



Department of Homeland Security Office of Inspector General

The State of Missouri's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2005 through 2007





Homeland
Security

January 6, 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 to promote economy, efficiency, and effectiveness within the department.

The attached report presents the results of the audit of the State of Missouri's management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during Fiscal Years 2005 through 2007. We contracted with the independent public accounting firm Williams, Adley & Company, LLP to perform the audit. The contract required that Williams, Adley & Company, LLP perform its audit according to generally accepted government auditing standards. Williams, Adley & Company, LLP's report identifies three reportable conditions where State management of the grant funds could be improved, resulting in three recommendations addressed to the Administrator, Federal Emergency Management Agency. It also identifies a grant management system as a best practice for possible use by other jurisdictions. Williams, Adley & Company, LLP is responsible for the attached auditor's report dated December 4, 2009, 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. 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.

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

Richard L. Skinner
Inspector General



December 4, 2009

Ms. Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security
245 Murray Drive, SW, Building 410
Washington, DC 20528

Dear Ms. Richards:

Williams, Adley & Company, LLP performed an audit of the State of Missouri's management of the Department of Homeland Security's State Homeland Security Program and Urban Areas Security Initiative grants for Fiscal Years 2005 through 2007. The audit was performed in accordance with our Task Order No. TPD-FIG-BPA-07-0013-0070, dated September 27, 2008. This report presents audit results and includes recommendations to help improve the State's management of the audited State Homeland Security Program and Urban Areas Security Initiative grants.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2007 revision. The audit was a performance audit as defined by Chapter 1 of the *Standards* and included a review and report of program activities with a compliance element. Although this 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 State of Missouri's financial statements or funds claimed in the Financial Status 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 contact me on (202) 371-1397.

Sincerely,

Williams, Adley & Company, LLP

A handwritten signature in cursive script that reads 'Jocelyn Hill'.

Jocelyn A. Hill
Partner

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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*

Executive Summary

Williams, Adley & Company, LLP completed an audit of the State of Missouri's management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during Fiscal Years 2005 through 2007. The audit objective was to determine whether the State distributed and spent Homeland Security Grant Program funds strategically, effectively, and in compliance with laws, regulations, and guidance. The audit included a review of approximately \$97 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded by the Federal Emergency Management Agency to the State of Missouri.

Overall, the State did an efficient and effective job administering the program requirements, distributing grant funds, and ensuring that all available funds were used. The State ensured that funded plans linked all hazards response capabilities to goals by requiring subgrantees to identify the specific purposes and the goals the grant funds would support. Additionally, the State distributed funds and resources based on justifications submitted by subgrantees. The State used reasonable methodologies for assessing threats, vulnerabilities, and prioritized needs, and measured response capabilities and performance using After Action Reports. The State generally administered grants in compliance with grant guidance and regulations.

Improvements are needed in the State's management of grants to develop measurable and achievable goals and objectives, enhance subgrantee monitoring, and document instances when funds were withheld on behalf of subgrantees. We nonetheless identified as a best practice the State's use of an electronic grants management system that should be considered for sharing with other states. We are making three recommendations to the Federal Emergency Management Agency which, if implemented, should help strengthen program management, performance, and oversight. Federal Emergency Management Agency and State officials did not agree with the first recommendation, but concurred with the remaining two. Based on these comments and State officials' written response to the recommendations, included as Appendix C, we revised the recommendation to encourage future revisions to the State's strategy.

Background

The Homeland Security Grant Program is a federal assistance grant program administered by the U.S. Department of Homeland Security (DHS), Grant Programs Directorate within the Federal Emergency Management Agency (FEMA). The current Grant Programs Directorate, hereafter referred to as FEMA, began with the Office of Domestic Preparedness, which was 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 FEMA.

Although the grant program was transferred to DHS, applicable Department of Justice grant regulations and legacy systems were still used, as needed, to administer the program. For example, through Fiscal Year (FY) 2008 the Office of Justice Programs' Grants Management System was used to receive grantee applications and to administer the award and reporting processes. Also, prior to the transfer, the State Administrative Agency entered payment data into the Office of Justice Programs' Phone Activated Paperless Request System, which was a drawdown payment system for grant funds. That payment system was replaced in April 2007 by FEMA's Payment and Reporting System, which allows grantees to make payment requests and complete and transmit their quarterly Financial Status Reports online.

Homeland Security Grant Program

The Homeland Security Grant Program provides federal funding to help states and local agencies enhance their capabilities to prevent, deter, respond to, and recover from threats or acts of terrorism. The program 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. Depending on the fiscal year, the program included some or all of the following:

- **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. The program supports the implementation of the State Homeland

Security Strategy to address the identified planning, equipment, training, and exercise needs.

- **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 them in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism. Allowable costs for the urban areas are consistent with the State Homeland Security Program and funding is expended based on the Urban Area Homeland Security Strategies.
- **Law Enforcement Terrorism Prevention Program** provides law enforcement communities with funds to support the following prevention activities: information sharing to preempt terrorist attacks, target hardening to reduce vulnerability of selected high value targets, recognition and mapping of potential or developing threats, counterterrorism and security planning, interoperable communications, interdiction of terrorists before they can execute a threat, and intervention activities that prevent terrorists from executing a threat. These funds may be used for planning, organization, training, exercises, and equipment.
- **Citizen Corps Program** is the department's grass-roots initiative to actively involve all citizens in hometown security through personal preparedness, training, and volunteer service. Funds are used to support Citizen Corps Councils with efforts to engage citizens in preventing, preparing for, and responding to all hazards, including planning and evaluation, public education and communication, training, participation in exercises, providing proper equipment to citizens with a role in response, and management of Citizen Corps volunteer programs and activities.
- **Metropolitan Medical Response System Program** supports jurisdictions in enhancing and sustaining an integrated, systematic, mass casualty incident preparedness program to respond to mass casualty events during the first hours of a response. This includes the planning, organizing, training, and equipping concepts, principles, and techniques, which enhance local jurisdictions' preparedness to respond to the range of mass casualty incidents – from chemical, biological, radiological, nuclear, and explosive events to epidemic

outbreaks, natural disasters, and large-scale hazardous materials incidents.

- **Emergency Management Performance Grant Program** funds are used to support comprehensive emergency management at the state and local levels and to encourage the improvement of mitigation, preparedness, response, and recovery capabilities for all hazards. DHS is responsible for leading and supporting the nation in a comprehensive, risk-based, all-hazards emergency management program, and these performance grant funds are a primary means of ensuring the development and maintenance of such a program. Funds may also be used to support activities for managing consequences of acts of terrorism.

State Administrative Agency

State governors appoint a State Administrative Agency to administer the Homeland Security Grant Program. The State Administrative Agency is responsible for managing the grant program in accordance with established federal guidelines and is also responsible for allocating funds to local, regional, and other state government agencies.

The Missouri State Emergency Management Agency, a division of the Department of Public Safety/Office of Homeland Security, is the designated State Administrative Agency of Missouri and provides guidance, direction, and coordination in mobilizing, organizing, and preparing Missouri for acts of terrorism and man-made or natural disasters. The State Administrative Agency administers the Homeland Security Grant Program at the direction of the Missouri Homeland Security Advisory Council, based on recommendations from the Regional Homeland Security Oversight Committees. The overall responsibility for Missouri's Homeland Security Program rests with the Homeland Security Advisor, who is also the Director of the Department of Public Safety – a Cabinet level official. The Missouri Department of Public Safety and State Emergency Management Agency's organization structures are depicted in the organization charts in Appendix B.

The State of Missouri is divided into nine Response Regions and two Urban Areas Security Initiative areas, Kansas City and St. Louis, which serve as the jurisdictions for the State's strategy. Regional Planning Commissions within the 11 regional areas function as local political subdivisions and determine grant funding

priorities within the regions. The Homeland Security Advisory Council works closely with the Urban Areas Security Initiative sites to support their needs, synchronize strategies, and establish consistent priorities across Missouri.

The State Administrative Agency procured the services of an outside consulting firm to provide technical support and advisory services to assist the State in developing its Homeland Security Assessment and Strategy program.

Grant Funding

The State of Missouri received approximately \$121 million in funds from the Homeland Security Grant Program during FYs 2005 through 2007. As part of this program, the State received \$45.8 million in State Homeland Security Program grants and \$51.3 million in Urban Areas Security Initiative grants. During that timeframe, the State Administrative Agency awarded subgrants to first responders as follows:

- 2005: 594 first responder subawards distributed throughout 110 counties, 170 cities, 10 state agencies, and 2 urban areas;
- 2006: 224 first responder subawards distributed throughout 91 counties, 71 cities, 8 state agencies, 9 regions, and 2 urban areas; and
- 2007: 56 first responder subawards distributed throughout 22 counties, 7 cities, 8 state agencies, 9 regions, and 2 urban areas.

Table 1 shows a breakdown of the grant funds by year and funded activity. Note that not all funded activities were part of the Homeland Security Grant Program during each of the fiscal years.

Table 1

Missouri Homeland Security Grant Awards Fiscal Years 2005 through 2007				
Grant Programs ('000s)				
Funded Activity	2005 Homeland Security Grant Program	2006 Homeland Security Grant Program	2007 Homeland Security Grant Program	Total
State Homeland Security Program	\$ 20,289	\$ 17,980	\$ 7,490	\$ 45,759
Urban Areas Security Initiative	\$ 15,254	\$ 18,440	\$ 17,610	\$ 51,304
Law Enforcement Terrorism Prevention Program	\$ 7,378	\$ 5,610	\$ 5,350	\$ 18,338
Citizen Corps Program	\$ 257	\$ 366	\$ 277	\$ 900
Metropolitan Medical Response System Program	\$ 455	\$ 465	\$ 516	\$ 1,436
Emergency Management Performance Grant Program	\$ 3,318	Not Applicable	Not Applicable	\$ 3,318
Total	\$ 46,951	\$ 42,861	\$ 31,243	\$ 121,055

Williams, Adley & Company, LLP completed an audit of the State of Missouri's management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during FYs 2005 through 2007. The objective of this audit was to determine whether the State distributed and spent Homeland Security Grant Program funds strategically, effectively, and in compliance with laws, regulations, and guidance. Nine researchable questions, provided by the DHS Office of Inspector General (OIG), established the framework for the audit. The researchable questions were related to the State Administrative Agency's planning, management, and evaluations of grant activities. Appendix A provides additional details on the purpose, scope, and methodology of this audit, including the nine researchable questions.

Results of Audit

State Grants Management Practices Were Generally Effective, But Require Some Improvements

Overall, the State did an efficient and effective job of administering the program requirements, distributing grant funds, and ensuring that all of the available funds were used. The State ensured that funded plans linked all hazards response capabilities to goals by requiring subgrantees to identify the specific purposes and the goals the grant funds would support. Additionally, the State distributed funds and resources based on justification submitted by subgrantees describing how their project plans would support specific goals within the State's strategy. The State used reasonable methodologies for assessing threats, vulnerabilities, and prioritized needs, and measured response capabilities and performance using After Action Reports. Finally, the State generally administered grants in compliance with grant guidance and regulations.

However, improvements are needed in developing measurable and achievable goals and objectives, monitoring subgrantees, and documenting instances when funds are withheld on behalf of subgrantees.

Goals and Objectives Were Not Measurable and Achievable

The State Administrative Agency's strategic goals and objectives did not provide a basis for measuring progress during FYs 2005 through 2007. Although FEMA approved the State's goals, objectives, and implementation steps, FEMA officials indicated there was room for improvement. We noted, as shown in the following examples, that the objectives did not specifically identify what was to be achieved or accomplished, nor did they provide a standard for comparison:

Goal 1: Ensure local and state resources are appropriately prepared to detect, deter, prevent, and respond to a chemical, biological, radiological, nuclear, and explosive event to protect people, infrastructure, and the environment.

Objective 1.3: Enhance transportation security associated with Missouri transportation infrastructure including roads, bridges, tunnels, railways, pipelines, airports, and river ports by October 2006, assuming funds, uses of funds, and federal guidance are available.

Implementation Steps:

- 1.3.a: Establish a working group to review transportation-critical asset inventory and potential threats.
- 1.3.b: Develop a procedure to systematically improve chemical, biological, radiological, nuclear, and explosive event detection and deterrence methodologies at transportation targets.
- 1.3.c: Develop countermeasures for Critical Infrastructure and Key Resources consistent with national critical infrastructure protection efforts.

Goal 7: Prepare and Prevent/Response and Recovery - Enhance Missouri's Local and State-Commissioned Law Enforcement Departments to ensure they are appropriately prepared to detect, deter, prevent, and respond to a Chemical, Biological, Radiological, Nuclear and Explosive incident to protect people, infrastructure, and the environment.

Objective 7.2: Provide assistance in the protection of critical assets and infrastructure by October 2006.

Implementation Steps:

- 7.2.b: Conduct a vulnerability assessment of Capitol Complex and implement security measures.
- 7.2.d: Develop and review critical assets, security buffer zone plans.
- 7.2.f: Implement the Buffer Zone Protection Program.
- 7.2.i: Working with critical asset owners/operators, recommend and work to achieve installation of hardening measures at select high profile targets.

In addition to not being measurable, the objective in the first example may not be achievable or realistic because, as written, it is contingent on the availability of federal funding and guidance.

Department of Homeland Security *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 target level of performance over time expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. 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 objective is not beyond a State, region, jurisdiction, or locality’s ability;
- Results-oriented – identifies a specific outcome; and
- Time-limited – a target date exists to identify when the objective will be achieved.

State Administrative Agencies or Urban Area Working Groups should assess the quality of the strategy’s objectives to determine whether the measures are meaningful in the context of a specific action item or preparedness effort, the measurement methodology is sound, and the measures can be verified with reliable data. Only if the objectives meet these criteria should they be included in the strategy.

According to Missouri State officials, the State was still developing its internal grants management program during FYs 2005 through 2007, and did not have sufficient staffing, technology, and other expertise required to measure progress related to strategic goals and objectives.

Without goals and objectives that are specific, quantifiable, and time sensitive, the State Administrative Agency is not able to measure progress towards achieving its goals, thereby hindering its ability to evaluate the effectiveness of grant expenditures on first responder capabilities.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, encourage the State Administrative Agency to:

Recommendation #1: Continue to improve the Statewide Strategy by ensuring that goals and objectives are measurable and achievable.

Management Comments and Auditors' Analysis

FEMA verbally did not concur with the recommendation as presented in the draft report, which mandated a revision to the goals and objectives. FEMA explained that in spite of noted room for improvement, FEMA approved the goals and objectives presented by the State of Missouri because they generally met the requirements of the Department of Homeland Security guidelines. FEMA suggested that the recommendation be revised to reflect that it had approved the State's strategy, and that the recommendation should encourage further improvements to the strategy rather than mandate changes.

The State Administrative Agency provided verbal and written disagreement with the recommendation presented in the draft report for the same reason as stated by FEMA. In its written response, the State added that the State's strategy was revised in fiscal year 2008 and submitted to DHS in fiscal year 2009 with no issues noted.

The auditor revised the recommendation as presented in the draft report so that it focuses on future improvement of the State's strategy with respect to making goals and objectives measurable and achievable. With the recent submission of a revised strategy, we believe that the State Administrative Agency is working to address the recommendation.

The Administrator, Federal Emergency Management Agency, needs to provide corrective actions for the recommendation and a plan to implement them within 90 days.

Subgrantee On-Site Monitoring Needs Improvement

During fiscal years 2005 through 2007, the State Administrative Agency did not perform on-site subgrantee monitoring of the State Homeland Security Program and Urban Areas Security Initiative grants to ensure subgrantees' performance was in accordance with program goals, and that subgrantees were administering federal awards in compliance with federal and state requirements. The State Administrative Agency's lack of effective on-site monitoring of Homeland Security Grant Programs was previously reported in the State of Missouri Single Audits for Years Ended June 30, 2005, 2006, and 2007, respectively.

According to the DHS Office of Domestic Preparedness *Financial Management Guide*, Chapter 4, dated January 2006, a recipient has full responsibility for the conduct of the project or activity supported and for the results achieved. The recipient must monitor the performance of the project to assure adherence to performance goals, time schedules, or other requirements as appropriate to the project or the terms of the agreement. The recipient is responsible for monitoring the activities of any sub-recipients and their compliance with grant requirements.

Code of Federal Regulation Title 28 § 66.40, *Monitoring and reporting program performance*, requires grantees to establish goals and measure and report grant program performance. These requirements also extend to subgrantees.

Due to inadequate staff, the State Administrative Agency did not conduct its own structured or planned site visits to monitor the use of equipment, maintenance of documentation to support expenditures, and achievement of other program goals. However, the State did accompany FEMA officials during FEMA monitoring visits. FEMA monitoring visits to Missouri State Homeland Security Program and Urban Areas Security Initiative subgrantees during fiscal years 2006 and 2007 focused primarily on program goals and strategies, and plans to achieve stated goals. The State Administrative Agency only performed desk reviews prior to fiscal year 2008.

In January 2008, the State Administrative Agency implemented a policy for monitoring State Homeland Security Program subgrantees that included development of an on-site monitoring checklist, and a requirement that grant managers submit their proposed plans and schedule annual on-site monitoring visits. However, the policy did not specify the quantifiable goals or criteria for determining the effectiveness of each grant specific to each grant year. Also, the policy did not indicate the method for selecting subgrantees to be visited, the number or percentage to be visited each year, or whether the visits will be conducted on a rotation basis.

In March 2008, the State Administrative Agency began on-site monitoring of the FY 2005 to 2007 State Homeland Security Program grants. However, the number of monitoring visits conducted was inadequate. Specifically, during FY 2005, the State Administrative Agency awarded Homeland Security grants to 594 first responders distributed throughout 110 counties, 170 cities, 10 state agencies, and 2 urban areas, but only performed 27 on-site monitoring visits. No formal on-site monitoring was planned or performed for the Urban Areas Security Initiative grant programs in Kansas City and St. Louis.

Without effective subgrantee monitoring, the State cannot ensure that program goals are being met and assets purchased are used as intended. Also the State cannot detect noncompliance with grant requirements.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, require that the State Administrative Agency:

Recommendation #2: Revise the current State Homeland Security Grant monitoring program policy to include quantifiable goals or criteria to determine the effectiveness of each grant specific to each grant year. The policy should indicate the method for selecting subgrantees to be visited, and the number or frequency of monitoring visits each year for both State Homeland Security Program grants and Urban Areas Security Initiative grants in Kansas City and St. Louis.

Management Comments and Auditors' Analysis

FEMA verbally concurred with the recommendation.

The State Administrative Agency provided verbal and written agreement with the recommendation; however, the Agency requested that we revise the title of the audit finding, as presented in the draft report, to acknowledge that although some on-site monitoring was performed, it still needs improvement. According to the State, fiscal year 2005 grants could not have been monitored during calendar year 2005 because the first draw downs for the grant did not occur until calendar year 2006, but the State has since monitored fiscal year 2005 grants. The State will review its monitoring policies annually, including on-site monitoring, and will make appropriate adjustments accordingly.

We believe that the State Administrative Agency has taken steps to address the intent of the recommendation.

The Administrator, Federal Emergency Management Agency, needs to provide corrective actions for the recommendation and a plan to implement them within 90 days.

State Withheld Portion of Local Units' Funding Without Required Memorandums of Understanding

During FYs 2005 through 2007, the State Administrative Agency withheld a total of \$3,628,080 in State Homeland Security Program grant funds from local units without the required written memorandums of understanding. The Program Guidelines and Application Kits for each of the fiscal years required the State to provide at least 80% of the total grant program amount to local units of governments. The State of Missouri, however, withheld grant funds each year from the initial 80% allotted to the local jurisdictions in order to centrally provide training and exercises for the local units of government. By withholding a portion of the grant funds to provide training and exercises for local units of government, the State obligated less than the required 80% to local units during FYs 2005 through 2007 without proper supporting documentation. Table 2 below shows the amount of grant funds withheld by the State on behalf of local units.

Table 2

Missouri Homeland Security Grant Awards Fiscal Years 2005 through 2007					
Grant Funds Withheld From Local Units ('000s)					
Grant Program	Total Grant Awarded State	80% of Grant	Amount Obligated to Local Units	Amount Withheld By State on Behalf of Local Units	Percentage Obligated to Local Units
FY 2005 State Homeland Security Program	\$20,289	\$16,231	\$14,703	\$1,528	72%
FY 2006 State Homeland Security Program	\$17,980	\$14,384	\$12,384	\$2,000	69%
FY 2007 State Homeland Security Program	\$7,490	\$5,992	\$5,892	\$ 100	79%
Total	\$45,759	\$36,607	\$32,979	\$3,628	

According to the Department of Homeland Security, Office of State and Local Government Coordination and Preparedness Program Guidelines and Application Kit for FY 2005, and the FY 2006 Homeland Security Grant Program Guidance, the state may retain some or all of the local unit of government or urban area's allocation of grant funds for expenditures made by the state on behalf of the local unit of government or urban area. States holding grant funds on behalf of local units of government or urban areas must enter into a formal Memorandum of Understanding with the local unit of government or urban area specifying the amount of funds to be retained by the state and the intended use. This agreement must be kept on file with the State Administrative Agency.

During FY 2005, when the State had approximately 1,300 subgrantees, the State Administrative Agency did not have adequate staffing to ensure that written memorandums of understanding were prepared for subgrantee funds withheld. During FYs 2006 and 2007, the State's newly established regionalization framework was in place and included use of regional planning commissions that administered and allocated Homeland Security Program funds to the regional local jurisdictions. According to Missouri State officials, State law does not require a memorandum of understanding when the State withholds funds from the regional planning commissions. FEMA has not granted Missouri a waiver from preparing memorandums of understanding for funds withheld from local jurisdictions and indicated that State contract laws do not preclude the use of memorandums of understanding, which are required by grant guidance.

Without written memorandums of understanding, we cannot determine whether local units of government gave authorization to the State to spend a certain portion of their grants funds on training and exercises. Additionally, we cannot determine whether the intent of Congress to put control of funds with the local governments was satisfied.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, require that the State Administrative Agency:

Recommendation #3: Adhere to grant program guidance that requires the State to prepare a memorandum of understanding for funds withheld by the State on behalf of local units of government and to maintain such documentation at the State Administrative Agency.

Management Comments and Auditors' Analysis

FEMA verbally concurred with the recommendation and said it will continue to work with the State Administrative Agency to ensure that it fully understands the policy regarding Memorandums of Understanding.

The State Administrative Agency provided verbal and written agreement with the recommendation. The State Administrative Agency indicated that beginning with fiscal year 2009 grant awards, it has included revised language in its grant awards to subrecipients. Based on the revision, the State may retain a portion of local pass-through funds for Homeland Security programs that are mutually beneficial to all regions across the State.

We believe that the State Administrative Agency has taken steps to address the intent of the recommendation, but further action will be needed to fully implement the recommendation.

The Administrator, Federal Emergency Management Agency, needs to provide corrective actions for the recommendation and a plan to implement them within 90 days.

Missouri's Electronic Grants Management System May be a Best Practice

The Missouri State Administrative Agency implemented a grants management tool known as the Electronic Grants Management System (the System) in 2005. The System has helped the State of Missouri overcome challenges in its critical mission to enhance preparedness and response capabilities. The System efficiently tracks and accounts for grant funds, links funds distribution to strategic goals and objectives, and accounts for equipment in accordance with applicable Federal Acquisition Regulations. Additionally, the System allows the State to integrate administration of Homeland Security Grant Programs with existing information systems enabling critical resource data sharing.

Users of the Electronic Grants Management System can:

- Track and display distribution of equipment, training, and other resources;
- Develop resource usage and sharing plans across jurisdictions;
- Display equipment and training provided in each jurisdiction;
- Estimate and assess equipment maintenance needs statewide;

-
- Audit selected jurisdictions based on the State Homeland Security Program and Urban Areas Security Initiative grants disbursements and reimbursements data; and
 - Prepare planning budgets.

In summary, the System provides a comprehensive tool that removes traditional barriers to effective grants management and can be customized to the users' specifications. We believe the Administrator, Federal Emergency Management Agency, should consider evaluating the Electronic Grants Management System for potential use by other jurisdictions in their grants management efforts.

Appendix A

Purpose, Scope, and Methodology

The purpose of this audit was to determine whether the State of Missouri distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The goal of the audit was to identify problems and solutions that can help the State of Missouri better prepare for and respond to threats and acts of terrorism. The audit further enabled us to answer the following nine researchable questions:

- Were measurable goals developed from plans?
- Do funded plans link all hazards response capabilities to goals?
- Were funds and resources distributed based on goals?
- Does the State accurately measure risk?
- Does the State measure response capabilities?
- Can the State demonstrate improved performance?
- Were grants administered compliantly?
- Did the State monitor grant programs?
- What innovative practices can be used by other states?

The scope of the audit included the State Homeland Security Program and Urban Areas Security Initiative Grant programs for Fiscal Years 2005, 2006, and 2007, described in the Background section of this report.

The audit methodology included work at FEMA Headquarters, State of Missouri offices, and Kansas City and St. Louis offices responsible for grants management, and various subgrantee locations. To achieve our audit objectives we analyzed data, reviewed documentation, and interviewed key state and local officials directly involved in the management and administration of the State of Missouri's State Homeland Security Program and Urban Areas Security Initiative. We conducted 31 visits to 13 counties within 8 of the 9 state regions, 8 cities, and 8 state agencies in order to determine whether program grant funds were expended according to grant requirements and State-established priorities.

We conducted site visits to the following first responders and local jurisdictions:

- Region A
 - Sedalia/Pettis County Homeland Security Response Team
 - Pettis County Sheriff
 - Kansas City Urban Area Security Initiative

Appendix A

Purpose, Scope, and Methodology

- Tri District - Homeland Security Response Team
- Lee Summit - Homeland Security Response Team
- Kansas City - Homeland Security Response Team

- Region B
 - Audrain County Sheriff
 - Kirksville/Adair Homeland Security Response Team
 - Mark Twain Regional Planning Commission
 - Hannibal - Homeland Security Response Team

- Region C
 - Pike County
 - Saint Louis City Urban Area Security Initiative
 - Homeland Security Response Team – Franklin County

- Region D
 - Springfield/Greene Homeland Security Response Team
 - Saint Clair County
 - Branson/Taney County Homeland Security Response Team
 - Taney County
 - Neosho - Homeland Security Response Team
 - Joplin - Homeland Security Response Team

- Region F
 - Miller County Sheriff
 - Jefferson City/Cole County Homeland Security Response Team
 - Camden County Homeland Security Response Team
 - Columbia Homeland Security Response Team
 - Boone County Fire Protection District
 - Boone County Sheriff
 - Boone County Homeland Security Response Team

- Region G
 - West Plains Homeland Security Response Team

- Region H
 - North West Missouri Hazmat Homeland Security Response Team
 - Saint Joseph Homeland Security Response Team
 - Chillicothe Homeland Security Response Team
 - Clinton County Sheriff

Appendix A

Purpose, Scope, and Methodology

- Region I
 - Mermac Regional Planning Commission

- State Agencies
 - Missouri Department of Natural Resources
 - Missouri Department of Agriculture
 - Missouri Office of Administration
 - Missouri State Highway Patrol
 - Missouri Information Analysis Center
 - Missouri Water Patrol
 - Missouri Division of Fire Safety
 - Missouri Capitol Police

At each location, we interviewed responsible officials, reviewed documentation supporting the State and subgrantee's management of the awarded grant funds, and physically inspected some of the equipment procured with the grant funds. We conducted our fieldwork between February 2009 and April 2009 in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the United States (Yellow Book 2007 Revision). 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

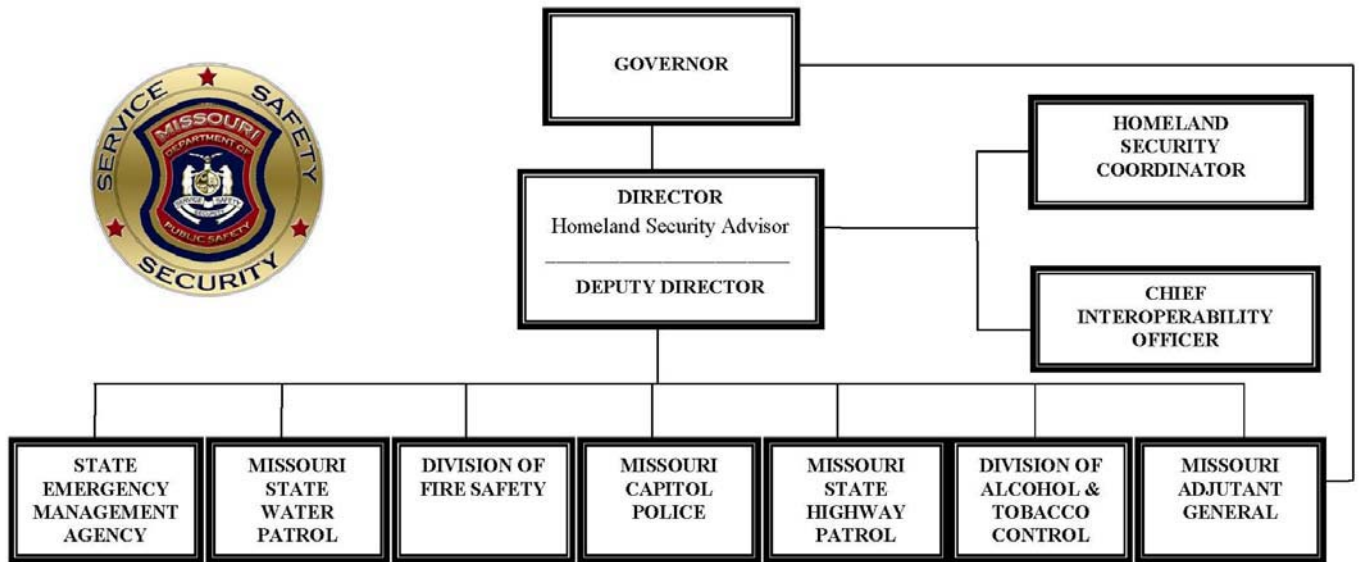
Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. This was a performance audit as defined by Chapter 1 of the *Standards* and it included a review and report of program activities with a compliance element.

Williams, Adley & Company, LLP 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, 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 to perform additional procedures or conduct an audit of financial statements in accordance with 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 Missouri.

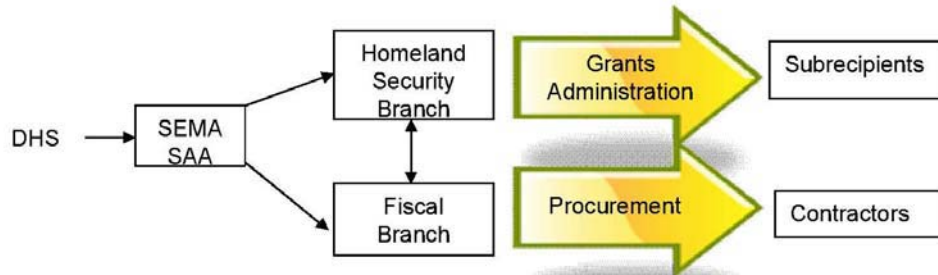
Appendix A
Purpose, Scope, and Methodology

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

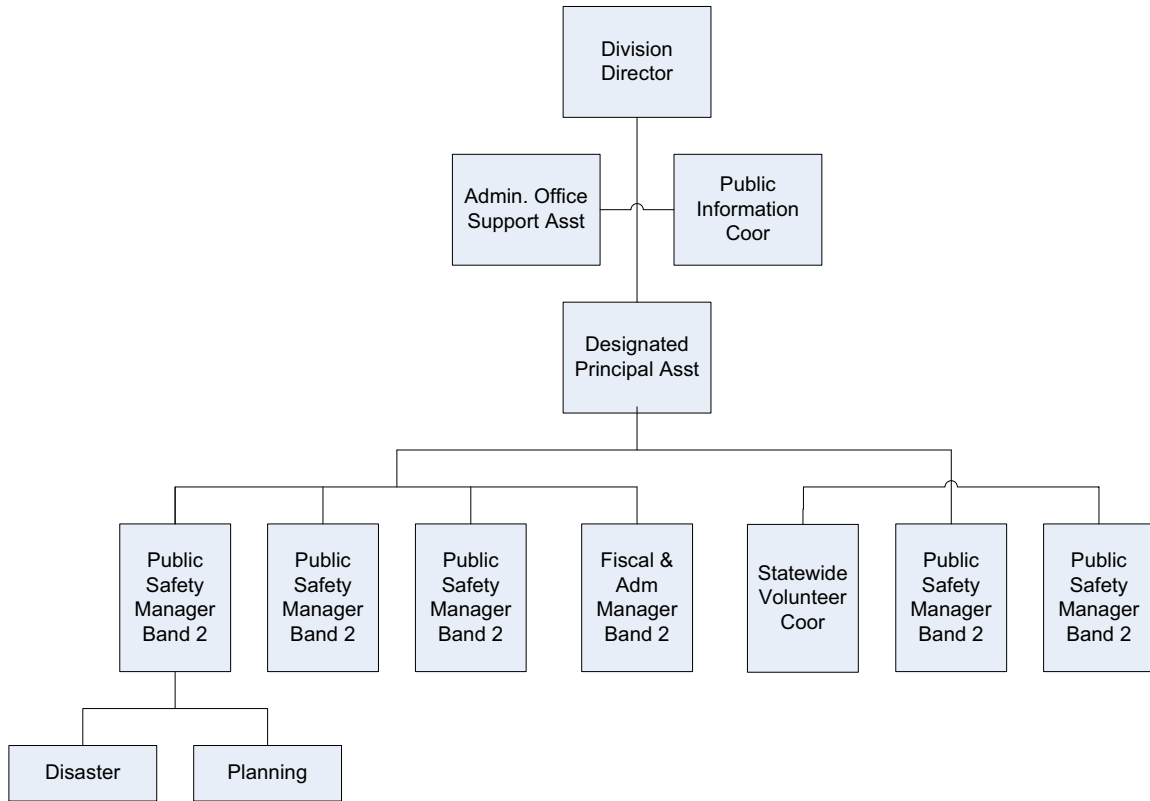
MISSOURI DEPARTMENT OF PUBLIC SAFETY



Distribution of Funds



Missouri State Emergency Management Agency



Appendix C Management Comments to the Draft Report

JEREMIAH W. (JAY) NIXON
Governor

JOHN M. BRITT
Director of Public Safety
Homeland Security Advisor

PAUL H. FENNEWALD
Homeland Security Coordinator



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Department of Public Safety

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October 1, 2009

Jocelyn Hill
Williams, Adley and Company, LLP
1250 H Street, NW
Washington, D.C. 20005

Dear Ms Hill:

Thank you for your September 1, 2009, letter communicating your recommendations relative to your office's draft audit report entitled "*The State of Missouri's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2005 through 2007.*", and for providing the Office of Homeland Security (OHS) with the opportunity to comment on the report's recommendations through the "exit interview" process.

As you noted in the Executive Summary of the draft report, the State did an efficient and effective job administering the program requirements, distributing grant funds, and ensuring that all available funds were used". The report also noted that the State used reasonable methodologies for assessing threats, vulnerabilities, and prioritized needs, and measured response capabilities and performance using After Action Reports. We were pleased that the audit team identified as a best practice the State's use of an electronic grants management system that should be considered for sharing with other states.

Concerning the three (3) recommendations:

Recommendation #1: *Revise the goals and objectives in its Statewide Strategy so that they are measurable and achievable.*

Response: We do not concur.

On Dec. 21, 2005 SEMA was notified that our Homeland Security Strategy that was submitted on 10/31/2005 was approved by the Office of Grants and Training. The strategy also was reviewed by DHS and the State during follow-on DHS Monitoring Visits during FY2006/2007/2008, with no major issues. Our current State Strategy was revised in 2008 and submitted to DHS, with no issues noted. The current strategy includes objectives and goals, and is tied to the National Strategy and Targeted Capabilities List.

Recommendation #2: *Revise the current State Homeland Security Grant monitoring program policy to include quantifiable goals or criteria to determine the effectiveness of each grant specific to each grant year. The policy should indicate the method for selecting sub-grantees to be visited, and the number or frequency of monitoring visits each year for both State Homeland Security Program grants and Urban Areas Security Initiative grants in Kansas City and St. Louis.*

Response: We concur (w/ comments).

We agree that our "on site monitoring" program was weak during the grant period covered by the audit, but we do not agree with the wording "Subgrantee On-Site Monitoring Was Not Performed" as the heading for this finding.

Appendix C

Management Comments to the Draft Report

We agree that On-site Monitoring should have been instituted from the beginning. We do not agree that it has not been done. FY 05 funds could not have been monitored during calendar year 05 since the first draw-downs on that grant did not occur until calendar year 06. Since then, we have monitored 05 funds and will continue to do so. We are well within the standard that the OIG sets for itself.

Currently we have monitored 37 of 275 FY 05 Interoperable Communication grant awards. Even after the grant closes, we will continue to monitor this award. This is especially true when a recipient has received multiple awards. FY 06 and FY 07 monitoring will continue as well. We started late, but all three awards in question are actively being monitored. Our policies will be reviewed annually and adjusted accordingly. The On-site Monitoring Policy will be reviewed as well.

Recommendation #3: *Adhere to grant program guidance that requires the State to prepare a memorandum of understanding for funds withheld by the State on behalf of local units of government and to maintain such documentation at the State Administrative Agency.*

Response:
We concur (w/comments).

Missouri is a "home rule state," and all governmental jurisdictions are "equal under the law." Based upon the DHS definition of "local jurisdictions of Government," there are over 3700 of these jurisdictions in the state that meet that definition. It is illogical and unrealistic to enter into MOUs with each jurisdiction, and Missouri's current "regionalized" homeland security governance structure facilitates grant funds being spent on behalf of local jurisdictions, especially in the training and exercise area. Missouri is meeting the "80%/20% local/state split on its training and exercise allocation through the Governor's Homeland Security Advisory Council (HSAC) / Regional Homeland Security Oversight Committee (RHSOC) governance structure.

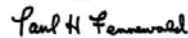
The OIG recommended we ask DHS for a waiver to this rule, which was denied by DHS. Knowing we have a regionalization process in place, DHS recommended that we should consider the inclusion of a paragraph concerning the "withhold of funds for local units of government." We have done that with the FY2009 grant awards with the addition of the following to the Regional Planning Commissions (RPC) contracts which are the contracting governmental entity in each Region:

"As the Fiscal Agent representing the governmental jurisdictions within the region, the RPC understands and agrees that the state may retain a portion of the local pass-through for Homeland Security programs that are mutually beneficial to all regions across the state. Funds retained by the state will be identified and approved by the Governors Homeland Security Advisory Council (HSAC). For FY2009, funding retained by the state will be used to support standardized training and exercise programs at the local level."

Additionally, in the draft report, page 14, the following statement is not accurate, as the RPCs are not State entities: "*According to Missouri State officials, State law does not require a memorandum of understanding when the State withholds funds from the Regional Planning Commissions, which are State entities*".

Thank you again for the opportunity to comment on the Audit findings. We are appreciative of the hard work and cooperative attitude the audit team exhibited, and look forward to instituting positive changes in the program, as a direct result of this audit.

Sincerely,



Paul H. Fennewald
Homeland Security Coordinator

For:
John Britt
Homeland Security Advisor & Director of Public Safety

Appendix D
Report Distribution

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

Federal Emergency Management Agency

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

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

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Congressional Oversight and Appropriations Committees, as appropriate



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245 Murray Drive, SW, Building 410,
Washington, DC 20528.

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