



Department of Homeland Security Office of Inspector General

DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates



NOV 10 2010



**Homeland
Security**

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 was prepared in response to a request from Senator Susan Collins and Representative Darrell Issa. It addresses the strengths and weaknesses of the Federal Emergency Management Agency's Fire Prevention and Safety grant awarded to ACORN Institute. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

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

A handwritten signature in cursive script, reading "Anne L. Richards".

Anne L. Richards
Assistant Inspector General for Audits

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Abbreviations

ACORN	Association of Community Organizations for Reform Now
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

In response to a request from Senator Susan Collins and Representative Darrell Issa, we audited the appropriateness of financial assistance provided by the department to the Association of Community Organizations for Reform Now (ACORN) and its affiliates. We identified one \$450,484 grant awarded to the ACORN Institute under the competitive Fire Prevention and Safety Grant Program. The department provided no other financial assistance to the Association of Community Organizations for Reform Now or its affiliates.

The fiscal year 2007 grant to ACORN Institute was for a pilot program that would develop best practices for community organizations to canvass high-risk neighborhoods and distribute and install safety equipment, such as smoke detectors or fire extinguishers. We concluded that the ACORN Institute should not have received these funds, did not fully implement and evaluate the program as approved, and could not substantiate all its grant expenditures. The Federal Emergency Management Agency did not have sufficient oversight processes to prevent the award or to fully evaluate the use of the grant money.

We are making four recommendations aimed at improving the selection and oversight processes for the Fire Prevention and Safety Grants Program.

Also, we are recommending that the Federal Emergency Management Agency review all of ACORN Institute's grant expenditures, take action to recover any unsubstantiated expenses, and determine whether any action is necessary to suspend or debar ACORN Institute from receiving future DHS, FEMA, and other federal government assistance. The Federal Emergency Management Agency concurred with six recommendations, and will be assigning staff to review the remaining recommendation. The agency's comments to the draft report are included in Appendix B.

Background

Through its Assistance to Firefighters Grant Program, the Federal Emergency Management Agency (FEMA) awards grants to fire departments and community organizations to enhance the opportunity to protect the public and fire service personnel from fire and related hazards. Funds are available under three types of grants: Assistance to Firefighters Grants, Staffing for Adequate Fire and Emergency Response Grants, and Fire Prevention and Safety Grants.

Fire Prevention and Safety Grants are awarded competitively with the goal of targeting high-risk populations to reduce injury and prevent death. Since Fiscal Year (FY) 2003, FEMA has awarded more than \$239 million to more than 2,200 grantees.

Award Year	Total Number of Grantees	Total Award Amount
FY 2003	467	\$27,326,316
FY 2004	532	\$35,234,823
FY 2005	311	\$33,766,287
FY 2006	226	\$37,332,763
FY 2007	216	\$34,014,723
FY 2008	224	\$36,394,484
FY 2009	233	\$35,025,327

The Association of Community Organizations for Reform Now Incorporated (ACORN Inc.) is a nonprofit community organization founded in 1970. ACORN Inc. has organized low- to moderate-income citizens as advocates for their communities, and is mainly involved with projects related to discrimination, affordable housing, quality education, and better public services. Hundreds of affiliates, such as the ACORN Institute, use the ACORN brand.

After suspicions arose that ACORN Inc. was involved in fraudulent activities, the U.S. Senate voted on September 15, 2009, to discontinue funding from the Department of Housing and Urban Development to ACORN Inc. Additional actions to sever ACORN Inc.'s association with the federal government came on September 11, 2009, when the Census Bureau barred ACORN Inc. from assisting with the 2010 Census; September 15, 2009, when the U.S. House of Representatives voted to discontinue any funding for ACORN Inc.; and September 23, 2009, when the Internal Revenue Service removed ACORN Inc. from its volunteer

tax assistance program. As of April 1, 2010, ACORN Inc. reported that it will close its offices across the United States.

ACORN Institute was founded in 2000 and is a 501(c)(3) community organization headquartered in New Orleans, LA. This organization was created to advocate for economic and social improvements for low- to moderate-income individuals through research and training to combat poverty, discrimination, and community deterioration in low-income areas.

Appendix A provides additional details on the purpose, scope, and methodology of this audit. Answers to specific questions from Senator Collins and Representative Issa are in Appendix C.

Results of Audit

Award Procedures for the ACORN Institute Fire Prevention and Safety Grants

FEMA's Fire Prevention and Safety Grants are intended for fire departments and community organizations recognized for their experience and expertise in fire prevention and safety. ACORN Institute, a community organization, applied to this grant program in FY 2007 and FY 2008 and was awarded grants in both fiscal periods. However, given the lack of experience ACORN Institute demonstrated in fire prevention and safety and its unconfirmed collaboration with experts in this area, FEMA should not have awarded these grants to ACORN Institute. FEMA relied on the integrity of this applicant to self-certify that the information in its grant application was accurate, and as is FEMA's general practice, did not perform any checks of the information provided. As a result, FEMA was unaware that ACORN Institute was not involved in the activities it used to support its experience, or that all of the partnerships ACORN Institute claimed to have were not in place.

The Technical Evaluation Panel that reviewed ACORN Institute's FY 2007 Fire Prevention and Safety Grant application recommended it not be funded. After reviewing the FY 2008 application, the Technical Evaluation Panel recommended that ACORN Institute be awarded the grant only if certain conditions were met. For both fiscal periods, FEMA overrode the panel's recommendations and awarded the grants to ACORN Institute without documenting how the Technical Evaluation Panel's concerns would be addressed or providing the basis for its decision to award these grants.

ACORN Institute Experience in Fire Prevention and Safety

In its FY 2007 grant application, ACORN Institute attributed its experience in fire prevention and safety to the Urban Fire Initiative, described as a partnership between ACORN Institute and local fire departments. ACORN Institute claimed that the Urban Fire Initiative had been involved with several projects and credited the initiative with the following:

- Developing and implementing a successful FEMA-funded fire prevention program in Madison County, NC, where it worked with the local fire department.
- Gutting more than 3,000 homes in New Orleans to remove debris and hazardous materials following Hurricane Katrina.
- Assisting the City of Berkeley, CA, fire department in a FEMA-funded program to design and implement a protocol for a fire prevention program.
- Designing and developing programs to educate hundreds of daycare providers about fire prevention.
- Sponsoring community meetings on fire safety in coordination with local firefighters and officials.

Discussions with the executive director for ACORN Institute and the principals for a consulting firm ACORN Institute hired to work on the project revealed that the Urban Fire Initiative did not exist prior to the grant application, but was created specifically for activities funded by the FY 2007 Fire Prevention and Safety Grant. Neither ACORN Institute nor the Urban Fire Initiative was involved in any of the above activities and events. No other evidence was available to show that ACORN Institute had been involved in any fire prevention and safety activities or had experience in this area.

ACORN Institute Collaboration With Local Fire Departments

When considering applicants for its Fire Prevention and Safety Grants, FEMA gives priority to organizations that incorporate partners with expertise in fire prevention and safety into its project. Partnerships are seen as an opportunity to enhance the development, delivery, success, and completion of projects.

ACORN Institute claimed in its FY 2007 grant application that it had existing partnerships with local fire departments in the cities where it would pilot its proposed project. However, there was no evidence that these partnerships were in place at the time the application was submitted.

According to ACORN Institute's Final Grant Report¹ and the Time and Effort sheets prepared by its staff, these partnerships were not in place in every city during the grant performance period. In the Final Grant Report, ACORN Institute detailed how fire departments in two of five pilot cities did not cooperate and participate in the project. Further, in their Time and Effort sheets, the Urban Fire Initiative staff documented the challenges and difficulties that the ACORN Institute experienced in finding partners among local fire departments. Despite the claims in its grant application, the ACORN Institute did not have partners in all the pilot cities, which limited the expertise and experience available to run this program in those cities.

FEMA Reliance on Claims Made in Grant Applications

FEMA used information from ACORN Institute's application to qualify it for the grant. The only assurance FEMA had for the legitimacy of claims ACORN Institute made about its experience and partners was self-certification of the applicant. FEMA has no requirement or standard procedure in the evaluation process of the Fire Prevention and Safety grant applications to validate the legitimacy of significant claims and assertions used to qualify an applicant for the grant. FEMA based the eligibility of its applicants solely on unverified claims they made in their grant applications.

Before grant applications are accepted into FEMA's electronic system, applicants are required to certify that the information in their submission is accurate by checking a box. However, evidence that applicants actually checked this box is not captured in, or retrievable from, the system. The certification process would be more effective if such a warning were included in the Assurance and Certification Section of the application and captured within the system.

¹ At the time of our audit, the Final Grant Report was in draft form and had not been submitted to FEMA for review.

FEMA's Decision to Override the Technical Evaluation Panel's Recommendation

Every eligible application submitted for the Fire Prevention and Safety Grant is evaluated by a Technical Evaluation Panel. The panel consists of a group of fire service experts who score each project based on its merits or shortcomings. FEMA makes the final decision to award grants to applicants based on how the Technical Evaluation Panel ranks the project and the impact the proposed activities would have on the safety of the target audience.

When the Technical Evaluation Panel reviewed ACORN Institute's FY 2007 application, it recommended that the application not be funded. However, FEMA overrode the panel's recommendation and awarded the grant without documenting how it addressed the Technical Evaluation Panel's concerns. The Technical Evaluation Panel was concerned about the proposed project's effectiveness, and made comments such as the following:

- "The program appears to rely on grant funding for sustainability."
- "The costs for Personnel and Equipment are high compared to only a small portion for Safety Equipment."
- "I am concerned about the organization's answer of 'yes' to receiving federal funding from another program."
- "Should non-fire personnel conduct safety assessments?"

FEMA reduced ACORN Institute's initial request of \$1 million to \$450,484, and noted that ACORN Institute was awarded the FY 2007 grant because the proposal was a "concentrated effort for prevention in high risk communities."

To put in perspective how this proposal compared to other community organizations' proposals, we selected a random sample of 30 community organizations for review (see Appendix D). Five of the 30 organizations that proposed similar smoke alarm campaigns in high-risk areas received higher scores than ACORN Institute from the Technical Evaluation Panel. However, only one of these five organizations received an award (for \$384,800). Despite the fact that the other four organizations received higher scores, there was no documented justification why ACORN

Institute was selected for this competitive grant over these other organizations.

In its review of the FY 2008 applications, the Technical Evaluation Panel again expressed concerns about ACORN Institute's request for funds and withheld a recommendation to fund until certain conditions were met. The Technical Evaluation Panel was concerned with the lack of information on the ACORN Institute's FY 2007 performance and outcomes. The panel expected FEMA to address certain conditions before approving the grant, including a reduction in the grant amount and revised measurements for the grantee's evaluation plan. FEMA again overrode the Technical Evaluation Panel's recommendation and approved the grant without documenting how the panel's concerns would be addressed.

FEMA has no guidelines or policies that require staff to document the basis of decisions to award grants that are contrary to Technical Evaluation Panel recommendations, or how the panel's concerns are to be addressed. Such guidelines would minimize the risk of criticism over the selection process and provide some assurance that selections met the criteria for a competitive grant.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #1: Implement procedures to confirm the accuracy of significant assertions used as the basis for determining grant applicants' eligibility.

Recommendation #2: Revise the Assurance and Certification section of the grant application to document and retain evidence that applicants acknowledge and certify that they understand the consequences and penalties for including inaccurate information in their applications.

Recommendation #3: Establish policies and procedures that require staff to document justifications to override substantive concerns and recommendations made by the Technical Evaluation Panel.

Management Comments and OIG Analysis

FEMA's Comments to Recommendation #1: FEMA concurred with incorporating additional language to the assurance page to comply with this recommendation by using the methodology discussed in Recommendation #2. FEMA stated it cannot perform a complete review of all assertions within an application and also award 5,000 grants yearly. Assertions made in the application will be reviewed through FEMA's grant monitoring tools and, if necessary, any and all grants will be canceled if it is determined that the applicant has misrepresented information provided on the application.

OIG Analysis: The steps FEMA plans to take satisfy the intent of this recommendation. However, since a timeframe for implementing these steps has not been established, this recommendation is unresolved, and will remain open until FEMA provides documentation that shows corrective actions have been completed.

FEMA's Comments to Recommendation #2: FEMA concurred with this recommendation and agreed to work with the FEMA Office of Chief Counsel to review the Assurance and Certification section of the grant application to document and retain evidence that applicants acknowledge and certify that they understand the consequences and penalties for including inaccurate information in their applications.

OIG Analysis: The steps FEMA plans to take satisfy the intent of this recommendation. However, since a timeframe for implementing these steps has not been established, this recommendation is unresolved, and will remain open until FEMA provides documentation that shows corrective actions have been completed.

FEMA's Comments to Recommendation #3: FEMA concurred with this recommendation and agreed to revise policies and procedures that require staff to document justifications to override substantive concerns and recommendations by the Technical Evaluation Panel. The revised policies will be in place within 60 days of FEMA's response. According to FEMA, the justifications were documented in the past; however, the new policy and procedures will assist with ensuring the justifications in the future are more fulsome and clear.

OIG Analysis: The steps FEMA plans to take satisfy the intent of this recommendation. This recommendation is resolved, but will remain open until FEMA provides documentation that shows corrective actions have been completed.

ACORN Institute's Actions to Implement and Evaluate Its FY 2007 Grant Project

ACORN Institute was awarded the FY 2007 Fire Prevention and Safety Grant to run a pilot program that would develop best practices for community organizations to canvass high-risk neighborhoods and distribute and install safety equipment, such as smoke detectors and fire extinguishers. As required by the terms of the grant, ACORN Institute was to implement and evaluate the project as proposed in its approved application. However, ACORN Institute did not perform tasks for two activities as proposed, and did not obtain approval from FEMA to deviate from the plan. In addition, ACORN Institute committed to reporting on seven project goals to measure the progress and effectiveness of the pilot program but did not report on two of the seven goals. Since this grant was not selected for an oversight visit, FEMA was not aware that ACORN Institute was not fully implementing and evaluating the project as it was approved.

ACORN Institute Project Implementation

The terms and conditions of the FY 2007 Fire Prevention and Safety Grant required ACORN Institute to use the grant funds to conduct activities described in the narrative of its approved grant application (see Appendix E). Two of the five activities ACORN Institute was expected to complete were to (1) recruit community volunteers who would be trained by the local fire departments, and (2) design and implement a program to generate requests for in-home audits, which would be conducted by the trained volunteers and local fire departments.

Both activities involved volunteers who would be trained by the local fire departments. However, this training never took place. The only evidence that some sort of training did occur were the training sessions for ACORN Institute's Urban Fire Initiative staff, conducted by a consulting firm ACORN Institute hired to work on this project. Also, it was the Urban Fire Initiative staff that performed the in-home audits, which was a deviation from the plan to include the local fire departments in these inspections. FEMA did not approve these changes.

ACORN Institute Reporting

ACORN Institute was also required to capture the results of seven specific goals to evaluate the progress and effectiveness of the project (see Appendix F). ACORN Institute did not report activities for two of the goals and could not explain why this information was not available. One of the goals required that data be compiled on the number of requests for in-home fire safety audits. The other goal was to document the number of participants present at fire safety demonstrations during community events.

FEMA Monitoring of Grantee

FEMA generally focuses its financial and programmatic oversight on recipients of large grants rather than using a risk analysis to identify necessary oversight. Some of FEMA's additional considerations in its selection process include the following:

- Geographical location to ensure all regions throughout the United States receive coverage;
- Complaints about grantees; and
- The Wagon-Wheel-Approach: grantees are selected for an audit if they are located in the vicinity of another grantee being audited.

FEMA did not select ACORN Institute's FY 2007 grant to be monitored. FEMA's selection process does not consider sufficient indicators of potential problems or high risk. For example, ACORN Institute's inexperience in the program and the concerns the Technical Evaluation Panel expressed when evaluating the FY 2007 Fire Prevention and Safety grant application are indicators of potential issues, but FEMA did not consider them in its selection process. Using indicators of risk as part of its selection process would help FEMA to identify and correct issues that may arise.

According to FEMA officials, FEMA has moved to a risk-based protocol in selecting the grants it will monitor. This protocol will enable FEMA to concentrate its efforts and resources in providing the appropriate level of oversight based on the assessed risk levels of grants. DHS OIG will evaluate the adequacy of FEMA's new risk-based protocol at a later date.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #4: Incorporate key factors or indicators, such as the grantees' experience with the program and known concerns about the grantee, in FEMA's risk-based approach to select grantees for inclusion in its monitoring plan.

Management Comments and OIG Analysis

FEMA's Comments to Recommendation #4: FEMA concurred with this recommendation and agreed to incorporate key factors and indicators, such as grantees' experience with the program and known concerns about the grantee, in FEMA's risk-based approach to select grantees for inclusion in its monitoring plan.

OIG Analysis: The steps FEMA plans to take satisfy the intent of this recommendation. However, since a timeframe for implementing these steps has not been established, this recommendation is unresolved, and will remain open until FEMA provides documentation that shows corrective actions have been completed.

ACORN Institute's FY 2007 Grant Expenses

ACORN Institute received \$450,484 from the FY 2007 Fire Prevention and Safety Grant. However, ACORN Institute does not have documentation to support how it spent \$160,797 of the grant funds.

Office of Budget and Management Circular A-110 requires federal grant recipients to maintain records of their grant expenditures. ACORN Institute recorded only \$449,721 of its expenses in a general ledger used to track expenditures for the FY 2007 grant—\$763 short of the \$450,484 amount it received. OIG selected \$338,675 of the recorded expenses to review and received documentation from ACORN Institute, such as canceled checks, invoices, employee timesheets, and bank statements, to support only \$178,641 of this amount. Therefore, \$160,034 of the funds we selected for review were unsupported.

To ensure that ACORN Institute did not misuse the grant funds, a thorough review of the grant expenses, along with the \$111,046 of grant funds OIG did not select for review, is needed. After the completion of our fieldwork, we were advised by the ACORN Institute that additional

documentation supporting expenditures was identified by the ACORN Institute. FEMA should consider this additional documentation in its review for allowability and appropriateness of expenditures. Should FEMA determine that ACORN Institute inappropriately spent funds from this grant, action must be taken to recover the unsubstantiated amount.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #5: Require ACORN Institute to return \$160,797 in unsubstantiated grant expenses,

Recommendation #6: Review documentation for the remaining \$111,046 of grant funds, and if unsupported by appropriate expenses that can be documented, require ACORN Institute to return the funds.

Management Comments and OIG Analysis

FEMA's Comments to Recommendation #5: FEMA could not make the determination to concur or non-concur without a thorough review of the documentation from the OIG site visit. FEMA will request the necessary documentation for the unsubstantiated grant expenses from the ACORN Institute. A team of specialists within FEMA will review the material, and if the grantee cannot provide additional supporting justification for the expenses, FEMA will request the funds be returned.

OIG Analysis: The steps FEMA plans to take satisfy the intent of this recommendation. OIG will provide FEMA a report on grant expenses ACORN Institute could not support with adequate documentation. Since a timeframe for implementing these steps has not been established, this recommendation is unresolved, and will remain open until FEMA provides documentation that shows corrective actions have been completed.

FEMA's Comments to Recommendation #6: FEMA concurred with this recommendation. FEMA will request the necessary documentation for the remaining grants expenditures from the ACORN Institute. A team of specialists within FEMA will review the materials, and if the grantee cannot provide additional supporting justification for the expenses, FEMA will request the funds be returned.

OIG Analysis: The steps FEMA plans to take satisfy the intent of this recommendation. OIG will provide FEMA a report on grant expenses in ACORN Institute's accounting records not selected for review. Since a timeframe for implementing these steps has not been established, this recommendation is unresolved, and will remain open until FEMA provides documentation that shows corrective actions have been completed.

Future Grants Activity with ACORN Institute

We identified serious issues with ACORN Institute's application, execution, and reporting for the Fire Prevention and Safety grant. The ACORN Institute did not have the experience in fire prevention and safety activities as stated in its grant application, and did not have partnerships with local fire departments in place at the time of its application. ACORN Institute did not fully implement and evaluate the program as approved, and did not obtain approval from FEMA to deviate from the plan. It did not perform tasks for two activities as proposed, specifically, it did not provide training to volunteers by local fire departments, and performed in-home audits using Urban Fire Initiative staff instead of local fire departments. In addition, the ACORN Institute could not substantiate \$160,034 of grant expenditures we selected for review.

Based on these deficiencies in applying for, executing, and supporting expenses for the grant, FEMA should evaluate the appropriateness of ACORN Institute's eligibility to receive future grants from FEMA.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #7: Upon completion of a review of all ACORN Institute expenses to determine eligibility and supportability, and assessing ACORN Institute's actions regarding its application for and execution of the grant, determine whether any action is necessary to suspend or debar ACORN Institute from receiving future DHS, FEMA, and other federal government assistance.

Management Comments and OIG Analysis

FEMA's Comments to Recommendation #7: FEMA concurred with the recommendation and will review the final report and

supporting documentation provided by OIG and the ACORN Institute to assess the merit of suspension and/or debarment if funds were inappropriately used.

OIG Analysis: The steps FEMA plans to take satisfy the intent of this recommendation. However, since a timeframe for implementing these steps has not been established, this recommendation is unresolved, and will remain open until FEMA provides documentation that shows corrective actions have been completed.

Appendix A

Purpose, Scope, and Methodology

In a letter to the DHS Inspector General, Senator Susan Collins and Representative Darrell Issa expressed concerns about ACORN and its affiliates, and requested that DHS OIG conduct an investigation to address the following issues:

1. How ACORN Institute could be considered for a Fire Prevention and Safety grant.
2. Whether DHS awarded any grants, contracts, entitlements and other forms of assistance to ACORN and its affiliates.
3. Whether DHS has appropriate oversight mechanisms and plans in place for all grants, contracts, entitlements, and assistance (including funds from the *American Recovery and Reinvestment Act of 2009*) provided to ACORN and its affiliates.
4. Whether ACORN and its affiliates used the DHS funds they received in accordance with the legislation and terms of the grant, contract, entitlement, or other form of assistance.
5. Whether DHS conducted an audit of how ACORN spent the FY 2007 funds and whether this audit was used to justify the FY 2008 award. (If not, DHS OIG was asked to conduct an audit.)

To address the issues expressed by Senator Collins and Representative Issa, we reviewed applicable federal laws and regulations, as well as DHS and FEMA policies and procedures. Our audit plan included the following procedures:

- Compiled a list of 542 ACORN affiliates based on the following sources:
 1. Congressional Request Letter to DHS OIG
 2. U.S. Representative Darrell Issa's report, "Is ACORN Intentionally Structured as a Criminal Enterprise?" from the Committee on Oversight and Government Reform dated July 20, 2009
 3. United States Election Assistance Commission OIG
 4. ACORN Institute's Legal Counsel

Appendix A

Purpose, Scope, and Methodology

- Worked with DHS components to identify financial assistance provided to ACORN and its affiliates from FY 2003 to March 2010. Each DHS component was given the list of 542 possible ACORN affiliates and asked to run queries in its accounting systems to identify disbursements made to these entities.
- Visited ACORN Institute's headquarters in New Orleans, LA, to obtain information on how the program was implemented and evaluated; and reviewed documentation to support expenses paid by the grant. Using ACORN Institute's general ledger, we judgmentally selected \$338,675 of grant expenditures to review.
- Interviewed and obtained information from FEMA officials and staff on the process used to evaluate and award the Fire Prevention and Safety grants to ACORN Institute, and FEMA's efforts to monitor the FY 2007 Fire Prevention and Safety grant awarded to ACORN Institute.
- Interviewed an ACORN Institute consultant, which was contracted to prepare the grant application and provide other services for this grant project.
- Randomly selected 30 of 421 community organizations that applied for the Fire Prevention and Safety grant in FY 2007 and analyzed the Technical Evaluation Panel's recommendation for each applicant. See Appendix D for a summary of the sample.

We conducted our audit between November 2009 and April 2010 under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B Management Comments to the Draft Report

U.S. Department of Homeland Security
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Washington, DC 20572



FEMA

SEP 10 2010

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

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

SUBJECT: Comments on OIG Draft Report, *DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates*

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

FEMA concurs with six of the draft report's seven recommendations and has taken actions to implement them. For Recommendation #5, we can neither concur nor non-concur at the present time until we have seen the appropriate documentation. While we will be providing corrective action plans in our 90-day response, we provide the following information relative to the seven recommendations:

Recommendation #1: Implement procedures to confirm the accuracy of significant assertions used as a basis for determining grant applicants' eligibility.

FEMA Response: FEMA concurs with adding additional language to the assurance page to comply with this recommendation by using the methodology discussed in Recommendation #2. FEMA cannot perform a complete review of all assertions within an application and also award 5,000 grants yearly. That being said, assertions made in the application will be reviewed through FEMA's grant monitoring tools and, if necessary, any and all grants will be canceled if it is determined that the applicant has misrepresented information provided on the application.

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**DHS Financial Assistance to the Association of Community
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Appendix B

DHS OIG Response to Congressional Request

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Recommendation #2: Revise the Assurance and Certification section of the grant application to document and retain evidence that applicants acknowledge and certify that they understand the consequences and penalties for including inaccurate information in their applications.

FEMA Response: FEMA concurs with this recommendation and agrees to work with the FEMA Office of Chief Counsel to revise the Assurance and Certification section of the grant application to document and retain evidence that applicants acknowledge and certify that they understand the consequences and penalties for including inaccurate information in their applications.

Recommendation #3: Establish policies and procedures that require staff to document justifications to override substantive concerns and recommendations made by the Technical Evaluation Panel.

FEMA Response: FEMA concurs with this recommendation and agrees to revise policies and procedures that require staff to document justifications to override substantive concerns and recommendations by the Technical Evaluation Panel. The revised policies will be in place within 60 days of the date of this letter. The justifications were documented in the past; however, the new policy and procedures will assist with ensuring the justifications in the future are more fulsome and clear.

Recommendation #4: Incorporate key factors or indicators, such as the grantees' experience with the program and known concerns about the grantee, in FEMA's risk-based approach to select grantees for inclusion in its monitoring plan.

FEMA Response: FEMA concurs with this recommendation and agrees to continue the monitoring efforts and incorporate key factors or indicators, such as the grantees' experience with the program and known concerns about the grantee, in FEMA's risk-based approach to select grantees for inclusion in its monitoring plan.

Recommendation #5: Require ACORN Institute to return \$160,797 in unsubstantiated grant expenses.

FEMA Response: FEMA cannot make the determination to concur or non-concur without a thorough review of the documentation from the OIG site visit. FEMA will request the necessary documentation for the unsubstantiated grant expenses from the ACORN Institute. A team of Specialists within FEMA will review the materials. If the grantee cannot provide additional supporting justification for the expenses, FEMA will request the funds be returned.

Appendix B DHS OIG Response to Congressional Request

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Recommendation #6: Review documentation for the remaining \$111,046 of grant funds, and if unsupported by appropriate expenses that can be documented, require ACORN Institute to return the funds.

FEMA Response: FEMA concurs with this recommendation. FEMA will request the necessary documentation for the remaining grants expenditures from the ACORN Institute. A team of Specialists within FEMA will review the materials. If the grantee cannot provide additional supporting justification for the expenses, FEMA will request the funds be returned.

Recommendation #7: Determine whether action is necessary to suspend or debar ACORN Institute from receiving future DHS, FEMA, and other federal government assistance.

FEMA Response: FEMA concurs with the recommendation and will review the final report and supporting documentation provided by OIG and the ACORN Institute to assess the merit of suspension and/or debarment if funds were inappropriately used.

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

1. How could ACORN Institute be considered for a Fire Prevention and Safety grant?

Community organizations recognized for their experience and expertise in fire prevention and safety are eligible to apply for the Fire Prevention and Safety Grant. ACORN Institute, a community organization, applied for this grant in FY 2007 and FY 2008 and received awards for both fiscal periods. However, ACORN Institute did not have experience in fire prevention and safety and did not have partners with expertise in this area in every city it planned to pilot this project. ACORN Institute did not meet the eligibility requirements for this grant and should not have received these awards.

Further, the Technical Evaluation Panel that reviewed the Fire Prevention and Safety Grant applications recommended that ACORN Institute's FY 2007 request not be funded. After reviewing the FY 2008 application, the Technical Evaluation Panel recommended that ACORN Institute be awarded the grant only if certain conditions were met. For both fiscal periods, DHS, through FEMA, overrode the recommendations and awarded the grants to ACORN Institute without documenting how it addressed the Technical Evaluation Panel's concerns and the basis for its decision to award the grants to ACORN Institute.

2. What DHS grants, contracts, entitlements, and other forms of assistance were awarded to ACORN and its affiliates?

In FY 2007 DHS, through FEMA, awarded and disbursed \$450,484 to ACORN Institute for a Fire Prevention and Safety Grant. ACORN Institute was awarded another \$997,402 grant under this program in FY 2008; however, after Congress denied funding to ACORN and its affiliates, the FY 2008 award was rescinded and the funds were never disbursed. Other than the two awards to ACORN Institute under the Fire Prevention and Safety Program, DHS did not award any other financial assistance to ACORN or its affiliates.

3. Does DHS have the appropriate oversight mechanisms and plans in place for all grants, contracts, entitlements, and assistance (including funds from the *American Recovery and Reinvestment Act of 2009*) provided to ACORN and its affiliates?

For the Fire Prevention and Safety Grant Program, DHS, through FEMA, did not identify potential issues that the ACORN Institute could have with its FY 2007 grant, and therefore did not select it for an oversight review. As a result, FEMA was unaware that ACORN Institute had not fully implemented or evaluated its grant project and did not have documentation to substantiate \$160,797 of expenses funded by this grant. FEMA has since implemented a risk-based approach to identify and concentrate its efforts and resources on grantees based on the assessed risk. OIG will evaluate the adequacy of FEMA's new risk-based oversight and monitoring plan at a later date.

Appendix C

DHS OIG Response to Congressional Requests

Since DHS provided no other financial assistance to ACORN and its affiliates, an assessment was not performed on the adequacy of oversight of its other grants, contracts, entitlements, and assistance.

4. Did ACORN and its affiliates use DHS funds it received in accordance with the legislation and terms of the grant, contract, entitlement, or other form of assistance?

The only funds ACORN or its affiliates received from DHS were the \$450,484 FY 2007 Fire Prevention and Safety grant awarded to the ACORN Institute. OIG audited this grant and determined that the ACORN Institute did not fully implement and evaluate the project according to the approved grant terms. In addition, ACORN Institute could not demonstrate how it spent \$160,797 of these grant funds.

5. Did DHS conduct an audit of how ACORN spent the FY 2007 funds and whether this audit was used to justify the FY 2008 award?

DHS, through FEMA, did not audit how ACORN Institute spent the FY 2007 funds, and therefore an assessment of the ACORN Institute's FY 2007 performance and outcomes was not available to justify the FY 2008 award. However, DHS OIG did audit the FY 2007 grant, as presented in this report, and determined that the ACORN Institute had not fully implemented or evaluated the FEMA-funded project. The ACORN Institute can not demonstrate how it spent \$160,797 of these grant funds.

6. Was a share of federal grant funds received by organizations affiliated with ACORN provided to the ACORN national headquarters, independent of any assistance provided on the grant?

We identified journal entries in the ACORN Institute general ledger that transferred funds to ACORN Inc. These transactions were described as reimbursements for payroll and employee benefits, and administrative fees due to ACORN Inc. Some of these journal entries were selected in our sample, and we determined that the ACORN Institute did not have adequate documentation to support these expenses. As a result, these transactions have been reported to FEMA in our audit report as unsubstantiated expenses.

Appendix D
DHS OIG Analysis of Technical Evaluation Panel Scores

Sample No.	Program Title	Technical Evaluation Panel Average Score	FY 2007 Fire Prevention and Safety Grant Amount
1	Arson Detection/Prevention	94.33%	\$0.00
2	Other	90.33%	\$ 850,000.00
	Other	88.33%	\$0.00
3	General Prevention/Awareness	87.67%	\$ 127,699.00
	Other	86.33%	\$0.00
	Media/PR Campaign	84.67%	\$0.00
4	Smoke Alarm Campaign	87.13%	\$ 384,800.00
	General Prevention/Awareness	85.99%	\$0.00
	Media/PR Campaign	79.00%	\$0.00
5	Props/Trailers/Safety Village	86.67%	\$0.00
6	Wildland Fire Mitigation	86.37%	\$0.00
7	Props/Trailers/Safety Village	86.00%	\$0.00
8	Props/Trailers/Safety Village	83.00%	\$0.00
9	Media/PR Campaign	82.00%	\$0.00
10	General Prevention/Awareness	77.67%	\$0.00
11	General Prevention/Awareness	76.90%	\$0.00
	Arson Detection/Prevention	73.33%	\$0.00
12	Code Development/Enforcement	75.76%	\$0.00
	Smoke Alarm Campaign	75.00%	\$0.00
13	General Prevention/Awareness	74.33%	\$0.00
14	Smoke Alarm Campaign	74.25%	\$0.00
15	Smoke Alarm Campaign	73.67%	\$0.00
	Other	70.00%	\$0.00
	Code Development/Enforcement	68.56%	\$0.00
16	General Prevention/Awareness	73.00%	\$0.00
17	General Prevention/Awareness	72.67%	\$0.00
18	General Prevention/Awareness	72.00%	\$0.00
19	Firefighter Safety	71.67%	\$0.00
20	General Prevention/Awareness	69.67%	\$0.00
21	Other	69.33%	\$0.00
22	Multi-Hazard Prevention Programs	69.33%	\$0.00
23	Props/Trailers/Safety Village	69.33%	\$0.00
	Smoke Alarm Campaign	63.34%	\$0.00
24	Other	64.78%	\$0.00
25	General Prevention/Awareness	64.00%	\$0.00
26	General Prevention/Awareness	62.67%	\$0.00
ACORN Institute	General Prevention/Awareness	62.67%	\$ 450,484.00
27	Firefighter Safety	61.75%	\$0.00
28	Firefighter Safety	59.00%	\$0.00
29	General Prevention/Awareness	50.00%	\$0.00
30	Other	Not Eligible for Program	\$0.00

Source: Random sample of community organizations; from FEMA FY 2007 Fire Prevention and Safety Grant files

Appendix E
ACORN Institute – FY 2007 Grant Implementation Plan

ACTIVITIES	OUTCOMES	STRATEGY	KEY TASKS
Activity 1: Design and implement a community outreach program to residents to generate requests for in-home audits	Increased education among low- to moderate-income populations in target areas, generate well-trained fire prevention leaders from the community, increased access to public officials.	Involve community members in neighborhood meetings that promote fire education and prevention	<p>a) Creating a forum for education. Working with our partners on this project, the UFI [Urban Fire Initiative] team will connect local fire departments to underserved populations. New members will be recruited through an intense campaign utilizing partner organizations' newsletters, partner organization's website, door knocking, flyers, e-mails through the UFI partner listserv, auto-dials, and advertisements through the ACORN Institute tax and benefits centers.</p> <p>b) Holding fire education focused community meetings. Community members will come together for fire safety demonstrations at the regular monthly UFI-sponsored meetings. Through the direct partnership with local fire departments, community members will be instructed in:</p> <ul style="list-style-type: none"> • fireproofing homes • identifying local dangers • identifying hazardous housing materials • responsible landscaping <p>c) Making in-home audits available to community members. At meetings, participants will sign up for in-home audits done by fire fighters and trained volunteers. Fire safety messages and information concerning the in-home fire safety audits will be included in UFI partner newsletters and computer listserv. The outreach program will also include working with local media and using paid print and radio advertising to promote the in-home fire safety audits.</p>
Activity 2: Develop Community Volunteers who will deliver fire prevention education to 1,800 individual households.	Increased self-sufficiency at a community level, decreased demand on local fire departments for outreach, opened doors to underserved communities, increased trust/familiarity between community members and public officials	Recruit and train student and community volunteers from neighborhood groups to conduct in-home fire safety audits. Trained volunteers working in partnership with local firefighters will conduct in-home fire safety audits on request by the homeowner.	<p>a) Identify local volunteers willing to perform basic in-home risk assessments</p> <p>b) All volunteers will participate in a fire safety and prevention training session led by local fire department personnel. Volunteer would be instructed to:</p> <ul style="list-style-type: none"> • identify the presence of a smoke detector and a fire extinguisher • identify fire hazards in the home • identify landscaping hazards • determine if smoke detectors and fire extinguishers are operable • determine if a rope ladder is needed • determine if a family evacuation plan exists <p>c) Conduct in-home audits focusing on points detailed above</p>
Activity 3: Process and analyze the results of the in-home fire safety audits	Attained comprehensive understanding of unaddressed home risks, collected necessary information to remediate risks	Volunteers and UFI program staff will review audits to assess needs	<p>a) Prepare necessary technology for distribution</p> <p>b) Identify community members in need of assistance in addressing risks</p> <p>c) Identify community members in need of assistance in case of evacuation</p> <p>d) Utilize computer-based tracking system developed as part of a previous FEMA funded fire safety demonstration project in Madison County, North Carolina to process and track the in-home fire safety audits and resulting activities</p>

Appendix E
ACORN Institute – FY 2007 Grant Implementation Plan

ACTIVITIES	OUTCOMES	STRATEGY	KEY TASKS
Activity 4: Remediate homes which lack fire safety devices/have unaddressed risks	Increased sense of community and community safety, minimized risk of undetected fires thus reducing risk of property damage, injury, and fatality	Using in-home assessment results, trained volunteers will provide necessary equipment and instruction	a) Acquire and install fire safety and protection devices (smoke detectors, fire extinguishers, and rope ladders, where needed.) b) Address identified fire hazard risks c) Assist in developing family evacuation plans in homes, where needed. • develop family evacuation plans in home, where needed • couple family evacuation plans with community evacuation plans, identifying those in need of assistance (elderly, those without transportation, etc.) • help families assemble safety kits • work with families to address pre-existing medical conditions
Activity 5: Develop a computer tool to manage the information acquired in the in-home fire safety audits and the follow-up work conducted in each home audited	Foundation laid for future prevention efforts in these communities	Map all data to track which houses have been served and which have yet to be audited	a) Working with partner One Economy, ACORN organizers and members of local fire departments will document • the status of smoke detectors and fire extinguishers • the existence of family evacuation plans • work done in the household addressing fire risks b) Map the results of the in-home fire safety audits across the neighborhood using a geographic information system component of the computer tool. This will help fire departments and the UFI team target areas where homes have yet to receive in-home fire safety audits.

Source: ACORN Institute approved grant application

ACORN Institute
FY 2007 Fire Prevention and Safety Grant
EVALUATION PLAN

The personnel hired and specially assigned to this project at each location will be responsible for the generation of periodic reports concerning progress and effectiveness. The evaluation will be based on number of members contacted, number of meetings held, and the data collected from evaluation surveys filled out by community members. The actual activities will be compared against these goals:

- Number of requests for in-home fire safety audits generated
- Number of homes with high risk populations such as children and senior citizens where in-home fire safety audits are conducted
- Number of fire safety devices (smoke detectors and fire extinguishers) installed
- Number of homes where identified fire risks are identified and addressed
- Number of partners participating in program
- Number of volunteers participating in the program
- Number of individuals, children and adults, who participate in fire safety demonstrations in community meetings

Source: ACORN Institute approved grant application

Appendix G
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