requested additional targeted assistance and training on fraud awareness and prevention from FEMA's Office of Chief Counsel to ensure all requirements are met and all staff is trained.

With respect to Recommendation 4b, FEMA concurs with this recommendation and plans to have the Emergency Food and Shelter Grant program officer obtain training on risk assessment for overseeing grantee activities as soon as possible.

**Recommendation 5:** Ensure FEMA has direct access to United Way of America's tracking system for monitoring the use of Recovery Act funds.

**Response:** FEMA concurs with this recommendation. Over the last year, FEMA has taken steps to make the fiscal agent's (United Way of America, now called United Way Worldwide) tracking system more visible to FEMA program staff. The EFSP database system is being enhanced to allow FEMA read access to all data and the ability to view and print reports. Currently, all information on the use of EFSP funds under the Recovery Act Way Worldwide is available to FEMA upon request from United Way Worldwide.

Thank you again for the opportunity to comment on this draft report and we look forward to working with you on other issues as we both strive to improve FEMA.

**Appendix C**  
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**Department of Homeland Security**

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Deputy Secretary  
Chief of Staff for Operations  
Chief of Staff for Policy  
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General Counsel  
Executive Secretariat  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Office of Policy  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs

**Federal Emergency Management Agency**

Administrator  
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**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Congress**

Congressional Oversight and Appropriations Committees, as appropriate





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DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigations - Hotline,  
245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

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