

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**The State of Florida's Management of
State Homeland Security Grants
Awarded During
Fiscal Years 2002 through 2004**





Homeland
Security

December 18, 2007

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 published as part of our oversight responsibilities to promote economy, effectiveness, and efficiency within the Department.

The attached report presents the results of the audit of the State of Florida's management of State Homeland Security Grants awarded during Fiscal Years 2002 through 2004. We contracted with the independent public accounting firm of Cotton & Company LLP to perform the audit. The contract required that Cotton & Company LLP perform its audit according to generally accepted government auditing standards and guidance from the Office of Management and Budget and the Government Accountability Office. Cotton & Company's report identified areas where the State of Florida's management of the grant funds could be improved. Cotton & Company LLP is responsible for the attached auditor's report dated October 29, 2007, and the conclusions expressed in the report.

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. It is our hope that 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.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General



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October 29, 2007

Mr. James L. Taylor
Deputy Inspector General
Office of Inspector General
Department of Homeland Security
245 Murray Drive, SW, Building 410
Washington, DC 20528

Dear Mr. Taylor:

The Firm of Cotton & Company LLP performed an audit of the State of Florida's Management of the Department of Homeland Security Grants Awarded During Fiscal Years 2002 through 2004. The audit was performed in accordance with our Task Order TPD-ARC-06-K-00207 dated May 17, 2006.

This report presents audit results and recommendations to help improve the State's management of the audited State Homeland Security Grant Programs. These programs are commonly referred to as first responder grant programs.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2003 revision. The audit was a performance audit as defined by Chapter 2 of the *Government Auditing Standards* and included a review and report of program activities with a compliance element. Although the audit report comments on costs claimed by the State, we did not perform a financial audit, the purpose of which would be to render an opinion on the agency's financial statements or the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. If you have questions, or if we can be of further assistance, please call me at 703.836.6701.

Very truly yours,

COTTON & COMPANY LLP

A handwritten signature in blue ink that reads "S Hadley".

Sam Hadley, CPA
Partner

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Abbreviations

DHS	Department of Homeland Security
FY	Fiscal Year
OIG	Office of Inspector General

Executive Summary

Cotton & Company LLP completed an audit of the Department of Homeland Security's (DHS) State Homeland Security Grants awarded to the State of Florida. The objectives of the audit were to determine whether the State (1) effectively and efficiently implemented the first responder grant programs, (2) achieved the goals of the programs, and (3) spent funds in accordance with grant requirements. The audit goal was to identify problems and solutions that would help the State of Florida prepare for and respond to terrorist attacks. Appendix A contains details on the audit objectives, scope, and methodology.

The audit included review of approximately \$191.5 million awarded to the State of Florida from the Fiscal Year (FY) 2002 State Domestic Preparedness Program, FY 2003 Parts I and II of the State Homeland Security Grant Program, and FY 2004 State Homeland Security Program. Florida's Division of Emergency Management managed the programs, commonly referred to as first responder grant programs.

Most of the findings and conditions contained in this report are areas where Florida Division of Emergency Management could develop or improve policies and procedures over grant processes. Our findings, summarized below, are discussed along with appropriate recommendations detailed in the body of this report.

1. Florida Division of Emergency Management did not have effective policies and procedures to ensure compliance with grant requirements for funding allocations and timeliness.
2. Florida Division of Emergency Management did not enter into Memorandums of Understanding with subgrantees properly.
3. Florida Division of Emergency Management did not have effective controls for its subgrantees.

Although the scope of this audit included a review of costs claimed, a financial audit of those costs was not performed. Accordingly, we do not express an opinion on the Florida Division of Emergency Management's financial statements or funds claimed in the Financial Status Reports submitted to the DHS.

In response to the three audit objectives, we determined that for the first objective, the State of Florida effectively and efficiently implemented first

responder grant programs. Regarding the second objective, for sampled transactions tested, the State allocated its funds in accordance with objectives stated in its strategy and achieved the program goals. Prior to FY 2004, a primarily centralized procurement approach was used. Florida Division of Emergency Management implemented a multi-jurisdictional and cross-functional, regional approach to assessing needs and capabilities and bridging gaps. The State of Florida's Regional Security Domestic Task Forces, along with the umbrella Oversight Board and State Working Groups, have served as a model for other states to emulate.

As addressed in Findings 1, 2, and 3, we do not consider the third objective, whether funds were spent according to grant requirements, to be met for the FY 2003 Parts I and II and FY 2004 grant years. Finding 1 indicates that Florida Division of Emergency Management could not demonstrate compliance or was noncompliant with several grant requirements in the FY 2003 Parts I and II and FY 2004 grant years. It could not demonstrate compliance with three grant requirements stipulating that it obligate a specified percentage to local jurisdictions. Additionally, Florida Division of Emergency Management could not demonstrate that it fulfilled timeliness requirements for the same grants. Florida Division of Emergency Management, however, met the grant requirements for the FY 2002 grant.

Finding 2 shows that the Florida Division of Emergency Management did not enter into Memorandums of Understanding properly with sub-recipients of grant funds. While Finding 3 identifies two internal control weaknesses in Florida Division of Emergency Management's monitoring over subgrantees, the exceptions are largely limited to FY 2004, when Florida Division of Emergency Management initiated direct allocations to local jurisdictions.

We have developed five recommendations to improve the overall effectiveness of Florida Division of Emergency Management's operations. We recommend that DHS ensure that the Florida Division of Emergency Management develops policies and procedures to establish:

- Monitoring over and compliance with grant requirements governing prescribed funding levels to local jurisdictions and State programs;
- Monitoring over subgrantees; and
- Accountability for equipment and property purchased with grant funds.

We also recommend that DHS require Florida Division of Emergency Management to demonstrate compliance with grant requirements before grant closeout. DHS concurred with the five recommendations.

Background

The Homeland Security Grant Program is a federal assistance grant program administered by the U.S. Department of Homeland Security, Grant Programs Directorate within the Federal Emergency Management Agency. The current Grant Programs Directorate, hereafter referred to as DHS, began with the Office of Domestic Preparedness which transferred from the Department of Justice to DHS in March 2003. The Office of Domestic Preparedness was subsequently consolidated into the Office of State and Local Government Coordination and Preparedness which, in part, became the Office of Grants and Training, and which subsequently became part of the Federal Emergency Management Agency.

DHS is responsible for enhancing the capabilities of state and local jurisdictions to respond to, and mitigate the consequences of, incidents of domestic terrorism. DHS provides grant funds to aid public safety personnel (e.g., first responders) in acquiring specialized training, exercises, and equipment necessary to safely respond to and manage terrorist incidents involving chemical, biological, radiological, nuclear, or explosive weapons, including weapons of mass destruction. First responders include firefighters, police, paramedics, and others. The grants are collectively referred to as “first responder” grants. These types of grants within the Homeland Security Grant Program provide federal funding to help states and local agencies enhance their capabilities to prevent, deter, respond to, and recover from threats or acts of terrorism.

State governors appoint a State Administrative Agency responsible for managing and administering homeland security grant funds according to established federal guidelines. The State Administrative Agency also serves as the pass-through entity for funds subgranted to local, regional, or other state government agencies. The Governor of Florida designated the Florida Division of Emergency Management to serve as the State Administrative Agency.

The State of Florida received approximately \$191.5 million in funds from the Homeland Security Grant Program during FYs 2002 through 2004. During this period, subgrants were awarded to approximately 135 State agencies, local agencies, and first responder agencies. The Homeland Security Grant Program encompasses several different federal grant programs, including the State Domestic Preparedness Program and the State Homeland Security Grant Program.

First Responder Grant Programs

FY 2002 State Domestic Preparedness Program grants provided financial assistance to each of the nation's states, U.S. Territories, the District of Columbia, and the Commonwealth of Puerto Rico. This program provided financial assistance for:

1. Purchase of specialized equipment to enhance the capability of state and local agencies to respond to incidents of terrorism involving the use of weapons of mass destruction.
2. Design, development, conduct, and evaluation of weapons of mass destruction exercises.
3. Administrative costs associated with the implementation of statewide domestic preparedness strategies.

FY 2003 State Homeland Security Grant Program Part I funding provided financial assistance for:

1. Purchase of specialized equipment to enhance the capability of state and local agencies to prevent and respond to incidents of terrorism involving the use of chemical, biological, radiological, nuclear, or explosive weapons.
2. Design, development, conduct, and evaluation of exercises that train emergency responders and assess readiness to prevent and respond to a terrorist attack.
3. Design, development, and conduct of chemical, biological, radiological, nuclear, or explosive training programs.
4. Updating and implementation of each state's homeland security strategy.

FY 2003 State Homeland Security Grant Program, Part II provided supplemental funding available through FY 2003 for the State Homeland Security Grant Program to enhance first responder preparedness. FY 2003 Part II funds also were available to mitigate the costs of enhanced security at critical infrastructure facilities during hostilities with Iraq and future periods of heightened threat.

FY 2004 State Homeland Security Grant Program continued to provide states, U.S. Territories, the District of Columbia, and the Commonwealth of

Puerto Rico funding for planning, equipment, training, exercise, management, and administrative costs for emergency prevention, preparedness, and response personnel. Program funding provided states and territories opportunities to more effectively fill the gaps between their needs and existing capabilities, as detailed in their updated Homeland Security Strategies.

The State of Florida received approximately \$191.5 million from these four grant programs. Funded activities and amounts are shown in Table 1.

Table 1

Florida Homeland Security Grant Awards FYs 2002 through 2004					
Funded Activity	Grant Program ('000s)				
	2002 State Domestic Preparedness Program	2003 State Homeland Security Grant Program Part I	2003 State Homeland Security Grant Program Part II	2004 State Homeland Security Grant Program	Totals
Equipment Acquisition	\$12,392	\$16,599	N/A	N/A	\$28,991
Exercises	575	4,150	N/A	N/A	4,725
Training	N/A	1,245	N/A	N/A	1,245
Planning and Administration	N/A	1,660	N/A	N/A	1,660
First Responder Preparedness	N/A	N/A	\$54,301	N/A	54,301
Critical Infrastructure Protection	N/A	N/A	8,354	N/A	8,354
State Homeland Security	N/A	N/A	N/A	\$69,967	69,967
Law Enforcement Terrorism Prevention Program	N/A	N/A	N/A	20,762	20,762
Citizens Corps	N/A	N/A	N/A	1,453	1,453
TOTALS	\$12, 967	\$23,654	\$62,655	\$92,182	\$191,458

Homeland Security in the State of Florida

Immediately following the terrorist attacks on September 11, 2001, the Governor of the State of Florida, by Executive Order, directed the Florida Division of Emergency Management and the Florida Department of Law Enforcement to conduct a comprehensive assessment of Florida's capability to prevent, mitigate, and respond to a terrorist attack. The Florida Division of Emergency Management, reporting to the Executive Office of the Governor, is charged with overseeing domestic preparedness and is the State Administrative Agency for the Department of Homeland Security's first responder grant funds. (During FY 2002 through FY 2004, the Florida Division of Emergency Management reported to the Division of Community Affairs. See Appendix B for the Florida Office of Homeland Security Organization Chart.)

The Florida Division of Emergency Management's mission is to "ensure that Florida is prepared to respond to emergencies, recover from them, and mitigate against their impacts." The Florida Division of Emergency Management is comprised of the following bureaus:

- **Bureau of Compliance Planning and Support:** Formulates emergency management policy, contracts, budget, and finance.
- **Bureau of Preparedness and Response:** Develops and maintains the State's ability to plan for and respond to threats.
- **Bureau of Recovery and Mitigation:** Works to reduce or eliminate risks to human life and property from disasters.

The Governor also established Regional Domestic Security Task Forces, which coincide with the seven regional Emergency Management response areas. These multi-jurisdictional Task Forces, each chaired by a local sheriff and Florida Department of Law Enforcement regional director, are comprised of members from first responder entities including law enforcement, fire, hazardous material, emergency management, and public health.

The task forces also form partnerships with entities such as schools and private industries to achieve broad inclusion and ensure that integral members of the community participate. These task forces contribute to the State's ability to prevent and, if necessary, respond to acts of terrorism. Additionally, the State created State Working Groups, which are advisory committees comprised of subject matter experts, for functions such as exercises, training, interoperable communications, and intelligence.

The Florida Division of Emergency Management works closely with the Florida Department of Law Enforcement, Regional Domestic Security Task Forces, and State Working Groups to develop a State domestic security strategy, assess capabilities and needs, prioritize projects in alignment with the strategy, and advance the integration of domestic preparedness into an all-hazards approach.

We coordinated all audit efforts with the Florida Division of Emergency Management, where we initially conducted an entrance conference and performed subsequent test work. We also reviewed subgrantee operations at three State agencies and six local jurisdictions (listed in Appendix A).

Results of Audit

Florida Division of Emergency Management Did Not Have Effective Policies and Procedures to Ensure Compliance with Grant Requirements For Funding Allocations and Timeliness

For each of the grant years under audit, DHS required the State Administrative Agency to administer grant awards according to stipulations outlined in program guidance for each year. These stipulations included prescribed funding allocations to local jurisdictions, ceilings on funds for programs and administrative costs, and timeframe requirements for obligating funds. The Florida Division of Emergency Management did not develop or implement policies and procedures to effectively monitor and assess its performance of grant funds and, as a result, did not comply or could not demonstrate compliance for all of the DHS grant requirements.

Background for Accounting System - Florida Division of Emergency Management's Finance and Logistics Management Section records financial transactions in a general ledger system, Florida Accounting and Information Reporting. The system is designed to monitor statutory budget authority, which differs from federal grant requirements. The system has limitations that prevent the user from customizing it to fit multiple requirements.

Therefore, to record an enhanced level of financial detail, Finance and Logistics Management Section maintains Excel spreadsheets, referred to as posting spreadsheets, which report budget authority, encumbrances, expenditures, and remaining encumbrance balance for individual transactions (each approved budgetary item and related expenditure). Finance and Logistics Management Section initially developed these Excel-based posting spreadsheets to monitor budget authority. Neither of these

records (the Florida Accounting and Information Reporting system or the Excel spreadsheets), however, has sufficient detail to effectively or efficiently monitor grant compliance with DHS grant requirements.

The Florida Division of Emergency Management did not develop or implement policies and procedures to effectively monitor and assess its performance of grant funds and, as a result, did not comply or could not demonstrate compliance for all of the DHS grant requirements. Collectively, the Office of Justice Programs Financial Guide, the grant award terms and conditions, and Office Management and Budget Circular A-133, Subpart D, specifically address the federal requirements for monitoring and assessing performance.

Florida Division of Emergency Management had not assigned responsibility to a specific individual and no one assumed responsibility for compliance. Under the FY 2002 grant, Florida Division of Emergency Management purchased and distributed equipment to local jurisdictions and, as a result of this centralized approach, met the FY 2002 grant requirements for funding allocations to local jurisdictions. Having met these grant requirements, the Florida Division of Emergency Management assumed it was meeting similar grant requirements in subsequent grant years. During the planning stages of the subsequent DHS grant funding, Florida Division of Emergency Management identified proposed expenditures and labeled them for identification purposes with the grant requirements. Subsequent to this initial planning of funding, however, Florida Division of Emergency Management did not monitor or assess its performance with the grant requirements on a regular basis.

We met with key personnel on several occasions to discuss grant compliance. While Florida Division of Emergency Management demonstrated compliance for some requirements, it did not provide evidence to demonstrate compliance with certain requirements, and did not comply with other requirements, detailed below.

Allocating Funds as Required - Florida Division of Emergency Management did not track performance with grant requirements stipulating that it obligate a specific proportion of funds to local jurisdictions.

DHS program guidance required the following:

- **FY 2003 Part I:** 80 percent of funding allocations for equipment must be obligated to local communities.

-
- **FY 2003 Part II:** At least 80 percent of funding allocation for First Responder Preparedness must be provided to local communities.
 - **FY 2004:** Not less than 80 percent of State Homeland Security Program funds shall be obligated to local units of government.

While the burden of demonstrating compliance resides with Florida Division of Emergency Management, we attempted to independently test compliance using Finance and Logistics Management Section's ancillary spreadsheets. In order to comply with the grant requirement that a specified percentage of funds be obligated to local jurisdictions, the Finance and Logistics Management Section identified each transaction in the Excel posting spreadsheets as either a "State" (funding remained at the State level) or "local" jurisdiction (funding was allocated and subgranted to a local jurisdiction). We were unable, however, to complete the calculation because, as Finance and Logistics Management Section personnel informed us, there are obligations (and related expenditures) identified as a "State" agency, which include equipment that was actually distributed to "local" jurisdictions. The only way to determine exact amounts retained by the State and allocated to local jurisdictions would be to review each contract file to determine where the equipment was distributed. While Florida Division of Emergency Management did not actively and routinely monitor obligations and actual expenditures to State agency and local jurisdictions, this situation was compounded by the accounting process for recording obligations and expenditures.

Florida Division of Emergency Management commingled and reported equipment allocations to State agencies with those for local jurisdictions in manual spreadsheets for the FY 2003 Parts I and II and FY 2004 grants. There are accounting transactions for purchases of equipment where the State retained a portion of the equipment for itself, but designated the entire expenditure on the Excel posting spreadsheets as "local" jurisdictions. For example, a purchase of eight trailers for transporting interoperable communications equipment was designated as "local jurisdiction." Florida Division of Emergency Management and Florida Department of Law Enforcement each retained one trailer for use with the Emergency Operations Center. The commingling of State and local equipment allocations precludes Florida Division of Emergency Management's ability to easily and efficiently determine and monitor compliance with requirements that the State obligate a specified portion of funds to local jurisdictions. To make that determination, Florida Division of Emergency Management would need to manually review all purchases made with grant funds and update the tracking spreadsheets to accurately record where equipment purchases were distributed.

Applying Fund Ceilings as Required - In addition to requirements for allocating money between local jurisdictions and State agencies, Florida Division of Emergency Management could not demonstrate compliance, or did not comply, with DHS prescribed ceiling limits on grant funds as follows:

- **FY 2003 Part I:** Funding for equipment allocation cannot exceed \$16,599,000.
- **FY 2003 Part I:** Funding for exercise allocation cannot exceed \$4,150,000.
- **FY 2003 Part II:** Only three percent of total first responder preparedness funding allocation may be used for administrative purposes.
- **FY 2004:** No more than three percent of the total amount of funds allocated to the State for each program may be used statewide for management and administrative purposes. Any portion of the three percent retained by the State must be included within the 20 percent of the total funds available to the State.

FY 2003 Part I Equipment Allocation - For the FY 2003 Part I grant, the State of Florida was allocated up to \$16,599,000 for its equipment acquisition expenditures. Finance and Logistics Management Section provided the calculation shown below as support for compliance with this requirement.

Total Disbursements	\$17,856,951.81
Less: Training	(1,245,000.00)
Less: Refund	<u>(12,951.81)</u>
Total Equipment Expenditures	<u>\$16,599,000.00</u>

While total disbursements were taken from the accounting system's general ledger, the training amount was taken from the grant budget (not actual expenditures). The amount shown on Finance and Logistics Management Section Excel posting spreadsheets for actual training expenditures is \$740,824. Finance and Logistics Management Section officials stated the actual expenditures were \$1,245,000, but the only support they provided was the Excel-based spreadsheets. Florida Division of Emergency Management did not respond to our multiple requests for supporting general ledger documentation for the training expenditures or refunds.

Since Finance and Logistics Management Section officials did not provide the general ledger detail for the training expenditures or refunds, we relied on their Excel-based spreadsheets and recomputed their calculations. Corrected expenditures for equipment in FY 2003 Part I, provided below, show that Florida spent \$517,128 more than the DHS grant requirement that capped equipment acquisition allocation at \$16,599,000:

Total Disbursements	\$17,856,951.81
Less: Training	<u>(740,824.00)</u>
Total Equipment Expenditures	\$17,116,127.81
Less Equipment Acquisition Ceiling	<u>\$16,599,000.00</u>
Overspent Grant Allocation	<u>\$517,127.81</u>

FY 2003 Part I Exercise Allocation - Similarly, Florida Division of Emergency Management appears to have exceeded its \$4,150,000 exercise allocation by \$654. Similar to the equipment allocation calculation above, Florida Division of Emergency Management stated that it received refunds of \$654, but did not provide support that a refund was actually received. Without evidence of these refunds, we conclude that the Florida Division of Emergency exceeded its exercise allocation by \$654.

FY 2003 Part II and FY 2004 Management and Administrative Allocation - Florida Division of Emergency Management also did not provide evidence that it complied with the administrative funds threshold requirement for the FY 2003 Part II and FY 2004 grants. For the FY 2003 Part II grant, DHS grant guidance stipulated that only three percent of the total first responder preparedness allocation may be used for administrative purposes. Florida Division of Emergency Management did not provide support that the administrative fund did not exceed the three percent limit of the First Responder Preparedness funds.

For the FY 2004 grant, DHS guidance stipulated that no more than three percent of the total amount allocated to the State for each program may be used statewide for management and administrative purposes. Any portion of the three percent retained by the State must be included within the 20 percent of total funds available to the State. In FY 2004, Florida Division of Emergency Management allocated administrative funds to itself, other State agencies, and local jurisdictions, but the Florida Division of Emergency Management did not maintain data on administrative costs incurred by the other entities. As a result, Florida Division of Emergency Management only provided evidence of its own administrative funds, and thus support was incomplete. Accordingly, Florida Division of Emergency Management could not demonstrate grant compliance.

Meeting Timeframes as Required - Finally, Florida Division of Emergency Management officials did not monitor their performance with timeliness requirements nor maintain supporting documentation indicating that they complied with requirements to obligate funds within specified timeframes. For the FY 2003 Part I and Part II grants, the State Administrative Agency was required to obligate funds within 45 days of the grant award date. For the FY 2004 grant, the State Administrative Agency was required to obligate funds within 60 days after the grant award. Since Florida Division of Emergency Management officials did not maintain documentation of the obligation dates, they could not demonstrate grant compliance with these timeliness requirements.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate within the Federal Emergency Management Agency, require the Florida Division of Emergency Management to:

1. Develop and implement monitoring policies and procedures to ensure compliance with grant requirements involving the allocation of funds to local jurisdictions, specific programs, and timeliness of awarding funds to subgrantees.
2. Demonstrate compliance with grant requirements before grant closeout for the FY 2003 Parts I and II and FY 2004 grants, which may include disallowances for those expenditures incurred by State agencies in excess of grant allowances.

State of Florida Comments

The State contends that it clearly demonstrated, during interviews and via spreadsheets shown to the Auditors, that the State was in compliance with the following grant requirements:

- FY 2003 Part I, equipment allocations to local jurisdictions;
- FY 2003 Part II, First Responder allocations to local jurisdictions;
- FY 2003 Part II and FY 2004, Management and Administrative funds allocation; and
- FY 2003 Parts I and II and FY 2004, projects were approved by the State Legislature and Domestic Security Oversight Board within the grant guidance timeframes.

The State, however, is developing a more comprehensive spreadsheet for more closely identifying the 80 percent allocation and the Management and Administrative percentages to track grant compliance.

DHS Grant Programs Directorate Verbal Comments

DHS concurred with the finding and recommendations that the State of Florida develop a more efficient and effective method to monitor grant requirements and demonstrate compliance with grant requirements before grant closeout.

Auditor's Analysis

We do not concur that the Florida Division of Emergency Management demonstrated compliance with the grant requirements cited. However, the development of a grant requirement monitoring process and enhanced management information adequately addresses the recommendations.

The Grant Programs Directorate should provide corrective actions for the two recommendations and a plan to implement those corrective actions within 90 days.

Florida Division of Emergency Management Did Not Enter into Memorandums of Understanding with Subgrantees Properly

The Florida Division of Emergency Management did not enter into Memorandums of Understanding properly with sub-recipients of grant funds.

DHS Grant Requirements for Funds to Local Jurisdictions

DHS program guidance required the following:

- **FY 2004:** Each state will obligate not less than 80 percent of State Homeland Security Program, Law Enforcement Terrorism Prevention Program, and Citizen Corp funds to local units of government within 60 days after the grant award. If requested in writing by a local unit of government, the State may retain some or all of the local unit of government's allocation of grant funds for purchases made on behalf of the local unit of government. States holding grant funds on behalf of local units of government must enter into a memorandum of understanding with the local unit of

government specifying the amount of funds to be retained by the State for purchases.

The Florida Division of Emergency Management obligated \$1,123,072 of the FY 2004 State Homeland Security Program grant funds to the Florida Fish and Wildlife Conservation Commission, which awarded the funds to seven local jurisdictions to purchase vessels. The Florida Division of Emergency Management did not, however, enter into a Memorandum of Understanding with the Florida Fish and Wildlife Conservation Commission or the local jurisdictions. The budget chief at one of the local jurisdictions, which received a subgrant award from the Florida Fish and Wildlife Conservation Commission, stated that the local jurisdiction did not enter into a Memorandum of Understanding with the Commission or with the Florida Division of Emergency Management. We determined that the Florida Division of Emergency Management did not enter into Memorandums of Understanding with any of the local jurisdictions that received the property.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate within the Federal Emergency Management Agency, require the Florida Division of Emergency Management to implement controls to comply with grant funding obligation stipulations requiring that the State Administrative Agency enter into Memorandums of Understanding with affected jurisdictions upon their request.

State of Florida Comments

The State of Florida does not concur with Auditor's Finding 2 for the following reasons:

Nowhere within the DHS grant guidance does it indicate that each and every recipient that receives equipment or the benefit of equipment must be a part of a Memorandum of Understanding with the State Administrative Agency. Furthermore, in the finding, Florida Fish and Wildlife Conservation Commission did not hold grant funds on behalf of local units of government. Florida Fish and Wildlife Conservation Commission signed a cost-reimbursement sub-grant agreement with each local unit of government. The local units of government purchased the vessels and then requested reimbursement from the State agency (Florida Fish and Wildlife Conservation Commission). At no point did Florida Fish and Wildlife Conservation Commission purchase the vessels on behalf of the locals

which would in turn require would have required a Memorandum of Understanding. Therefore this finding remains inaccurate.

DHS Grant Programs Directorate Verbal Comments

DHS concurs with the finding and recommendation.

Auditor's Analysis

While the State of Florida did not concur with either the finding or recommendation, the Grant Programs Directorate concurred with the finding and recommendation.

The Grant Programs Directorate should provide corrective actions for the recommendation and a plan to implement corrective actions within 90 days.

Florida Division of Emergency Management Did Not Have Effective Controls For Its Subgrantees

Florida Division of Emergency Management drafted and revised but did not implement a comprehensive monitoring program to measure subgrantee performance. Although DHS had made previous recommendations for improvement in this area, Florida Division of Emergency Management did not conduct monitoring visits at local jurisdictions or State agencies to determine compliance with grant conditions, and desk reviews were insufficient for oversight purposes. As a result, subgrantees used DHS grant funds to purchase property that was not on the Authorized Equipment List, and several local jurisdictions could not account for equipment centrally procured but distributed to them.

The effect of Florida Division of Emergency Management's lack of monitoring over subgrantees is limited, because a centralized approach was used in early grant years. For grant years FY 2002 and FY 2003 Part I, Florida Division of Emergency Management centrally purchased and distributed equipment to the subgrantees. In FY 2003 Part II, Florida Division of Emergency Management primarily pursued a centralized approach, but allocated funds to other State agencies. In FY 2004, Florida Division of Emergency Management began to award funds to subgrantees. As a result, the effects of a lack of monitoring did not have a significant effect on FY 2002 and FY 2003 Parts I and II grant years, but surfaced with subgrant awards in FY 2004.

In the grant award between the Office of Domestic Preparedness and the Florida Division of Emergency Management, the following is stipulated: “The recipient agrees to comply with the financial and administrative requirements set forth in the current edition of the Office of Justice Programs Financial Guide.” According to the Financial Guide, Chapter 9, Subawards of Discretionary Project-Supported Effort, “The primary recipient is responsible for monitoring the sub-recipient and ascertaining that all fiscal and programmatic responsibilities are fulfilled.”

The Florida Division of Emergency Management developed a draft policy and related procedure recognizing that:

As the steward of the State Homeland Security Grant Program funds, the Florida Division of Emergency Management (FDEM) has a responsibility to track and monitor the status of the grant activity and items purchased.

This policy required monitoring either through site visits and/or desk reviews based on the funding level. It was not, however, implemented. The DHS also cited the lack of monitoring over subgrantees as part of its oversight of Florida Division of Emergency Management. As a result, in April 2007, Florida Division of Emergency Management developed updated policies and procedures including the following:

- Monitoring Procedure, which describes monitoring policies and procedures, stipulates the frequency of site visits and/or desk reviews, outlines areas to be examined (such as physical inspection of equipment and review of training and exercises), and describes Desk Top Monitoring Procedures and Site Visit Procedures;
- Pre-monitoring Site Visit Checklist specifies necessary documents and data for the visit; and
- Site Visit Worksheets cover both financial and programmatic topics.

While written policies and procedures governing subgrantee monitoring exist, they have yet to be implemented.

Equipment Purchases Process

Each subgrantee was required to submit a Proposed Budget Worksheet with a “detailed proposed budget to account for the full allocation” of funds and a “list of equipment to be purchased.”

Florida Division of Emergency Management did not, however, require sufficient explanatory language on the subgrant award Budget Worksheet (Proposed Worksheet). Likewise, Florida Division of Emergency Management did not always adequately review proposed budgets on its grant agreements with subgrantees.

We do not consider these two internal controls — monitoring of subgrantees and review of proposed budgets — to have been fully in place. As a result, several deficiencies and instances of noncompliance with grant requirements occurred. For instance, at several local jurisdictions, control deviations existed over equipment purchases.

At two local jurisdictions where we conducted internal control testing, we noted purchases or proposed purchases on Budget Worksheets for equipment that were not specifically identified as eligible per the DHS Authorized Equipment List. For example, we noted the following types of equipment and other expenditures:

- Custom office furniture and installation
- Blackberry communication devices
- Landscaping to clear vegetation for visibility of Emergency Operations Center
- Overhead projector

Florida Division of Emergency Management should have identified these purchases during the review process of the proposed budget and submitted them to the Office of Domestic Preparedness for evaluation and approval (or rejection). These deviations are the result of two control weaknesses: proposed budgets lacked sufficient detail, and proposed budgets were inadequately reviewed by Florida Division of Emergency Management. Both of these control weaknesses stem from the lack of an overarching control for subgrantee monitoring.

Accountability For Centrally Purchased Equipment

The Florida Division of Emergency Management did not establish control and accountability policies for centrally purchased equipment distributed to local jurisdictions. Officials in the Florida Division of Emergency Management and the local jurisdictions told us that once distributed, equipment is the responsibility of the local jurisdiction.

Code of Federal Regulations Title 28, § 66.20 (b)(3): *Internal Control* requires that “effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.”

We obtained equipment lists from a State agency that centrally purchased and distributed equipment to local jurisdictions. One local jurisdiction could not confirm receipt of a trailer from the State agency. Another local jurisdiction could not account for pieces of equipment. A representative from a third jurisdiction expressed concerns over the lack of accountability over State-purchased equipment distributed to local jurisdictions. This representative recommended that local jurisdictions receiving centrally-purchased equipment should sign for and, upon audit or monitoring request, provide the equipment or provide evidence that it was expended. The representative also commented that local jurisdictions are not always aware that they will receive equipment. Further, when equipment arrives, some may be allocated for another local jurisdiction, or the local jurisdictions are instructed to retrieve equipment from another local jurisdiction.

The above-mentioned trailer illustrates the lack of accountability for distributed equipment. While State agency records indicate that it distributed a trailer to this local jurisdiction, the trailer could be located at a different site within that region. In a similar example, State-agency records indicate that it distributed two pieces of monitoring equipment to a sheriff’s office. The sheriff’s office did not, however, have record of them and thinks they were intended for, and ultimately delivered to, the fire department, although initially delivered to the sheriff’s office. Accountability over centrally purchased and distributed equipment is lacking.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate within the Federal Emergency Management Agency, require the Florida Division of Emergency Management to:

1. Develop a timeline to fully implement its policies and procedures for subgrantee monitoring.
2. Develop and implement policies and procedures governing control and accountability for equipment distributed to local jurisdictions.

State of Florida Comments

The State of Florida does not concur with Auditor's Finding 3 for the following reasons: The Office of Domestic Preparedness staff was contacted regarding eligibility of purchase. Nowhere within the grant guidance was there a template or guidance provided for developing a monitoring program.

The process that the State Administrative Agency now follows is that each subgrantee is responsible for providing the State Administrative Agency with a Budget Detail Worksheet. All items on the Budget Detailed Worksheet are now reviewed for eligibility on the Authorized Equipment List. If an item is not on that list, then the Programmatic Planner contacts the DHS Preparedness Officer for the final approval.

DHS Grant Programs Directorate Verbal Comments

While DHS officials did not fully concur with the entire finding, they concurred with the recommendations.

DHS officials did not concur with the finding section involving the equipment purchases process. They reported that the equipment listed under this section was eligible and, therefore, the Florida Division of Emergency Management was not required to undergo approval from DHS before making said purchases.

Auditor's Analysis

The State of Florida has developed policies and procedures to monitor subgrantees. In addition, DHS officials stated that they will provide the necessary oversight to ensure that the State of Florida is addressing its monitoring processes, including the control and accountability for equipment distributed to local jurisdictions. Therefore, we consider the anticipated action by both parties to be adequate.

The Grant Programs Directorate should provide corrective actions for the two recommendations and a plan to implement those corrective actions within 90 days.

Audit objectives were to determine if the State of Florida effectively and efficiently implemented first responder grant programs, achieved program goals, and spent funds awarded according to grant requirements. The audit goal was to identify problems and solutions that would help the State of Florida prepare for and respond to terrorist attacks.

The scope of the audit included the following grant programs, which are described in the Background section of this report.

- FY 2002 State Domestic Preparedness Program
- FY 2003 State Homeland Security Grant Program Part I
- FY 2003 State Homeland Security Grant Program Part II
- FY 2004 Homeland Security Grant Program

The audit methodology included work at DHS headquarters, State of Florida offices responsible for management of the grants, and the following State agency and local jurisdiction subgrantees:

- State agencies:
 - State Technology Office
 - Department of Agriculture
 - Fish and Wildlife Conservation Commission
- Local Jurisdictions:
 - Bay County Sheriff's Office
 - Lake County Emergency Management
 - City of Jacksonville Sheriff's Office
 - Lee County Emergency Management
 - Sarasota County Sheriff's Office
 - Broward County Emergency Management

Visit purposes were to obtain an understanding of the four grant programs and assess how well the programs were being managed. Our audit considered DHS and the State of Florida policies and procedures, as well as the applicable federal requirements. We reviewed documentation received from the DHS, as well as from State of Florida offices and grantees. We interviewed appropriate officials, reviewed documentation supporting State of Florida and subgrantee management of awarded grant funds, and physically inspected some of the equipment procured with the grant funds.

We also reviewed prior audit reports dealing with the first responder issues, such as reports from the Government Accountability Office and from the House Appropriations Committee's Survey and Investigative Staff.

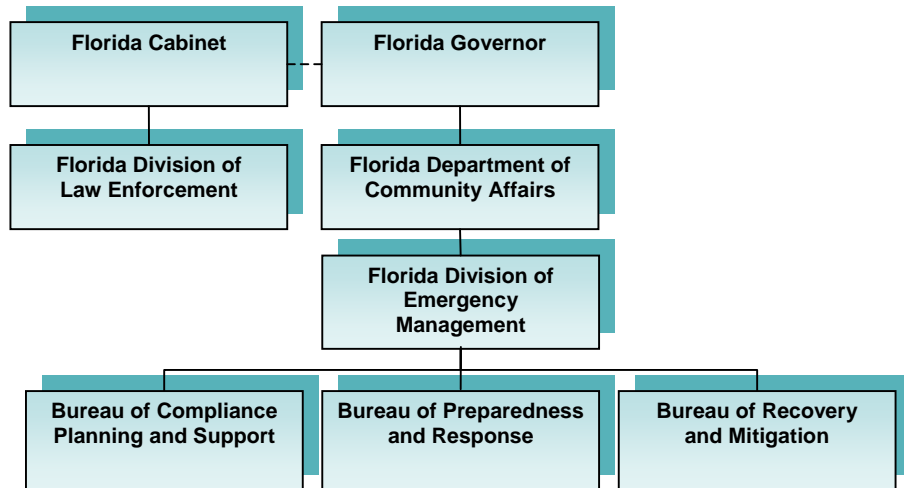
We conducted the audit between September 2006 and May 2007 according to the *Government Auditing Standards* prescribed by the Comptroller General of the United States.

This was primarily a performance rather than a compliance audit performed by a Department of Homeland Security, Office of Inspector General contractor. We were 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, we were neither required to nor expressed an opinion on the costs claimed for the grant programs included in the scope of the audit. Had we been required and performed additional procedures or conducted an audit of the financial statements according to generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the State of Florida.

While the audit work was performed and the report was prepared under contract, the audit results are being reported by the Department of Homeland Security, Office of Inspector General, to appropriate DHS and State of Florida officials.

Florida Homeland Security Organization Chart

(FY 2002 – FY 2004)



Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
Executive Secretary
Assistant Secretary, Public Affairs
Assistant Secretary, Policy
Assistant Secretary, Legislative Affairs
DHS OIG Liaison
Chief Privacy Officer

Federal Emergency Management Agency

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

Office of Management and Budget

Chief, Homeland Security Branch
DHS Program Examiner

Congress

Congressional Oversight and Appropriations Committee, as appropriate

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 - Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,**
 - Washington, DC 20528.**

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