DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

Audit of the State of Colorado Homeland Security Grant Program

OIG-08-16

December 2007

Office of Inspector General

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

Homeland Security

December 11, 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 prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report presents the results of our audit of the State of Colorado Homeland Security Grant Program. It assesses the state's homeland security strategic plan, grant spending, and management practices and controls. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. 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.

Richard L. Skinner

Richard L. Skinner
Inspector General

Table of Contents/Abbreviations

Executive Summary 1

Background 3

Results of Audit 4

Colorado's Homeland Security Organization Faces Challenges 4
Colorado Has Not Assured That Its Homeland Security Strategy Has Been Followed 6
Grant Management Efforts Need Improvement 8
Expenditures Were Not Always In Compliance With Grant Requirements 12
Funding Was Not Always Allocated To High Risk Projects 16
Opportunities Exist For Improving Program Readiness 17
Recommendations 19
Management Comments and OIG Analysis 20

Appendices

Appendix A: Objective, Scope, and Methodology. 21
Appendix B: Homeland Security Grants 2003 - 2006 22
Appendix C: Program Funding Allocations FY 2003-2006 24
Appendix D: Map – Colorado's All-Hazard Regions 25
Appendix E: Multi-Agency Coordination Center – Summary of Key Events 26
Appendix F: Summary of Questioned Costs 28
Appendix G Grant Programs Directorate's Response to the Draft Report 29
Appendix H: Major Contributors To This Report 30
Appendix I: Report Distribution 31

Abbreviations

CFR	Code of Federal Regulations
DHS	U.S. Department of Homeland Security
DOJ	Department of Justice
FY	Fiscal Year
G&T	Office of Grants and Training
OIG	Office of Inspector General
UASI	Urban Areas Security Initiative

OIG

Department of Homeland Security
Office of Inspector General

Executive Summary

At the request of the Office of Grants and Training (G&T),[1] we audited the State of Colorado's (Colorado) management of homeland security and urban areas security initiative grants awarded by G&T during fiscal years 2003, through 2006. The objective of our audit was to determine whether Colorado effectively and efficiently implemented its homeland security program, achieved the goals of the program, and spent funds according to grant requirements. Our goal was to identify problems and recommend solutions to help the Department of Homeland Security (DHS) and Colorado improve the nation's ability to prevent, prepare for, and respond to major disasters, terrorist attacks, and other emergencies ('all-hazards' preparedness). Appendix A provides additional details regarding audit objective, scope, and methodology.

Colorado has improved its management of the grant programs, including the hiring of additional executive and technical personnel and initiating program reviews to improve the effectiveness of its homeland security efforts. However, Colorado has not complied with critical Homeland Security Grant Program requirements, as the state has not assured adequate oversight of program activities and compliance with its homeland security strategy. In addition, the state's internal controls for managing homeland security grant programs, and ensuring sub-grantee compliance and program readiness were ineffective. This report highlights (1) the challenges facing Colorado's homeland security organization, (2) Colorado's need to assure adherence to its homeland security strategy has been followed, (3) areas where grant management could be improved, and (4) opportunities for improving program readiness.

Our report includes six recommendations for G&T to consider in improving its oversight of the state's management of Colorado's homeland security program. Our report also questions approximately $7.8 million in program expenditures that we concluded were not in compliance with grant requirements. Except for the expenditures we questioned, Colorado officials generally agreed with our findings and noted that corrective action to address most of the issues presented in this report would be taken. In the written

[1] On April 1, 2007, the Office of Grants and Training was transferred to the Federal Emergency Management Agency and renamed the Grant Programs Directorate. For the purposes of this report, we will use G&T as the awarding entity.

response we received on November 15, 2007, G&T agreed with the recommendations we made in our draft report (see Appendix G).

Background

In 1998, the Department of Justice, pursuant to Public Law 105-119, established the Office for Domestic Preparedness and made it responsible for developing and administering a domestic preparedness program to provide financial assistance to states, U.S. territories, and local governments for domestic preparedness training and equipment. Public entities such as police, fire, and emergency medical personnel, commonly referred to as "first responders," generally receive this assistance through the state or territory. Since its inception, the Office for Domestic Preparedness and later, the Department of Homeland Security's Office of Grants and Training (G&T), awarded domestic preparedness or homeland security grants to purchase specialized equipment and to develop and conduct training and exercises to enhance first responder capabilities to prevent, prepare for, and respond to major disasters, terrorist attacks, and other emergencies ("all-hazards" preparedness).[2]

In February 2003, with the signing of Public Law 108-7, the Fiscal Year (FY) 2003 Consolidated Appropriations Resolution, initial funding was provided for the Urban Areas Security Initiative (UASI) Grant Program. This program provided federal assistance to high risk urban areas to: 1) address unique planning, equipment, training, and exercise needs; and 2) assist them in building an enhanced and sustainable capacity to prevent, prepare for, and respond to, threats or acts of terrorism. FY 2003 through FY 2006 Homeland Security and UASI Grant Programs provided financial assistance to each state, U.S. territory, and the District of Columbia. As a condition for receiving grant funds, G&T required grantees to develop homeland security strategic plans that reflect: 1) risks and threats; 2) equipment, training, exercises, and other program needs; 3) goals and objectives to enhance capabilities; and 4) an evaluation plan to measure the accomplishment of the goals and objectives.

G&T awarded Colorado $156.3 million in first responder grants for FYs 2003 through 2006 including $125.7 million under the homeland security grant and UASI grant programs. Appendix B describes the grant programs we audited, and Appendix C shows program funding.

Colorado's Office of Preparedness, Security, and Fire Safety within the Department of Public Safety served as the State Administrative Agency from

[2] On March 1, 2003, the Office for Domestic Preparedness transferred from the Department of Justice to DHS' Preparedness Directorate and was later renamed the Office of Grants and Training. On April 1, 2007, the Office of Grants and Training became part of the National Preparedness Directorate under the Federal Emergency Management Agency. An Assistant Administrator for Grant Programs will now oversee homeland security and urban area grants but for the purposes of this report we will use G&T as the awarding entity.

2002 through the end of the state fiscal year 2004. On July 1, 2004, the Division of Emergency Management within Colorado's Department of Local Affairs assumed State Administrative Agency responsibility for administering FY 2003 and subsequent years' grants. In this capacity, the Department of Local Affairs was responsible for allocating federal grants to state agencies and local jurisdictions and for overseeing compliance with program requirements.

Colorado's homeland security program serves nine All-Hazard Emergency Management Regions and the Denver urban area under the UASI grant program (Denver UASI). The 9 regions include 64 counties and 2 Indian Tribes. The Denver UASI includes the City and County of Denver and parts of four other counties. Appendix D depicts Colorado's all-hazards regions.

Results of Audit

Colorado's Homeland Security Organization Faces Challenges

Notwithstanding the changes made by Colorado to develop and improve processes and procedures for managing homeland security and UASI grants, the state's oversight of these grants has not been effective because of a lack of statewide control and significant turnover among senior management. G&T stated in its FY 2006 Homeland Security Grant Program Guidance and Application Kit that a state homeland security program should provide a strategic and management framework to integrate and ensure consistency among program activities, plans, and procedures.

Since 2003, Colorado continued to develop processes and procedures for managing its homeland security program and to improve preparedness as illustrated below:

- In FY 2003, the state established nine all-hazard regions,
- In FY 2004, the state reorganized its homeland security administration wherein the state's Department of Local Affairs became the grantee and State Administrative Agency, and
- For FY 2005, the state created a Senior Advisory Committee as required by G&T's grant program guidance to provide a direct link between homeland security program activities and the Governor.

State Executive Order B 002 05 established the Homeland Security and All-Hazard Senior Advisory Committee and among other things, required the committee to: 1) meet at least quarterly, 2) oversee federal assistance for the state's homeland security program, 3) review annually the state homeland security strategy and make recommendations on the goals, objectives, and priorities, and 4) prepare written quarterly reports to advise the Governor regarding planning, implementation, and achievement of the goals in the strategy.

Despite the changes noted above, Colorado's homeland security organization was ineffective and provided only minimal assurance that its processes were well controlled or that program funding was allocated in a collaborative and transparent manner to mitigate statewide risks and accomplish the goals and objectives of its homeland security strategy. Specifically,

- The committee had not met the objectives of the Governor's executive order in that it did not regularly hold meetings or report to the Governor on a quarterly basis. Further, the committee had not reviewed the state's grant applications, or reviewed sub-grantee applications from the all-hazard regions and UASI for FYs 2005 and 2006.

- The committee had not formally reviewed the state homeland security strategy or evaluated the outcomes of funded activity. There was no evidence that homeland security funding from all sources was allocated in a collaborative manner or that funded projects were evaluated based on statewide risks. Local agency sub-grantee applications and funding recommendations were made independent of one another by separate entities, rather than as a collaborative statewide risk mitigation effort. This lack of activity and collaboration by the Senior Advisory Committee was indicative of a significant leadership and oversight void.

- Ineffective statewide oversight was exacerbated by a high turnover rate among executive management. For example, three different individuals held the position of Executive Director in the state's Department of Local Affairs from July 2004 through December 2006. In one instance, the same individual served as the Director of the Division of Emergency Management, Acting Executive Director of the Department of Local Affairs, and the State Administrative Agency Director. In August 2006, a new Department of Local Affairs Executive Director was hired. In addition, the Governor also appointed the new Director of the Division of Emergency Management as the State Administrative Agency Director. However, this individual vacated the position in April 2007.

- The State Administrative Agency made state policy and allocation decisions that exceeded its advisory or administrative role in such activities. In most cases, the Senior Advisory Committee was not included in the decisions.

In the absence of leadership and oversight from the Senior Advisory Committee, the State All-Hazard Advisory Committee provided 'in lieu' leadership. For example, at its February 2007 meeting, this committee voted to modify and continue the 2006 state strategy into grant year 2007 and to revise it, as needed, for grant year 2008. Typically, the role of the committee is to make recommendations and provide advice to the State Administrative Agency. It does not have authority to modify state directives or policy, such as the state's homeland security strategy.

Overall, Colorado's homeland security management organization met critical program deadlines, but as discussed in the remaining findings in this report, the state was unable to perform all of the expected functions related to G&T's grant guidelines and state and federal fiscal guidance. Without strong commitment to providing the leadership and staffing needed to administer its homeland security program, the state may be unable to sustain its stated homeland security intentions or meet the federal guidelines associated with receiving federal homeland security grant funding.

<u>Comments from state officials</u>. State officials agreed with this finding and noted that the Governor's staff is conducting a broad review of all state homeland security organizations including the Senior Advisory Committee. Changes are expected by early fall 2007. Regarding the grant review process, the state will use its Division of Emergency Management Policies and Procedures 06-02, dated December 8, 2006, for 2007 wherein the Senior Advisory Committee will have a review and approval role for all state and local sub-grantee applications.

Colorado Has Not Assured That Its Homeland Security Strategy Has Been Followed

In 2005, G&T performed a capabilities assessment and a review of the 2003 Colorado Homeland Security Strategy and reported that the state had not achieved some of the critical elements, including planning, training and exercises, specified in its strategy. While the state: (1) revised the strategy in 2006, (2) aligned its goals with National Preparedness Goals and Presidential Directives, and (3) assigned objectives, with specified due dates, to various stakeholders, it had not verified with the stakeholders whether the milestones through December 2006 were met for certain state goals and objectives. As a result, the state did not have assurance that its goals and objectives were met, whether federal dollars were effectively or properly spent, or whether the state had realized improvements in preparing for an all-hazards emergency, including a terrorist attack.

A viable homeland security strategy provides a blue print for comprehensive, enterprise-wide planning for homeland security efforts; and strategic direction for enhancing the state's capability and capacity to prevent, prepare for and respond to major all-hazards events, including terrorist attacks. It also provides state and local officials with the means to develop interlocking and mutually supporting emergency preparedness programs. In order to maintain reliability of the goals and objectives in the strategy and related funding requests, the state is required to evaluate and update the strategy annually – a task that necessitates coordination with stakeholders.

The state was unaware that some of the state agency stakeholders we visited measured their successes; were attempting to achieve revised 2006 goals, objectives, and milestones; and were revising objectives for 2007. Other stakeholders were not aware of the revised 2006 strategy objectives, assigned milestones, or that they were responsible for completing an objective. These stakeholders provided a variety of reasons for not updating or complying with the 2006 strategy. Some explained that state had not: (1) provided revisions to the final draft of the 2006 strategy, (2) informed the stakeholder s of individual responsibilities and milestones required by the strategy, or (3) provided a complete copy of the strategy showing revised objectives or milestones. Others noted that objectives in the strategy were vague and the state had not provided guidance for measuring accomplishments.

Because some stakeholders failed to meet specific responsibilities under the 2006 strategy, critical statewide goals and objectives were not completed. For example, one objective required that the nine all-hazard regions develop a terrorism annex to their emergency operations plans and submit a copy to the state by December 2006. While the state's strategy identifies this effort as a national priority, our review of records and discussions with state officials showed that the objective was not completed because some Regions failed to take action on this objective and the state failed to enforce the requirement. We also identified instances where state homeland security program administrators within the State Administrative Agency had not completed national priorities assigned to them in the strategy. For example, the training coordinator had not initiated specialized training to elected officials, and the exercise coordinator had not evaluated exercise after-action-reports to determine areas needing improvement.

Colorado needs to take effective and immediate action to ensure that stakeholders comply with strategy goals, objectives, and milestones and that the strategy becomes a long-term plan annually updated with clear and measurable goals and objectives. By monitoring compliance with the strategy, Colorado can have some assurance of success in meeting program goals.

Comments from state officials. State officials agreed with this finding and explained that the Division of Emergency Management, in cooperation with the State All-Hazard Advisory Committee and state agencies, is proposing changes to the homeland security planning cycle with assistance from the University of Colorado (contract vendor). The State Administrative Agency plans to synchronize the strategy planning process with the grant cycle thereby creating a more inclusive and transparent process. They noted that this initiative is dependant upon a predictable federal grant cycle.

Colorado's Grant Management Efforts Need Improvement

Colorado needs to improve internal controls and management of its homeland security program to ensure the accuracy of recorded transactions and to certify sub-grantee compliance with federal and state requirements. Further, staff members managing the grant programs were few in number and not sufficiently trained, and thus sub-grantee monitoring efforts were ineffective.

The State of Colorado, as a grantee, is responsible for establishing and maintaining accounting systems, internal controls, and accounting records to properly account for grant activities. In addition, the state is responsible for managing the grant programs to ensure: 1) the success of grant applications review and award processes, 2) the eligibility and supportability of claims and cost reimbursements, and 3) sub-grantees' grant management practices conform to state and federal guidelines.

Ineffective Internal Controls

The state lacked effective internal controls for managing its homeland security grant program. Specifically:

- Federal drawdowns were not reviewed for accuracy and the state drew down cash in excess of needs. In two instances, the state initiated cash drawdowns of about $4 million in excess of needs but did not detect or correct the error until weeks after the transactions took place. In addition, the state earned about $11,555 in interest from excess drawdowns. State officials agreed to forward the interest to the federal government and to strengthen their procedures to ensure cash drawdowns are not in excess of needs.

- Cash advances to sub-grantees were not monitored to ensure compliance with federal cash management requirements. The state was unaware that certain cash payments to sub-grantees were not for immediate needs. In one instance, a sub-grantee earned $5,460 in interest from a cash advance but did not forward the interest earned to the state or to the federal government. The 2005 State Auditor's report identified this weakness and recommended recovery of an unspecified amount of interest earned by sub-grantees during a 9-month period. However, the state did not take action on the recommendation because the related sub-grantee awards had been closed.

- Grants management reports generated from the state's "Oracle" database were not reviewed for accuracy and completeness. We identified errors in the reports that had not been detected or corrected. State officials agreed that the reports included errors and planned to update the programming and to monitor accuracy.

- Inventories of grant-funded equipment were incomplete or not maintained. The state's inventory database did not reflect all equipment purchased with homeland security and UASI grant funds, and the sub-grantees we visited either kept incomplete inventory records or kept no records at all. In addition, not all sub-grantees maintained adequate inventories of sensitive security equipment, such as portable radios and critical first responder equipment.

- Sub-grantees accounted for some management and administrative costs as direct program costs, and the state did not have procedures in place to ensure that reimbursements for management and administrative costs remained below or at the percentage allowable under the grants. Sub-grantees' accounting records showed that the administrative tasks of a grant coordinator and tasks associated with general computer equipment were recorded as direct program costs instead of management and administrative costs. In addition, sub-grantees did not specifically separate claimed management and administrative costs by grant effort or year. Thus, the state did not have an accurate record of management and administrative costs relative to a specific grant and a specific year.

  In addition, management and administrative costs claimed by the state included a charge of 20 % of the salaries paid to seven state field managers. These managers assisted the state in providing field support in all areas of emergency management. The state did not monitor the employees' efforts or the benefits they provided to the homeland security grant program.

- Established grant application, review, and award processes were not always understood or followed. For example, the state awarded $1.5 million to a state agency to acquire Colorado's Multi Agency Coordination Center – a project not eligible under the FY 2004 State Homeland Security Grant Program. The State Auditor and G&T questioned this transaction; and the state has since returned the funds to G&T. However, some state officials still believe the transaction was proper and that the state should have been allowed to retain the funds. We confirmed that in this instance the state did not follow grant award protocols and awarded the grant funds for an ineligible purpose. See Appendix E for a chronology of key events on this issue.

- The state did not ensure that funds were spent within the stated grant performance period. G&T's financial management guide provides that funds not properly obligated by the recipient within the grant performance period will lapse and revert to G&T. Instead of enforcing this requirement, the state routinely granted time extensions to sub-grantees or allowed transfers of costs from recently awarded grants to older grants to exhaust expiring funds.

- The state did not perform analytical reviews of grant applications to ensure the adequacy of planned grant expenditures and cost estimates. Grant estimates were generally overstated, resulting in surplus funds at the sub-grantee because actual costs were less than budgeted. Unlike state agencies that received homeland security funding from the state, most of the other sub-grantees kept the extra funds and used them for other projects. In some cases, they purchased items in numbers that exceeded those authorized in the grant agreement. In other instances, sub-grantees re-directed the funds by making transfers among budget line items; e.g., applying unused exercise and training funds to pay for equipment, supplies, and management and administrative costs.

Insufficient Number of Trained Staff

State employees managing homeland security and UASI grant programs were few in number and were not sufficiently trained. High employee turnover hampered the state's ability to manage these grant programs and monitor sub-grantee spending.

In September 2006 when this audit started, seven individuals accomplished homeland security grant management functions within the State Administrative Agency on a full- or part-time basis. Those employees included a recently hired State Administrative Agency Director, a Branch Chief, a Program Administrator, a trainee, a part-time grant technician, an accountant, and a temporary employee hired to conduct sub-grantee site visits and monitoring. As of November 2006, five of the seven employees remained. The State Administrative Agency Director and Program Administrator continued managing the grants, the accountant processed grant claims on a part time basis, and two employees, borrowed from other departments, processed incoming grant information. The borrowed employees had no formal grant management training, and one employee had no prior experience in grant operations.

As of May 2007, a new acting Division of Emergency Management Director (State Administrative Agency) and Branch Chief (filled by promoting the Program Administrator) remained as the only permanent employees involved in homeland security grants management. While the State Administrative Agency continued grant operations with one employee borrowed from another department, the lack of adequately trained staff impacted grant management operations and resulted in overall weak internal controls for managing program activities. In addition, officials from the all-hazards regions expressed dissatisfaction with the State Administrative Agency in that they had difficulty obtaining adequate and timely grant technical support.

Sub-grantee Monitoring Efforts Were Not Effective

The State Administrative Agency performed limited on-site, sub-grantee monitoring visits during FYs 2003 through 2005. Those visits were conducted on an add-hoc basis and reviews were limited to verifying the delivery and physical location of equipment purchased under the grants. The State Administrative Agency did not perform any on-site monitoring reviews of grant financial management practices until FY 2006. Despite its current efforts to expand the depth and breadth of on-site sub-grantee monitoring, deficiencies remain in the State Administrative Agency's monitoring process.

The State Administrative Agency developed a formal sub-grantee monitoring guide that included specific steps for evaluating grant financial management practices and for verifying equipment purchases during on site monitoring visits. Using its guide, the State Administrative Agency completed monitoring reviews of the 9 all-hazards regions, 16 state agencies, and the Denver urban area in FY 2006 but reported no adverse findings. However, State Administrative Agency records supporting its on site monitoring efforts and our reviews at selected sub-grantee locations disclosed deficiencies in the monitoring process.

- State records generally did not include documentation to support the adequacy and thoroughness of the monitoring. The completed monitoring guides included minor comments and checkmarks that indicated a step was completed, but no explanations were provided to describe the details of the work. The employee who completed the reviews explained that the purpose of the site visits was primarily to provide technical support. This individual further explained that discrepancies observed in grant management were resolved in the field; thus, they were not recorded or disclosed in the sub-grantees' site monitoring reports.

- Our review of financial management practices of some sub-grantees produced different results. As noted in this finding and other areas of this report, sub-grantees did not always comply with grant financial management practices. We identified deficiencies with cash management, procurement, equipment inventories, and general grant compliance.

<u>Comments from state officials</u>. State officials agreed that grant management efforts need improvement and explained that the state has taken steps to correct the internal control weaknesses discussed in this finding. With regard to management and administrative costs, they said additional controls have been introduced with the 2006 grant awards including steps to discontinue routinely charging 20% of the field managers' salaries to the grants. Instead, they plan to charge only the actual time spent by the managers on program activities. They also said that transferring costs from recently awarded grants to older grants was done on an exception basis. The state officials we talked to said that the state is planning to: (1) hire two employees to help manage homeland security and UASI grant programs, (2) develop a training checklist for new staff by June 1, 2007, (3) establish a training program for all staff by August 1, 2007, and (4) hire a financial compliance officer to improve state monitoring of sub-grantee activities.

Expenditures Not Always in Compliance With Grant Requirements

We reviewed the propriety of $26.9 million in homeland security and UASI grant expenditures and questioned about $7.8 million in costs claimed against those grants. The costs we questioned relate to the potential supplanting of state or local funds with federal funds ($3,900,000), commingling of grant program funding ($3,457,553), paying ineligible construction costs ($252,235), and paying other unallowable costs ($229,508). Appendix F summarizes the costs we questioned by grant program and grant year.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 2 CFR Part 225, requires that costs charged to the grants (federal awards) must be: a) allocable to federal awards and b) comply with any limitations set forth in the terms and conditions of the federal awards, such as grantor (i.e., G&T) guidelines and grant requirements.

Potential Supplanting of Grant Funds

G&T guidelines and grant regulations prohibit the use of federal funds to supplant state or local funds appropriated for objectives similar to grant purposes. Specifically, the Department of Justice (DOJ), Office of Justice Programs financial guide, part II, chapter 3 – standards for financial systems/supplanting, specifies that federal funds must not replace those (state/local) funds that have been appropriated for the same purpose… and the applicant or grantee will be required to supply documentation demonstrating that the reduction in non-Federal resources occurred for reasons other than the receipt or expected receipt of federal funds[3]. Also, Title 28, Code of Federal Regulation, Part 66, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 66.40, requires grantees to monitor grant and sub-grant supported activities to assure compliance with applicable federal requirements and to ensure that performance goals are achieved.

The North Central Region expended $3.9 million of FY 2004 Homeland Security Grant Program funds for infrastructure equipment associated with a digital trunked radio system (system). Section 24-30-908.5 of the Colorado revised statutes establishes the state's Public Safety Communications Trust Fund to pay for the acquisition and maintenance for public safety communications equipment, including the digital trunked radio system components. Using trust funds, the state purchased two of the three radio system controllers needed for its communications infrastructure and the region purchased the third controller. Region officials stated that the state's communications infrastructure required the third controller for system expansion and would allow: 1) for additional repeater sites to be added to the statewide system, 2) communications centers to directly access the system without backroom equipment, and 3) agencies utilizing non-compatible equipment to create easy points of access between communications centers.

Records supporting the purchase of the third controller and discussions with state officials indicated that the region and the state agreed that title to the controller would transfer from the region to the state after acquisition and the equipment would become part of Colorado's overall communications infrastructure. However, the region did not transfer the equipment to the state but transferred title to a local non-profit organization. This non-profit organization is a consortium of government agencies that manage

[3] DOJ, Office of Justice Programs, provided financial management support and monitoring of homeland security grants through fiscal year 2005.

communications issues for the State of Colorado and is organized exclusively for the purpose of managing, promoting, and propagating the Colorado Statewide Digital Trunked Radio System. There was no indication in the files that the region sought or received approval from the state or G&T. Regarding the transfer, the region's Board of Directors minutes stated, "…all operating and maintenance expenses will be the responsibility of the local non-profit and if the local non-profit is unable to fulfill ownership requirements in the future, the zone controller will be turned over to the State." Further, the region's procurement did not conform to federal, state, and local acquisition requirements inasmuch as the acquisition was sole source procurement and was not reviewed or approved by responsible officials.

With regard to applying federal funds to purchase the third controller, a state official explained that homeland security grants allowed for the expenditure and therefore using the trust fund monies was not necessary. We did not verify the balance of the trust fund and related budgets as of the date the controller was acquired because the Colorado State Auditor was in the process of auditing the trust fund. We recommend that G&T contact the Colorado State Auditor and determine the nature of the transaction. We also recommend that, if state funds were supplanted with federal funds, G&T de-obligate the $3.9 million of 2004 grant funds applied to the purchase of the third controller.

Commingling of Grant Funds

Federal regulations require sub-grantees to obtain approval prior to transferring grant funds among direct cost categories or among separately budgeted programs, functions, or activities, when such transfers would exceed 10% of the total approved budget whenever the grantor's share exceeds $100,000. These regulations also require sub-grantees to obtain prior approval for revisions to project scope or objectives and provide two other instances when sub-grantees must obtain prior approval for fund or budget transfers. In addition, G&T's financial guide requires separate accounting for each grant award and prohibits commingling funds on either program-by-program or project-by-project bases. The guide also specifies that funds specifically budgeted and/or received for one project may not be used to support another.

We question $3.4 million in transfers among grants because prior written approval had not been obtained from G&T. Of the amount questioned, we identified $2 million at the Denver UASI and $1.4 million attributable to other sub-grantees. The transfers were initiated because: 1) older grants had reached the end of the grant performance period and unspent funds were due to expire; and 2) the sub-grantees did not want to return the unspent funds to the state. These transfers undermine the appropriateness of the grant award process and do not ensure: 1) appropriate expenditure of grant funds; 2) effective management of G&T grant resources; and 3) programmatic and fiscal accountability. In addition, we question how the sub-grantees plan to use the grant funds awarded under current grant programs since approved project expenditures under the current awards were defrayed by funds transferred from the expiring awards.

Ineligible Construction Costs

The Denver UASI used $252,235 of grant funds to pay for ineligible construction costs. Specifically, the Denver UASI used $116,427 of the FY 2003 grant to construct a foundation, stairs, and a room for interoperable equipment at one site and $135,808 of the FY 2004 grant to construct a telecommunications room at the City of Denver's new fire station. G&T program guidelines specifically prohibit the use of grant funds for construction or renovation of facilities.

Unallowable Costs

The Denver UASI claimed $236,606 in consulting fees that were not prorated among benefiting activities. The fees related to a City of Denver interoperable communications project that was funded with UASI and DOJ grants and with City of Denver funds. Denver UASI and City of Denver records show that $236,606 in fees was charged to the FY 2004 UASI grant although the grant only represented 3% of the overall project objective and costs. As such, only $7,098 of the fees was attributable to the UASI grant ($236,606 x 3%) and the other $229,508 is questioned as an unallowable cost ($236,606 x 97%). Office of Management and Budget Circular A-87, G&T's financial guidelines, and the Office for Justice Programs financial guide require sub-grantees to maintain adequate documentation of grant expenditures and allocate the cost of goods or services to cost objectives in accordance with relative benefits received.

<u>Comments from state officials</u>. The state officials who reviewed this finding did not agree that the cost of the digital trunked radio controller should be questioned and explained that the state infrastructure did not require the equipment. Therefore, they concluded that using homeland security grant funds to purchase the controller was not supplanting local funds. They agreed that the equipment was transferred to the non-profit without state or G&T approval, but did not provide a comment about procurement standards that the sub-grantee failed to follow. The state also noted that it plans to resolve remaining issues as follows: 1) UASI transfer of $317,451 among grants will be resolved by December 31, 2007, 2) ineligible construction costs of

$252,235 will be resolved by October 31, 2007, and 3) unallowable costs of $236,606 will be resolved by October 31, 2007. The state acknowledged that transfers between newer grants and older grants have occurred but only on an exception basis. Since we completed the review of costs after our fieldwork, state officials did not have an opportunity to comment on the $3.1 million in transfers among grants that were initiated by state grant administrators.

Funding Was Not Always Allocated To High Risk Projects

From FY 2003 to FY 2006, Colorado improved its methodology to ensure that grant funds were allocated to the state's highest priorities; and in FY 2007, the state continued to make improvements. However, the state did not always reallocate surplus or excess grant funding to projects with the highest priorities. Colorado's State Homeland Security Strategy and federal homeland security program guidelines identify risk as the primary factor to consider when allocating grant funds. The state should use planning and data from multiple sources to identify and fund the highest priority activities on a statewide basis. This ensures that the state's homeland security preparedness contributes to national preparedness goals.

Documentation for the FY 2005 homeland security grant program showed that the state reallocated about $600,000 reverted from a canceled state project to eight of the nine all-hazards regions but documentation did not support that the funds went to projects with a high statewide priority. Further, the state did not monitor sub-grantees to ensure that they returned excess funds resulting from over estimated costs in grant budgets. While state guidelines require prior approval for reusing excess funds, local sub-grantees did not comply with the requirement, and the state did not enforce it. For example, two of the five all-hazards regions visited used over $250,000 in excess funds to acquire radio equipment in excess of the number approved in their grant budgets. The state only became aware of the transactions when the regions submitted the costs for reimbursement. Finally, the state either approved or allowed sub-grantees to reallocate grant funds within budget line items without considering high-priority needs on a statewide basis.

<u>Comments from state officials</u>. State officials agreed with this finding and noted that equipment prices fluctuated due to market conditions. These officials noted that previously, the regions operated autonomously and could use unexpended funds to pay for the next highest regional priority once approved by the regional board of directors. However, because of the Governor's interest in implementing a clearer homeland security strategy, the State Administrative Agency is strengthening methods for identifying and funding the regions' highest priority projects.

Opportunities Exist For Improving Program Readiness

While the state has taken steps to acquire needed equipment and to establish exercise and training programs, it has not ensured equipment readiness or effectively implemented exercise and training programs. The overarching objective of the homeland security grant program is to provide federal funding for the purchase of specialized equipment, exercises, and training to assist the state in its efforts to meet national preparedness goals.

Equipment Readiness

A sub-grantee is responsible for ensuring the overall readiness of equipment once purchased and received, including keeping inventories, training operators, and providing regular maintenance. The state lacked guidance on equipment readiness requirements and sub-grantees did not always keep equipment inventories or use or plan to use some of the purchased equipment. For example:

- A sub-grantee mistakenly omitted a phone system in a command vehicle from its inventory. The system was not functional at the time of our visit, but because it was not included in the inventory, the manufacturer was not contacted to address the defect while it was still under warranty.

- The picture below depicts a decontamination tent that remained in its original box for over 6 months without an immediate plan for using it or training personnel. Hospital officials explained that they hoped to use the tent for personal protective equipment training but could not provide us a timeline for when the training would be developed.

- Radiation detectors, such as the one pictured below, remained stored and undistributed months after being purchased because sub-grantees had not executed memoranda of understanding with the future recipients of the equipment.

A 2005 state audit reported similar equipment readiness issues, including damaged equipment, emergency weather information systems and radio equipment not distributed for months, personal protective equipment not inventoried or distributed to end users, and instances of untrained equipment users.

Exercise and Training

State representatives responsible for managing homeland security exercise and training programs did not have a clear understanding of their assigned responsibilities and were not in compliance with the objectives and timelines of state's homeland security strategy. In addition, state representatives were not always coordinating program activities with stakeholders and the stakeholders expressed concern regarding the representatives' role in meeting program objectives.

The state exercise representative neither participated in exercises conducted throughout the state, nor reviewed after action reports to: (1) identify areas for improvements and (2) ensure the adequacy and implementation of corrective actions. Similarly, the state training representative, as a general practice, did not collect training data from the regions or Denver UASI and did not maintain an ongoing dialog with stakeholders to identify training needs.

Program readiness is critical to ensuring that emergency personnel can effectively respond to acts of terrorism and natural disasters. Because the state did not monitor equipment readiness and has not implemented effective exercise and training programs, it has little assurance that critical response components, such as medical, health, and mutual aid systems, will be effective when responding to emergencies.

Comments from state officials. Senior state officials agreed with our finding and noted that the Division of Emergency Management has developed and implemented new policies and procedures for equipment monitoring. Monitoring will include verification by Regional Field Managers that the equipment is ready and in working order. Training and exercise functions are being assessed by the Division of Emergency Management director and a plan for improving both programs will be developed by June 30, 2007.

Recommendations

We recommended that the Acting Assistant Administrator, Grant Programs Directorate:

Recommendation #1: Monitor Colorado's review of its homeland security responsibilities and organizational structure and provide technical assistance, guidance, and training, as needed, to ensure that Colorado (1) achieves its organizational objectives planned for the fall of 2007, (2) establishes a sustainable organization, and (3) pays particular attention to management controls, including accountability and executive level oversight of all homeland security activities.

Recommendation #2: Monitor Colorado's development, maintenance, and use of its homeland security strategy as a long-range planning instrument and evaluate the state's strategy planning cycle to ensure there is an adequate and effective evaluation of risk, capabilities, needs, and outcomes.

Recommendation #3: Provide Colorado technical assistance, as needed, to ensure that it takes effective action to:

a. Improve grant management internal control weaknesses identified in this report,

b. Remit $11,555 in interest earned on excessive federal drawdowns,

c. Remit $5,460 in interest earned by one sub-grantee on federal advances,

d. Adequately staff the State Administrative Agency to administer the state's homeland security program effectively,

e. Improve sub-grantee monitoring site visits,

f. Properly account for and claim management and administrative costs by grant award at the state and sub-grantee levels, and

g. Discontinue its practice of transferring costs from recently awarded grants to older grants to exhaust expiring funds.

Recommendation #4: Review and report on the eligibility of the $7.8 million in homeland security grant expenditures questioned in this report and disallow those costs determined to be unallowable or unsupported.

Recommendation #5: Monitor Colorado's practices for grant allocations and work with the state to ensure that it allocates grant funding to projects with the highest risk and priority.

Recommendation #6: Assist Colorado in establishing (1) a means to regularly monitor statewide equipment readiness, and (2) effective exercise and training programs that are in compliance with the objectives of the state's homeland security program.

Management Comments and OIG Analysis

On November 15, 2007, we received written comments to our September 7, 2007 draft report (see Appendix G). The Grant Programs Directorate (successor to the Office of Grants and Training) concurred with the recommendations without providing specific comments on the draft report or corrective actions planned or taken. We subsequently requested that the Acting Assistant Administrator provide us a corrective action plan within 90 days after issuance of this report.

The objective of this audit was to determine whether the State of Colorado effectively and efficiently implemented its homeland security grant program, achieved the goals of the program, and spent funds according to grant requirements. Our goal was to identify problems and solutions to help DHS and Colorado improve the nation's ability to prevent, prepare for, and respond to major disasters, terrorist attacks, and other emergencies ("all-hazards" preparedness). To accomplish our objective, we examined the State Administrative Agency's internal control system; followed up on a related State Auditor's report, recommendations and questioned costs; and addressed additional concerns reported by G&T regarding pervasive and serious weaknesses in program management.

The scope of our audit included state homeland security and urban areas security initiative grants awarded by G&T to the State of Colorado for FYs 2003 through 2006 (See Appendix B for grant program descriptions).

We worked closely with G&T and state officials at Colorado's Office of the State Auditor, the Colorado Department of Public Safety, the Colorado Department of Local Affairs, five of the nine all-hazards regions (Northwest, Northeast, North Central, South Central, and San Luis Valley), the Denver UASI, and five state agencies (Governor's Office of Cyber Security and the Departments of Personnel and Administration, Public Safety, Revenue, and Agriculture). We considered G&T and Colorado policies and procedures as well as applicable federal requirements. We interviewed responsible officials regarding Colorado's homeland security strategy and achievement of homeland security goals and objectives. We reviewed applicable documentation supporting Colorado's management of grant funds. We also reviewed the 2005 Colorado State Auditor's report and working papers. In addition, our audit work regarding exercises and training included meetings with appropriate grantee and sub-grantee officials, and a review of administrative documentation.

We performed the audit between September 2006 and April 2007 and conducted it in accordance with *Government Auditing Standards* prescribed by the Comptroller General of the United States (Yellow Book, June 2003). Although this audit included a review of claimed costs, we did not perform a financial audit of those costs. Accordingly, we do not express an opinion on Colorado's financial statements or the funds claimed in the financial status reports submitted to G&T.

<u>FY 2003 State Homeland Security Grant Program - Part I</u>. (1) Purchase specialized equipment to enhance the capability of grant recipients to respond to incidents of terrorism involving the use of chemical, biological, radiological, nuclear, or explosive weapons; (2) protect critical infrastructure and prevent terrorist incidents; (3) cover costs related to the design, development, conduct, and evaluation of chemical, biological, radiological, nuclear, or explosive exercises; (4) provide funding for the design, development, and conduct of chemical, biological, radiological, nuclear, or explosive training programs; and (5) provide funding for costs associated with updating and implementing grantees' homeland security strategies.

<u>FY 2003 State Homeland Security Grant Program - Part II</u>. (1) Provide supplemental funding for the program activities described above for Part I, and (2) provide funding to mitigate the cost of enhanced security at critical infrastructure facilities during the period of hostilities in Iraq and future periods of heightened threat.

<u>FY 2003 Urban Areas Security Initiative Grant Program</u>. This initiative includes an urban area assessment and strategy component, which will be used by G&T and urban area working groups to both allocate grant funding and guide delivery of direct services in the form of equipment, planning, training, exercises, and technical assistance.

<u>FY 2003 Urban Areas Security Initiative Grant Program – Part II</u>. This initiative provides financial assistance to address unique equipment, training, planning, exercise and operational needs of large 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.

<u>FY 2004 Homeland Security Grant Program</u>. Provide funding for specialized equipment, training, exercises, and planning costs associated with updating and implementing each state's homeland security strategy. Awards under the FY 2004 program integrated three grants– State Homeland Security Grant Program, Law Enforcement Terrorism Prevention Program, and Citizens Corps Program – into a single application kit.

<u>FY 2004 Urban Areas Security Initiative Grant Program</u>. This initiative includes an urban area assessment and strategy component, which will be used by G&T and urban area working groups to both allocate grant funding and guide delivery of direct services in the form of equipment, planning, training, exercises, and technical assistance. In addition, this year's grant allowed for the funding of new urban areas as well as funds for identified mass transit authorities to enhance their security and improve their preparedness.

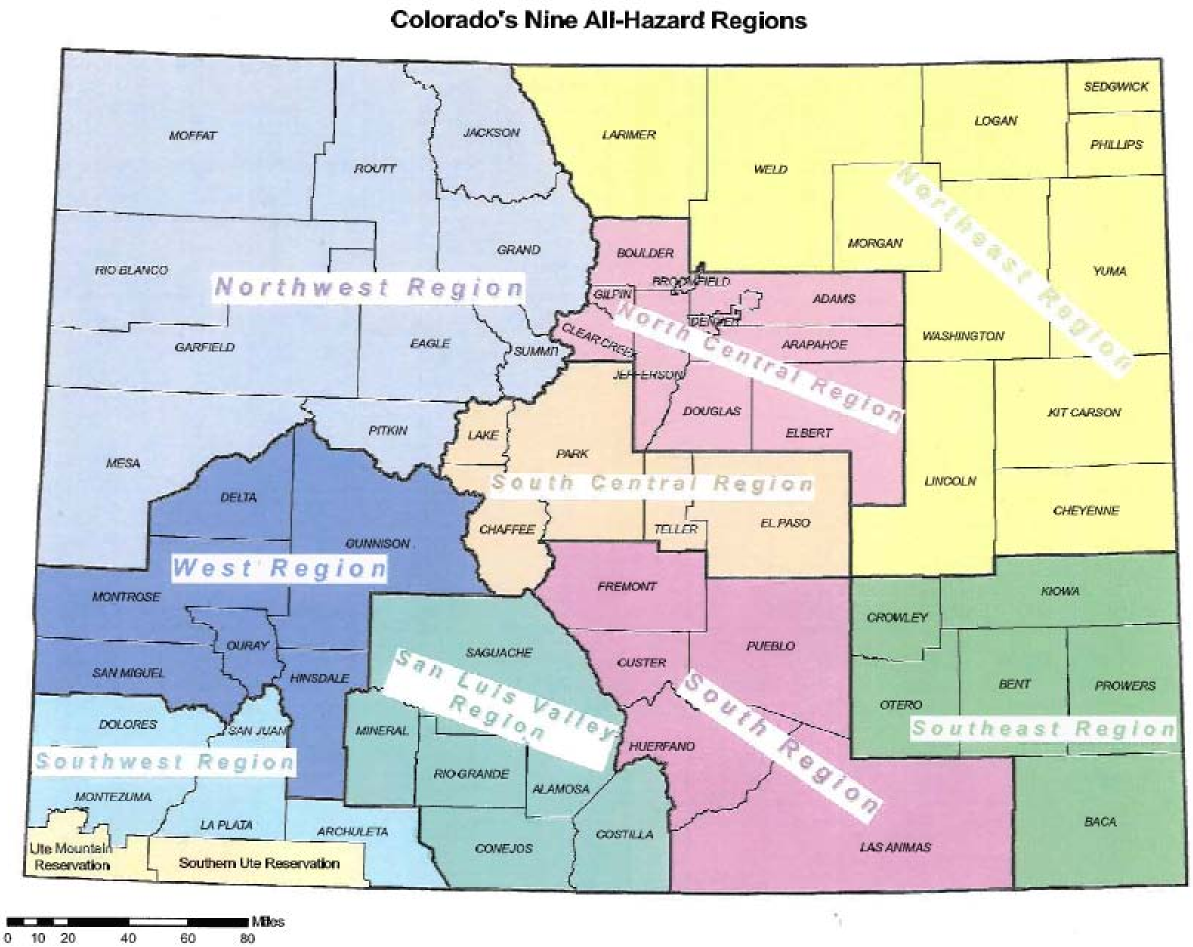
<u>FY 2005 Homeland Security Grant Program</u>. The FY 2005 Homeland Security Grant Program was changed to integrate six programs into one application kit; the State Homeland Security Program, the Urban Areas Security Initiative, the Law Enforcement Terrorism Prevention Program, the Citizen Corps Program, the Emergency Management Performance Grants, and the Metropolitan Medical Response System. This funding and consolidation of programs streamlined the process to enhance security and overall preparedness to prevent, respond to, and recover from acts of terrorism. The Homeland Security Grant Program will continue to provide funding for planning, equipment, training, exercises, and program management and administration for emergency prevention, preparedness, and response personnel.

<u>FY 2006 Homeland Security Grant Program</u>. This FY 2006 grant program maintained the concept of program integration by combining five programs into one application kit; the State Homeland Security Program, the Urban Areas Security Initiative, the Law Enforcement Terrorism Prevention Program, the Citizen Corps Program, and the Metropolitan Medical Response System. This program built upon previous improvements in the grant process with the intent to focus resources towards building capabilities to achieve national preparedness goals. Program guidelines required the use of a risk-based approach to allocate funding. The program continued to provide funding for planning, equipment, training, exercises, and program management and administration for emergency prevention, preparedness, and response personnel.

Homeland Security Grants Program	FY 2003	FY 2004	FY 2005	FY 2006	Total
Homeland Security "First Responder" Grants Program[4]	$34,591,000[5]	$28,041,000	$17,796,658	$8,080,000	$88,508,658
Urban Areas Security Initiatives	15,568,474[6]	8,595,347	8,718,395	4,380,000	37,262,216
Sub-Total	$50,159,474	$36,636,347	$26,515,053	$12,460,000	$125,770,874
Law Enforcement Terrorism and Prevention Program	N/A	8,321,000	6,471,512	7,600,000	22,392,512
Metropolitan Medical Response System	N/A	N/A	682,776	696,990	1,379,766
Citizen Corps Program	N/A	582,000	225,929	322,819	1,130,748
Buffer Zone Protection	N/A	N/A	1,450,000	N/A	1,450,000
Transit Grant	N/A	N/A	1,225,000	N/A	1,225,000
Emergency Management Performance	N/A	N/A	2,903,630	N/A	2,903,630
Sub-Total	$0	$8,903,000	$12,958,847	$8,619,809	$30,481,656
Combined Total	$50,159,474	$45,539,347	$39,473,900	$21,079,809	$156,252,530

[4] In FY 2003, the Homeland Security Grant was called "State Homeland Security Grant".
[5] The total of $34,591,000 included $9,480,000 awarded in FY 2003 – Part I and $25,111,000 ($21,763,000 for First Responder Preparedness and $3,348,000 for Critical Infrastructure Protection) awarded in FY 2003 – Part II.
[6] The total of $15,568,474 was for the Urban Area Security Initiative Grant – Part II in FY 2003. The State did not receive any Urban Areas Security Initiative Grant – Part I funding in FY 2003.

Colorado's Nine All-Hazard Regions



Map Provided by the State of Colorado

Date	Event
April 2002	South Metro Fire Rescue Finance Corporation (South Metro Finance) holds title to South Metro Fire & Rescue Building subject to mortgage.
April 2002	South Metro Fire Rescue District leases South Metro Fire Rescue District building from South Metro Finance; anticipates acquiring title by the end of December 2016.
December 2003	Department of Local Affairs begins discussion with South Metro about leasing space in the South Metro building.
January 2004	The Department of Local Affairs applies for state homeland security grant of $1.25 million from the State Administrative Agency (Colorado Department of Public Safety).
January 2004	South Metro Fire Rescue District receives $20,000 from 2004 Mineral Impact funds, through the Department of Local Affairs, to design Multi Agency Coordination Center.
February 2004	The Office for Domestic Preparedness approves using homeland security grant program funds to prepay a long-term lease.
July 2004	The Office of Justice Programs rescinds Office for Domestic Preparedness' approval to use homeland security grant funds to prepay a long term lease
July 2004	The Governor changed the State Administrative Agency from the Department of Public Safety to the Department of Local Affairs.
July 2004	South Metro Fire Rescue District receives $1.2 million from 2005 Mineral Impact funds through the Department of Local Affairs to build out the Multi Agency Coordination Center.
August 2004	The Department of Local Affairs signs sub-lease agreement with South Metro Fire Rescue District with an option to purchase.
August 2004	South Metro Fire Rescue District passes a resolution invoking purchase option in the sub-lease allowing the state to make $1.5 million payment, $400,000 in cash within 60 days, and $1.1 million for the design, construction, and equipping of facilities by the end of December 2005.
October 2004	The Department of Local Affairs awards $1.6 million of 2004 homeland security grant program funds to South Metro Fire Rescue District in exchange for the state's right to occupy the building and to satisfy South Metro Fire Rescue District's August 2004 resolution plus $100,000 for state's communications equipment.
March 2005	The Department of Local Affairs pays South Metro Fire Rescue District $400,000[7] in homeland security grant program funds for payment of the cash portion of the state's $1.5 million advance payment towards purchase price. The state continued to have a liability of $1.1 million which was later cancelled
March to June 2005	The Department of Local Affairs records a $1.1 million liability to South Metro Fire Rescue District in its books by recording the sub-lease agreement as a capital lease. The Department of Local Affairs later cancelled the liability because South Metro Fire Rescue District donated $1.1 million to the Department.
July 2005	The Department of Local Affairs obtained Office for Domestic Preparedness approval to use $400,000 in homeland security grant program funds to pay rent under the sub-lease through the grant performance period of November 30 2005. The performance period was later extended to November 30, 2006.

[7] $400,000 was originally paid as part of the Department of Local Affairs' SHSG to South Metro. The Department of Local Affairs subsequently deobligated said money from South Metro's SHSG and credited the payment to State's SHSG portion

Date	Event
October 2005	The Office of the State Auditor issued an audit report regarding Colorado's Homeland Security Grant Program. The report found that the Department of Local Affairs had not complied with state and federal guidelines with regard to the grants issued to South Metro Fire Rescue District. The Office of the State Auditor found that the Department of Local Affairs used grant monies in exchange for state's right to occupy space in the South Metro Fire Rescue District Building. The Office of the State Auditor concluded that South Metro Fire Rescue District could not donate something it did not own (title to the South Metro Fire Rescue District Building).
December 2005	G&T conducted an independent review of state's homeland security program and raised similar concerns as reported by the Office of the State Auditor. G&T questioned the $1.5 million in federal funds used by the Department of Local Affairs for acquisition of Multi Agency Coordination Center.
June 2006	G&T sends letter to the Department of Local Affairs requesting a 15-day response as to actions taken by state on the Office of the State Auditor report. G&T requests refund of $1.5 million federal funds used by Department of Local Affairs to acquire Multi Agency Coordination Center.
July 2006	The Department of Local Affairs reverted $1.5 million by warrant.

Homeland Security Grant Program Questioned Costs

Grant Year	Description of questioned costs	Ineligible Costs	Unsupported Costs	Totals
	Supplanting of Grant Funds			
FY 2004	*Acquisition of the Digital Trunked Radio controller #3.*	$3,900,000	$0	$3,900,000
	Unapproved Transfers/ Commingling of Grant Funds.			
FY 2003	• *Transfer of FY 2004 homeland security grant program expenditures to the FY 2003 homeland security grant.*	600,162	0	600,162
FY 2004	• *Transfer of FY 2003 homeland security grant program expenditures to the FY 2004 homeland security grant.*	$133,944	0	$133,944
FY 2004	• *Transfer of FY 2005 homeland security grant program expenditures to the FY 2004 homeland security grant.*	$632,511	0	$632,511
	Sub-total	**$5,266,617**	**$0**	**$5,266,617**

Urban Areas Security Initiative - Denver Urban Area Questioned Costs

Grant Year	Description of questioned costs	Ineligible Costs	Unsupported Costs	Totals
	Unapproved Transfers/ Commingling of Grant Funds.			
FY 2003	• *Transfer of FY 2003 UASI funds for costs budgeted under the FY 2005 UASI grant*	$1,399,895	$0	$1,399,895
FY 2003	• *Transfer of FY 2003 Homeland Security Grant Program expenditures to the FY 2003 UASI grant*	161,036	0	161,036
FY 2003	• *Transfer of FY 2005 Law Enforcement Terrorism Prevention Program expenditures ($128,407) and FY 2005 UASI expenditures ($5,604) to the FY 2003 UASI grant-*	134,011	0	134,011
FY 2004	• *Transfer of FY 2005 UASI expenditures to the FY 2004 UASI grant*	395,994	$0	395,994
	Ineligible Construction Costs			
FY 2003	• *West Metro Fire Department*	116,427	0	116,427
FY 2004	• *City of Denver, Fire Department*	135,808	0	135,808
	Unsupported Consulting Costs.			
FY 2004	• *Consulting fees not properly allocated to the grant*		229,508	229,508
	Sub-total	**$2,343,171**	**$229,508**	**$2,572,679**
	Combined Total Questioned Costs	**$7,609,788**	**$229,508**	**$7,839,296**

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

FEMA

MEMORANDUM FOR: **Richard L. Skinner**
Inspector General

FROM: **Lisa Lewis**
Acting Assistant Administrator
Grant Programs Directorate

Lisa Lewis

SUBJECT: ***Response to Draft Inspector General Report, "Audit of the State of Colorado Homeland Security Grant Program"***

This is in response to your September 7, 2007, memorandum requesting comments on the draft Office of the Inspector General report, *Audit of the State of Colorado Homeland Security Grant Program.* At this time, we do not have any specific comments on the draft report and concur with the recommendations.

Please accept our appreciation for the opportunity to respond to the draft report and to work with the Office of the Inspector General during this engagement.

Attachment

Cc: Tracey Trautman
Brad Shefka
Cameline Toro

www.fema.gov

Robert J. Lastrico, Audit Division Director
Humberto Melara, Supervisory Auditor
Ravi Anand, Auditor
Arona Maiava, Auditor
Bill Stark, Auditor
Carlos Feliciano, Program Analyst

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
Executive Secretariat
Under Secretary, Management
Chief Financial Officer
Chief Information Officer
Assistant Secretary, Public Affairs
Assistant Secretary, Policy
Assistant Secretary, Legislative Affairs
Chief Security Officer
DHS GAO/OIG Liaison
Chief Privacy Officer

Federal Emergency Management Agency

Administrator
Acting Assistant Administrator, Grant Programs Directorate
Acting Director, Financial Accountability and Oversight Division
OIG Audit Liaison

Office of Management and Budget

Chief, Homeland Security Bureau
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate

Additional Information and Copies

To obtain additional copies of this report, call the Office of Inspector General (OIG) at (202) 254-4199, fax your request to (202) 254-4305, or visit the OIG web site at www.dhs.gov/oig.

OIG Hotline

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations:

- **Call** our Hotline at 1-800-323-8603;
- **Fax** the complaint directly to us at (202) 254-4292;
- **Email** us at DHSOIGHOTLINE@dhs.gov; or
- **Write** to use at:
  DHS Office of Inspector General/MAIL STOP 2600, Attention:
  Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,
  Washington, DC 20528,

The OIG seeks to protect the identity of each writer and caller.