

Department of Homeland Security **Office of Inspector General**

The State of Georgia's Management of State
Homeland Security Program and Urban Areas
Security Initiative Grants Awarded During
Fiscal Years 2008 Through 2010





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

AUG 3 2012

MEMORANDUM FOR: Elizabeth M. Harman
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency

FROM: Anne L. Richards *Anne L. Richards*
Assistant Inspector General for Audits

SUBJECT: *The State of Georgia's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010*

Attached for your action is our final report, *The State of Georgia's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010*. We incorporated the formal comments from the Federal Emergency Management Agency (FEMA) in the final report.

The report contains nine recommendations aimed at improving the overall management, performance, and oversight of FEMA's State Homeland Security and Urban Areas Security Initiative grant programs. Your office concurred with the intent of all of the recommendations. As prescribed by the Department of Homeland Security Directive 077-1, Follow-Up and Resolutions for the Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



Table of Contents

Executive Summary	1
Background	2
Results of Audit	2
Improvements Needed To Enhance the State of Georgia’s Grant Management Practices	2
Recommendations	15
Management Comments and OIG Analysis	17

Appendixes

Appendix A: Objectives, Scope, and Methodology	23
Appendix B: FEMA Management Comments to the Draft Report	26
Appendix C: State of Georgia Management Comments to the Draft Report	31
Appendix D: Description of Homeland Security Grant Program Process	42
Appendix E: Description of State of Georgia’s Homeland Security Grant Program Process.....	43
Appendix F: Major Contributors to This Report.....	46
Appendix G: Report Distribution.....	47

Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
GEMA	Georgia Emergency Management Agency
HSGP	Homeland Security Grant Program
OIG	Office of Inspector General
SHSP	State Homeland Security Program
UASI	Urban Areas Security Initiative



Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires the Department of Homeland Security (DHS) Office of Inspector General (OIG) to audit individual States' management of State Homeland Security Program and Urban Areas Security Initiative grants. This report responds to the reporting requirement for the State of Georgia.

The objectives of the audit were to determine if the State of Georgia distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds effectively and efficiently and in compliance with applicable Federal laws and regulations. We also addressed the extent to which grant funds enhanced the State of Georgia's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The audit included a review of approximately \$106 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded to the State of Georgia during fiscal years 2008 through 2010.

In most instances, the State of Georgia distributed and spent the awards in compliance with applicable laws and regulations. However, the State needs to- develop a comprehensive strategy with measureable objectives, develop a performance measurement system to assess emergency preparedness, timely obligate unencumbered grant funds, and strengthen onsite monitoring to ensure subgrantee compliance with Federal inventory and accountability requirements.

Issues existed because the Federal Emergency Management Agency (FEMA) and the Georgia Emergency Management Agency did not provide sufficient guidance and oversight for the grant process. Our nine recommendations call for FEMA to initiate improvements which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with the intent of all of the recommendations.



Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for administering the HSGP. FEMA supports preparedness by developing policies, ensuring that adequate plans are in place and validated, defining capabilities required to address threats, providing resources and technical assistance to States, and synchronizing preparedness efforts throughout the Nation. Appendix D provides a detailed description of the interrelated grant programs that constitute HSGP.

HSGP guidance requires the Governor of each State and Territory to designate a State Administrative Agency to apply for and administer grant funding awarded under the HSGP. The State Administrative Agency is the only entity eligible to formally apply for HSGP funds. FEMA requires that the State Administrative Agency be responsible for obligating grant funds to local units of government and other designated recipients within 45 days after receipt of funds. The Governor of Georgia created the Office of Homeland Security on January 13, 2003, and designated the Georgia Emergency Management Agency (GEMA), within the Office of Homeland Security, to serve as the State Administrative Agency for the State of Georgia (State).

GEMA was awarded more than \$106 million in HSGP funds during fiscal years (FYs) 2008, 2009, and 2010. This included \$61.7 million in State Homeland Security Program (SHSP) funds and \$41.25 million in Urban Area Security Initiative (UASI) grant funds. During this period, GEMA subawarded HSGP funds to one urban area and eight regions, which included various State agencies, municipalities, and local jurisdictions.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires DHS OIG to audit individual States' management of SHSP and UASI grants. This report responds to the reporting requirement for the State of Georgia. Appendix A provides details on the objectives, scope, and methodology of this audit.

Results of Audit

Improvements Needed To Enhance the State of Georgia's Grant Management Practices

In most instances, the State of Georgia distributed and spent SHSP and UASI awards in compliance with applicable laws and regulations. However, we



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

identified the following needed improvements to the State's grant management practices:

- The State's SHSP and UASI strategies should include measurable objectives;
- GEMA should develop adequate performance measures to assess overall State capabilities and preparedness;
- GEMA should notify and obligate grant funds to subgrantees more timely; and
- GEMA should better monitor subgrantees.

Issues existed because FEMA and GEMA did not provide sufficient guidance and oversight for the grant process. As a result, the State did not have an effective way to measure or assess overall State capabilities and emergency preparedness.

Measurable Objectives

The State did not include measurable target levels of performance in its State Homeland Security Strategies. According to *Department of Homeland Security State and Urban Areas Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005, an objective sets a tangible and measurable target level of performance over time against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. The guidance also mandates that an objective should be—

- Specific, detailed, particular, and focused—helping to identify what is to be achieved and accomplished;
- Measurable—quantifiable, providing a standard for comparison, and identifying a specific achievable result;
- Achievable—not beyond a State, region, jurisdiction, or locality's ability;
- Results-oriented—identify a specific outcome; and
- Time-limited—having a target date to identify when the objective will be achieved.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Georgia could not demonstrate quantifiable improvement and accomplishments to reduce its vulnerability to terrorism and natural disasters. The 2006 State Homeland Security Strategy included 37 objectives, of which 8 were completed. Twenty-three of the 37 objectives had completion dates that had expired more than 5 years ago. The 2006 strategy did not include an evaluation plan required by 2005 FEMA guidance.

Although GEMA revised the strategy in 2011 to include an evaluation plan, it included the same goals, objectives, implementation steps, and completion dates as the 2006 strategy (see table 1).

Table 1: Shortcomings in State Homeland Security Strategy Objectives

Goal	Objective	Shortcomings
3. Reduce Georgia’s vulnerability to terrorism and natural disasters.	3.3 Equipment: Procure the equipment necessary to implement an effective public warning system by July 2006.	The objective is not— <ul style="list-style-type: none"> • Specific • Measurable • Results-oriented
3. Reduce Georgia’s vulnerability to terrorism and natural disasters.	3.4 Equipment: Procure the equipment necessary to harden critical infrastructure and key assets in Georgia by July 2007.	The objective is not— <ul style="list-style-type: none"> • Specific • Measurable • Results-oriented
4. Provide an optimal response capability.	4.2 Equipment: Procure the equipment necessary to provide an optimum response capability within the State of Georgia by July 2010.	The objective is not— <ul style="list-style-type: none"> • Specific • Measurable • Results-oriented
4. Provide an optimal response capability.	4.3 Training: Sustain a broad-based training program to promote competency and standardization of all emergency personnel across all response disciplines.	The objective is not— <ul style="list-style-type: none"> • Specific • Measurable • Time-limited • Results-oriented

Source: GEMA, State Homeland Security Strategy.

Similar to the State’s strategy, the 2010 UASI Homeland Security Strategy contained objectives that were not specific, measurable, and results-oriented. The UASI strategy had 47 objectives, of which 16 did not have estimated completion dates. Table 2 provides some examples of shortcomings found in the UASI strategy.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 2: Shortcomings in the State’s UASI Homeland Security Strategy

Goal	Objective	Shortcoming
1. Improve and sustain regional collaboration through unified homeland security efforts.	Work with GEMA to identify and implement best practices related to the region- and statewide mutual aid system.	The objective is not— <ul style="list-style-type: none"> • Specific • Measurable • Results-oriented
3. Develop and sustain effective regional public safety preparedness and protection.	Develop common platforms for seamless communication using information technology.	The objective is not— <ul style="list-style-type: none"> • Specific • Measurable • Results-oriented
4. Enhance the Metro Atlanta UASI's capability to respond to an all-hazards incident, including terrorism.	Procure equipment necessary to implement effective public information and warning/mass notification.	The objective is not— <ul style="list-style-type: none"> • Specific • Measurable • Results-oriented

Source: Metro Atlanta UASI Homeland Security Strategy.

According to FEMA officials and documented correspondence, FEMA approved the State and UASI Homeland Security Strategies on March 12, 2011. FEMA only reviewed the strategy to ensure that all national priorities were addressed, associated goals and objectives were included, and the strategy contained an evaluation plan. FEMA’s review did not ensure that the goals and objectives were measurable or that the strategy contained timeframes for completion.

Without adequate goals and objectives, the State does not have an effective evaluation plan for monitoring progress, compiling key management information, tracking trends, and keeping planned work on track. Measurable goals and objectives would provide the State with a basis to evaluate the progress it has made on its preparedness, prevention, response, and recovery capabilities.

Performance Measures

GEMA does not have sufficient performance measures to use as a basis for determining progress toward its goals and objectives—specifically, to evaluate the progress of emergency preparedness and response capabilities of grant expenditures. According to the Code of Federal Regulations (CFR), 44 CFR 13.40, *Monitoring and Reporting Program Performance*, grantees must monitor grant-



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

and subgrant-supported activities to ensure compliance with applicable Federal requirements and to ensure that performance goals are being achieved.

In 2007, GEMA began using an Overall Readiness Index to assess its ability to respond to an emergency. The index does not align specifically with any target capabilities in FEMA guidance; however, it does identify six capabilities that could be used as a basis for developing performance measures until FEMA issues guidance. The six capabilities are designed to measure GEMA's ability to respond to emergencies involving the displacement of up to 50,000 individuals, affecting up to 50 counties, and supporting a response effort for up to 5 days, until national supplemental assistance arrived.

This index was not designed to assess overall State emergency capabilities and preparedness as required by FEMA guidance. Furthermore, it compiles data subjectively, using information that is difficult to verify. For example, discussions between key GEMA leaders are used to develop objectives for the next period. Results of each period are shared with staff, but this is done informally and not through a formalized, written process.

To determine capabilities, GEMA identifies local region needs and levels of preparedness through different taskforces and All Hazards Council meetings. The All Hazards Council is a non-governing body of representatives from local public safety and response agencies, elected officials, and other stakeholders from the State's eight Regional Areas. The council members plan and coordinate regional priorities and needs. The information generated from these meetings is used to create and prioritize investment justifications and GEMA's annual State Preparedness Report. GEMA does not use this information for the Overall Readiness Index.

FEMA has not provided clear guidance to States for development of performance measures. FEMA has provided States with emergency preparedness priorities and target capability needs. States then use this information as a basis for their State Self-Assessments.¹ However, the guidance has changed each year since 2008 in substantive ways that require States to shift priorities and focus. GEMA officials said these changes make it difficult to measure performance and to make year-to-year comparisons.

¹FEMA has changed the yearly State Preparedness Report into an assessment of Target Capabilities. The State Self-Assessment is GEMA's process of assessing current levels of specific Target Capabilities through an annual statewide All Hazards Council seminar.



Under Public Law 111-271, *Redundancy Elimination and Enhanced Performance for Preparedness Grants Act*, Congress required the National Academy of Public Administration to assist FEMA with developing and implementing measurable national preparedness capability requirements and evaluation criteria (speed, effectiveness, and efficiency, among others). These requirements will include a specific timetable for promptly developing a set of quantifiable performance measures and metrics to assess the effectiveness of the programs under which covered grants are awarded.

Without adequate performance measures, GEMA does not have a sufficient basis to evaluate progress in emergency preparedness and response capabilities resulting from grant expenditures. GEMA is also unable to adequately determine progress toward its goals and objectives.

Timely Obligation of Grant Funds

Although GEMA met the established timeframe for submitting the required Initial Strategy Implementation Plan to FEMA for FYs 2008 through 2010, GEMA did not obligate SHSP funds within 45 days as required in *FEMA Homeland Security Grant Program Guidance* (FEMA program guidance).

FEMA program guidance requires the State Administrative Agency to obligate passthrough grant funds within 45 days of FEMA's award date and includes the following requirements:

- There must be some action to establish a firm commitment on the part of the awarding entity.
- The action must be unconditional (i.e., no contingencies for availability of funds) on the part of the awarding entity.
- There must be documentary evidence of the commitment.
- The award terms must be communicated to the official grantee.

GEMA did not make funds available for expenditure to subgrantees until as many as 261 days after the required period. Our review of 10 SHSP passthrough subgrantees during FYs 2008 through 2010 showed that in all 23 instances, grant funds were not timely obligated to the subgrantees (see table 3).



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 3: Timeliness of Obligation of Subgrantee Awards, FYs 2008-2010

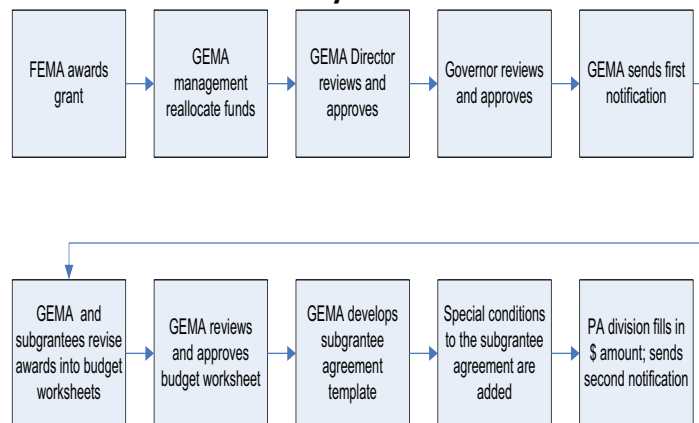
Fiscal year	Funds required to be obligated by	Average number of days late for first notification	Average number of days late for obligation and second notification	Number of budget worksheets
2008	10/6/2008	79*	261*	11
2009	10/5/2009	18	257	6
2010	11/1/2010	0	130	6
Total				23

* Note: Due to an unusual circumstance, one budget worksheet was late 619 days for first notification and 655 days for second notification, and therefore was excluded from the calculation.

Source: DHS OIG.

Obligation delays occurred because GEMA conducts an initial reallocation process and lengthy secondary review process before executing grant agreements. GEMA sends the first award notification to subgrantees after the award goes through a series of revisions and approvals at the management, director, and Governor levels. After the first letter is issued, GEMA and subgrantees revise the awards by specific projects into individual budget worksheets and develop a subgrantee agreement. Special provisions are added to the subgrantee agreement and a second notification letter is sent to the subgrantee (see figure 1).

Figure 1. First and Secondary Review Process after FEMA Award



Source: DHS OIG.



Procurement Practices

The State and subgrantees did not ensure that Federal regulations were followed for procurements of equipment and services using HSGP funds. 44 CFR 13.36, *Procurement*, provides uniform administrative requirements for grants and cooperative agreements awarded to State and local governments. Federal procurement regulations direct grantees and subgrantees, except for States, to—

- Acquire equipment and services under full and open competition.
- Conduct cost analyses to ensure that prices obtained through noncompetitive procurements are fair and reasonable.
- Use noncompetitive procurement—defined as procurement through solicitation from a single source, or, when competition is determined inadequate, after solicitation from several sources—only in certain circumstances. Specifically, noncompetitive procurement may be used when award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals and—
 - The item is only available from a single source, or
 - Public emergency will not permit a competitive purchase, or
 - The awarding agency authorizes noncompetitive proposals, or
 - After solicitation of a number of sources, competition is determined inadequate.

We identified a subgrantee that awarded a noncompetitive contract for \$2.2 million to purchase communication equipment. Subgrantee officials explained that the sole source contract was needed because this company's equipment was the only equipment compatible with the existing infrastructure. However, this decision was not documented in a sole source justification.

One contractor awarded a subcontract for \$450,000 to a local university to update an inventory of food systems within the State. The university performed this work as part of a research project on State agricultural terrorism. However, the contractor had no sole source justification for awarding this subcontract noncompetitively. Although both the contractor and subcontractor are State



entities and therefore exempt from Federal competitive bidding requirements, Georgia law requires competitive bidding for this particular procurement. The contractor claimed that the subcontractor had a unique ability to perform this ongoing work.

These questionable procurement practices that can be attributed to the subgrantees' limited knowledge of procurement requirements and GEMA's limited oversight of procurements. Neither FEMA nor GEMA could provide evidence of reviewing noncompetitive procurements of more than \$100,000.

Procurement requirements are necessary to ensure grant funds provide equipment or services at reasonable prices. Without full and open competition, cost analysis, or sole source justification, the grantee cannot be assured that the cost of the equipment or services is reasonable. Accordingly, if a noncompetitive procurement is appropriate, a Georgia non-State grantee or a subgrantee must ensure that the justification includes a cost analysis. This analysis will determine the reasonableness of the proposed price.

Subgrantee Program Monitoring

GEMA's monitoring efforts did not ensure subgrantee compliance with Federal laws and regulations. GEMA monitors subgrantees through desk monitoring, site visits, and regular contact between subgrantees and GEMA program managers. GEMA believes that these efforts are sufficient to identify and correct any financial, programmatic, and administrative issues that may occur. However, our review showed that these efforts did not always ensure subgrantee compliance with Federal laws and requirements.

Office of Management and Budget Circular A-133, *Compliance Supplement 2011, Part 3-Compliance Requirements, M-Subrecipient Monitoring*, requires grantees to monitor subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means. Also, 44 CFR 13.40(a), *Monitoring and Reporting Program Performance*, requires grantees to (1) provide day-to-day management of all grant- and subgrant-supported activities and (2) ensure that subgrantees comply with applicable Federal requirements and achieve program performance goals.

GEMA officials use a financial and program monitoring guide based on field best practices rather than specific Federal grant requirements. The guide includes eight sections, two of which relate to equipment and real property management practices and procurement. However, the guide does not adequately address all Federal requirements, including inventory and procurement practices.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

GEMA's desk monitoring involves fielding inquiries and reimbursing subgrantees for submitted expenses. The process allows GEMA to track subgrantee expenditures to ensure proper use of grant funds. GEMA grant managers review receipts and expenditures to ensure that projects are complete and meet all approved target capabilities.

GEMA maintains that the level of review necessary to approve subgrantee requests for reimbursement provides enough assurance that grant funds are sufficiently monitored. However, the reimbursement process tracks financial data only and does not account for other monitoring requirements, including inventory of assets and verification of intended use.

GEMA has conducted a limited number of site visits for subgrantees receiving HSGP funding from FYs 2008 to 2010. For example, although 227 subgrantees were funded over the 3 fiscal years reviewed, GEMA provided us with reported evidence of only five site visits. GEMA randomly selects one subgrantee from each of the eight Regional Areas within the State to undergo onsite monitoring at a time. GEMA has only one person dedicated to site monitoring activities, and this position recently became vacant.

During our site visits, we observed two overarching compliance issues that could have been identified with a better monitoring program:

- Subgrantees could not provide documentation that they fulfilled basic Federal acquisition requirements such as conducting market research to justify a sole source contract or to determine the best value for products and services.
- Subgrantees did not have a proper inventory system in place and were not always aware that there was a Federal inventory requirement.

GEMA maintains that subgrantees are continually monitored by informal site visits and desk monitoring. Within GEMA, the Homeland Security Division Director, Assistant Director, and Grant Program Managers meet with subgrantees, communicate by phone and email, and visit sites to ensure that grant projects are progressing as expected. GEMA maintains that these activities provide sufficient oversight of subgrantees. Our site visits and reviews demonstrated that these efforts do not always ensure compliance with all Federal grant laws and requirements.



Grant Inventory Requirements

Subgrantees did not always maintain inventory records in accordance with Federal requirements nor comply with property record requirements. Of the 15 subgrantee sites we visited, 12 had inventory to be reviewed. We found that seven of these sites either did not have an inventory system in place or did not have all the pertinent information identified by Federal requirements. Subgrantees were also in violation of the Federal requirement that a physical inventory be conducted every 2 years and reconciled with property records.

44 CFR 13.32(d), *Management Requirements*, establishes procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, and includes the following minimum requirements:

- Property records must be maintained and include the property's description, identification number, source of the property, and who holds the title holder, acquisition date, cost and percentage of Federal funds used in the cost, location, use and condition, and ultimate disposition.
- A physical inventory of the property must be taken and the results reconciled with the property records at least every 2 years.
- A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- Adequate maintenance procedures must be developed to keep the property in good condition.

Table 4 lists compliance issues.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 4: State of Georgia HSGP Inventory Compliance Issues

Subgrantee	Compliance Issue 44 CFR 13.32(d)(1)	Value of items tested
Gainesville	All assets not accounted for	Pricing not available
Savannah	Inadequate inventory list	\$300,702
Macon	Inadequate inventory list	\$359,974
Muscogee	No inventory system	\$43,854
Marietta	Unable to adequately verify assets	\$2,700
Georgia State Patrol	Inadequate inventory list	\$415,450
Douglassville	No inventory system, not aware of requirement	\$643,126
Total		\$1,765,806
Source: DHS OIG analysis.		

Typical inventory control violations included the following:

- Did not always include serial number or other identifiable number for all listed equipment of the property;
- No description of source or ownership (property of DHS);
- No description of equipment condition; and
- No estimated disposition date (estimated useful life).

As noted in table 4, more than \$1.7 million worth of equipment could be susceptible to theft or misuse because of the inadequacies in subgrantees' inventory controls.

Subgrantees did not always mark equipment purchased with HSGP funds. The FEMA grant agreement requires grant recipients, when practicable, to prominently mark any equipment purchased with grant funding with the statement, "Purchased with funds provided by the U.S. Department of Homeland Security." This is to ensure that equipment purchased is easily identified and its intended use can be verified.

Subgrantee personnel indicated that they were not aware of the Federal property management requirements, although the requirements were included in the terms of the subgrantee contracts with GEMA. Also, the inventory list we received did not exactly match the inventory we reviewed. As a result, GEMA



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

cannot ensure that assets procured with grant funds are adequately safeguarded to prevent loss, damage, or theft and used as intended. This could result in an emergency situation in which GEMA may not always have knowledge of the location or ready access to vital emergency preparedness equipment.

Prior Recommendations and FEMA Oversight

We contracted an audit of the *State of Georgia's Management of the Department of Homeland Security Grants Awarded During Fiscal Years 2002 through 2004*, issued in January 2008, which reported conditions similar to those that continue to exist. Although FEMA agreed to follow up and monitor conditions, monitoring practices appear to be deficient.

The report contained nine recommendations, six of which addressed the same conditions we found during our current review: (1) the need for a comprehensive strategy including viable evaluation metrics, (2) improper deliveries of equipment, (3) the need for better controls over procurement, (4) the need to maintain property records and conduct inventories, (5) awarding local funds to State agencies, and (6) untimely allocation of funds to local jurisdictions.

Although the State did not concur with most of the findings from the prior report, it did concur with most of the recommendations and made changes to correct deficiencies. For example, Georgia has institutionalized performance measures and is currently formalizing performance measure procedures. Although the State has made some progress by instituting the Overall Readiness Index, its State Homeland Security Strategy, and performance measures need improvement.

As discussed earlier in this report, untimely obligation of funds to subgrantees continues to be a challenge. In the 2008 report, the State did not concur and provided the following response: "...the awarding federal agency rescinded the requirement to obligate funds within 60 days for the FY 2003 Part 2 funds. The obligation periods for the FY 2003 Part 1 funds were set by the Grant Adjustment Notices as each budget was approved by DHS, and not measured by the Grant Award date." Although that particular issue may have been corrected through the DHS adjustment, currently the unencumbered obligation of funds to subgrantees does not comply with FEMA requirements.

Our review of supporting documentation of awarding local funds to State agencies revealed that written consents were signed by several parties who may have questionable signature authority, including an Association of County



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Commissioners and individual police officers. We also noted that the use of the funds explained in the written consents was too generic—listing uses as training or planning—making it difficult to link the use of funds to the associated expenditures. According to the *FEMA Homeland Security Grant Program Guidance and Application Kit*, this may occur only with the written consent of the local unit of government or Urban Area jurisdiction, with the written consent specifying the amount of funds to be retained and the intended use of funds.

Other issues persist, such as limited program monitoring of subgrantees and noncompliance with inventory requirements. In response to the 2008 findings, FEMA requested that the State ensure that the internal controls within and throughout its acquisition processes provide a reasonable level of assurance. FEMA also indicated that the State was monitoring its subgrantees, with the implementation of onsite visits in 2006. FEMA agreed to monitor the State's progress with its subgrantee monitoring program through FEMA's own periodic oversight of grant funds and activities.

Although the State agreed upon corrective actions, these conditions continue to exist because FEMA's followup and monitoring of GEMA is not sufficient. For example, in 2009 and 2010, FEMA grants management staff conducted onsite reviews covering areas such as financial administration, subrecipient monitoring, procurement, and controls over equipment. However, FEMA's reviews did not identify the discrepancies we identified. The purpose of the FEMA onsite review is to provide guidance and recommendations to enhance the State's efforts in managing Federal funding.

Recommendations

We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Assist the director of the Georgia Emergency Management Agency and the Urban Area Working Group in developing a comprehensive Homeland Security Strategy that—

- a. Includes specific, measurable, and results-oriented objectives in compliance with the most recent DHS guidance.
- b. Ensures that objective completion dates are consistently listed in the strategies, and are current and realistic for achieving each objective.



Recommendation #2:

Require the Georgia Emergency Management Agency to align the Overall Readiness Index with FEMA grant guidance, so the index can be used as a basis for developing performance measures until the Federal Emergency Management Agency issues guidance.

Recommendation #3:

Require the Georgia Emergency Management Agency to assess and streamline the current processes and procedures involved with the execution of subgrantee awards to expedite and obligate funds according to the Federal Emergency Management Agency prescribed timeline.

Recommendation #4:

Require the Georgia Emergency Management Agency to notify all entities awarded Homeland Security Grant Program funds of the requirement to use and follow Federal, State, and local procurement policies and standards as required for purchasing or acquiring equipment and services.

Recommendation #5:

Encourage the Georgia Emergency Management Agency to complete a review of all grant-funded purchases using fiscal years 2008, 2009, and 2010 State Homeland Security Program and Urban Areas Security Initiative grant funds of \$100,000. This should include those purchases made as sole source procurements and verify that sole source procurement was justified.

Recommendation #6:

Require the Georgia Emergency Management Agency to develop a program monitoring schedule and plan to help focus monitoring efforts on subgrantees. A plan would help the Georgia Emergency Management Agency better determine the resources it can commit to monitoring subgrantees and the resources it especially needs to meet determined monitoring goals.

Recommendation #7:

Require the Georgia Emergency Management Agency to revise and update the financial monitoring guide to ensure that it captures relevant and accurate



information necessary to ensure there is a review of subgrantee compliance with Federal and State requirements.

Recommendation #8:

Require the Georgia Emergency Management Agency to ensure that subgrantees develop and sustain an inventory control system that meets Federal requirements.

Recommendation #9:

Require the Federal Emergency Management Agency to enhance its monitoring reviews to include a component for following up with and verifying corrective actions initiated by grantees as a result of prior audit reports.

Management Comments and OIG Analysis

FEMA and the State of Georgia concurred with the intent of all our recommendations. FEMA acknowledged the need to improve the process, and noted that it would use the report findings and recommendations to strengthen program execution and performance measurement to make these programs more effective and efficient. As with our prior audit, Georgia disagreed with our findings but agreed with all our recommendations and acknowledged that improvements are needed. Our report includes the criteria and evidence to support these findings and form a basis for our recommendations. Thus, we expect the State to work with FEMA to improve its management, performance, and oversight of these grant programs.

Georgia disagreed with our conclusion that it could not demonstrate quantifiable improvement and accomplishments that reduced its vulnerability to terrorism and natural disasters. Although GEMA officials understood our objective, the State did not provide documentation to support the assertions, examples, and claims made in its comments to our report.

One goal of SHSP/UASI grant funding is to demonstrate that a State is using the funding to enhance its capability to prevent, deter, respond to, and recover from emergencies. To show that Georgia used grant funds to enhance this capability and its performance, we made numerous requests for supporting evidence. Although Georgia responded to these requests, it was unable to provide logical, readily accessible, and sufficient evidence to support its good use of grant funds. Instead, the State focused its responses on its efforts to reduce vulnerability in emergencies. Therefore, only anecdotal evidence could be used to assess



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

whether it demonstrated good use of funds to enhance capability and performance. As a result, we could not quantifiably verify Georgia's assertion that SHSP/UASI grant funding made it more prepared for emergencies.

We determined that Georgia's program objectives were not specific and were too general to be used to quantify the results of its efforts. Given the nature of emergency preparedness, establishing specific program objectives is both a FEMA and a State responsibility.

FEMA and the State both acknowledged the need for improvement in grant management and have begun to take action as a result of our recommendations. A summary and analysis of FEMA's and the State of Georgia's responses follow.

FEMA and State Responses to Recommendation #1: FEMA concurred with the intent of Recommendation #1. FEMA noted that the FY 2012 Homeland Security Grant Program Funding Opportunity Announcement encouraged States to update their strategies so their goals and objectives align with those in Presidential Policy Directive 8 and in FEMA's Whole Community approach. Although not yet required in grant guidance, under the Presidential Policy Directive 8 initiative, FEMA has developed better tools to assist States in establishing specific and measurable goals and objectives. When updating the strategies, goals, and objectives, FEMA encourages States to consider collaboration across disciplines, jurisdictions, and agencies in the framework of mission areas and capability-based planning. FEMA also offered technical assistance to Georgia in its planning efforts.

To date, Georgia has not provided evidence of measurable progress toward enhancing its emergency preparedness capabilities, but it agrees that a clear State Homeland Security Strategy and performance measures are essential to meeting this goal and efficiently managing grant funds. Georgia stated that it had revised the State Homeland Security Strategy and that the first draft was under review. The State believes the updated strategy will follow FEMA's guidance to establish specific, measurable, and results-oriented objectives. It should be completed and published during 2012, and will be submitted to FEMA at that time. In addition, the State reported it would review the UASI strategy before the end of 2012 and ensure that it meets FEMA requirements and guidance.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until we have reviewed the revised strategy, the FY 2012 Homeland Security Grant Program Funding Opportunity Announcement, and evidence that



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

FEMA's technical assistance to Georgia has improved the State's planning efforts.

FEMA and State Responses to Recommendation #2: FEMA concurred with the intent of the recommendation and agreed to work with Georgia to ensure that the State uses all available resources to carry out grant projects effectively and use funding efficiently. FEMA will provide support to ensure that the State strategy and subsequent preparedness grant applications align with the agency's core capabilities, the State Preparedness Report, and Georgia's Threat and Hazard Identification and Risk Assessments. As a result, Georgia will be able to measure progress against a common set of core capabilities established in the National Preparedness Goal. Georgia responded that GEMA uses and will continue to use the Overall Readiness Index and other processes to both gauge its preparedness for emergencies and guide its progress toward preparedness. Georgia's response to Recommendation #1 also applies to this recommendation.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until FEMA provides evidence that it has ensured that the State strategy and subsequent preparedness grant applications align with the FEMA core capabilities, the State Preparedness Report, and Georgia's Threat and Hazard Identification and Risk Assessments. This evidence should demonstrate that GEMA's Overall Readiness Index is aligned with FEMA grant guidance and, until FEMA issues guidance on them, can be used to develop performance measures.

FEMA and State Responses to Recommendation #3: FEMA concurred with the intent of the recommendation and will work with the State of Georgia to ensure that the State improves subgrantee award protocols and processes to align them with agency guidance and regulations. The GEMA Director will be required to complete a policy for subgrantee awards that aligns with grant guidance timelines and regulations. FEMA expects the revised subgrantee award policy to be submitted by August 31, 2012.

GEMA believes it is meeting FEMA deadlines for executing subgrantee awards and noted it will remain a good steward of this Federal funding. The State contends that we calculated the end of the 45-day obligation period incorrectly and that we mistakenly reported 80 percent of FY 2008–2010 HSGP grant funding was not obligated, as required, within 45 days of receipt of grant funds. According to Georgia, the start of the 45-day period should be the date it receives FEMA funds. However, according to FEMA's grant guidance, "Upon approval of an application, the grant will be awarded to the grant recipient. The



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

date that this is done is the 'award date.' The State's pass-through period must be met within 45 days of the award date for the HSGP."

State officials believe they met the 45-day funding obligation requirement through award letters the Governor of the State of Georgia sent to subgrantees. However, those letters did not meet all funding obligation requirements in FEMA's HSGP Grant Guidance. Furthermore, because it believes it met the requirement, GEMA contends that the late obligations and second notifications were not relevant. However, the second notification is relevant because, unlike the Governor's award letters, the second notification satisfies all FEMA requirements related to obligation of passthrough grant funds.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until we have reviewed the revised policy document. The actions must demonstrate that GEMA has assessed and streamlined the current processes and procedures involved with the execution of subgrantee awards to expedite and obligate funds according to the prescribed timeline.

FEMA and State Responses to Recommendation #4: FEMA concurred with the intent of the recommendation and will work with Georgia to ensure that the State formally notifies subgrantees of the requirements to use Federal, State, and local procurement guidance and regulations as standards for purchasing or acquiring equipment and services. The GEMA Director will be required to send formal notification to existing subgrantees and add language to future award documents that formally notifies subgrantees of the requirement to follow Federal, State, and local policies and standards for procurement of services and equipment. FEMA expects to receive evidence of this formal notification by August 31, 2012.

Georgia is confident the binding agreements signed by subgrantees contain language that clearly notifies grant recipients of procurement requirements. The State further contends it substantially monitors subgrantees. Thus, in addition to this monitoring, the contractual obligations of subgrantees ensure their compliance with Federal and State laws, grant guidance, regulations, circulars, and other requirements. The subgrantee agreements also clearly set forth penalties for noncompliance and corrective actions. We maintain that, although the agreements contain this language, the State would not be able to identify instances of noncompliance because of our reported limited monitoring of subgrantees.



OFFICE OF INSPECTOR GENERAL Department of Homeland Security

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until we receive support showing that GEMA is notifying all entities awarded HSGP funds of the requirement to use and follow Federal, State, and local procurement policies and standards required to purchase or acquire equipment and services.

FEMA and State Responses to Recommendation #5: FEMA concurred with the intent of the recommendation and agreed to work with the State to ensure that a review of all grant-funded purchases using FY 2008–2010 SHSP and UASI grant funds of \$100,000 or more. The GEMA Director will be required to complete this review to ensure that proper procurement procedures were followed, including sole source requirements. GEMA's response also indicated that, by the end of 2012, the State will endeavor to identify and review such awards for the noted grant years to ensure that procurement regulations and procedures were followed.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until FEMA provides evidence that GEMA has completed a review of all grant-funded purchases of \$100,000 or more using FYs 2008–2010 SHSP and UASI grant funds. This review should include purchases made as sole source procurements and should verify that the sole source procurement was justified.

FEMA and State Response to Recommendation #6: FEMA concurred with the intent of the recommendation and will work with the State to develop a program monitoring schedule and methodology to maximize monitoring efforts according to requirements set forth in 13 CFR. The GEMA Director will be required to submit the revised subgrantee monitoring plan to FEMA for review within 90 days of the issuance of this report.

GEMA noted that the position responsible for program monitoring is currently vacant. As soon as practical after filling this position, GEMA will establish a schedule to conduct program monitoring visits. GEMA will also continue to contract with professional associations to assist with monitoring. Finally, it will develop and implement a program monitoring plan by the end of 2012.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until we review GEMA's program monitoring schedule and plan. The plan must identify the resources GEMA needs to monitor subgrantees and to meet determined monitoring goals.



FEMA and State Responses to Recommendation #7: FEMA concurred with the intent of the recommendation and agreed to work with the State to ensure GEMA revises its financial monitoring guide for effective oversight of subgrantees and compliance with Federal and State requirements. The GEMA Director will be required to complete the corrective actions by August 31, 2012. GEMA also responded that, by September 2012, it would comply with this recommendation and develop and implement a more robust financial monitoring guide that includes FEMA requirements.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until we review the updated financial monitoring guide to verify that it captures the information necessary to ensure a review of subgrantees' compliance with Federal and State requirements.

FEMA and State Response to Recommendation #8: FEMA concurred with the intent of the recommendation. FEMA will work with the State to ensure Georgia requires subgrantees to develop and maintain an inventory control system that complies with Federal requirements. The GEMA Director will be required to complete the corrective actions by August 31, 2012. GEMA agreed to develop further guidance documents and training for subgrantees on inventory control policies to be instituted for FY 2012 grant awards.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until FEMA provides support that GEMA's subgrantees have developed and maintained an inventory control system that complies with Federal requirements.

FEMA and State Responses to Recommendation #9: FEMA concurred with the intent of the recommendation and is updating its monitoring protocols and plans to incorporate audit corrective actions as part of its onsite reviews of grantees. The revised protocols should be finalized no later than August 31, 2012. GEMA had no reply to this recommendation, but agreed to cooperate with all FEMA program monitoring visits and requests for information.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until FEMA provides evidence that the agency has enhanced its monitoring reviews to include a component for following up with and verifying corrective actions initiated by grantees as a result of prior audit reports.



Appendix A

Objectives, Scope, and Methodology

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 provides the results of our work to determine whether the State of Georgia spent SHSP and UASI grant funds (1) effectively and efficiently and (2) in compliance with applicable Federal laws and regulations. We also addressed the extent to which funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

The HSGP and its four interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, only SHSP and UASI funding, equipment, and supported programs were reviewed for compliance. The scope of the audit included the SHSP and UASI grant awards for FYs 2008, 2009, and 2010. We reviewed the plans developed by the State to improve preparedness and all-hazards response, the goals set within those plans, the measurement of progress toward the goals, and the assessments of performance improvement that result from this activity (see table 5).



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 5: State of Georgia Homeland Security Grant Program Awards

Funded Activity	FY 2008	FY 2009	FY 2010	Total
State Homeland Security Program	\$ 21,880,000	\$ 20,637,500	\$ 19,229,905	\$ 61,747,405
Urban Areas Security Initiative	14,220,000	13,509,150	13,522,973	41,252,123
Total	\$ 36,100,000	\$ 34,146,150	\$ 32,752,878	\$ 102,999,528
Citizen Corps Program	384,305	382,020	328,757	1,095,082
Metropolitan Medical Response System Program	642,442	642,442	634,838	1,919,722
Grand Total	<u>\$ 37,126,747</u>	<u>\$ 35,171,112</u>	<u>\$ 33,716,473</u>	<u>\$ 106,014,332</u>

Source: DHS OIG.

We relied on FEMA’s computer-processed data that contained information on the grant funds awarded during FYs 2008 through 2010. We conducted limited tests on these data to source documentation to ensure that the data were sufficiently reliable to be used in meeting our audit objective.

We visited the designated State Administrative Agency, GEMA, and the following 15 subgrantees that had been awarded funding in FYs 2008, 2009, and 2010.

State Agencies

- Georgia Department of Natural Resources
- Georgia State Patrol
- Georgia Information Sharing and Analysis Center
- Georgia Bureau of Investigation
- Georgia Public Safety Training Center

State Universities

- University of Georgia
- University of Georgia Police Department



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Local Jurisdictions

- City of Macon Police Department
- City of St. Mary's Fire Department
- City of Savannah-Chatham County Metro Police Department
- Athens-Clarke County Fire and Emergency Services
- City of Marietta Fire Department
- City of Douglasville
- City of Gainesville Fire Department
- Muscogee County Sheriff's Office

At each location, we interviewed responsible officials, reviewed documentation supporting State and subgrantee management of grant funds, and inspected selected equipment procured with grant funds. We also interviewed officials awarded UASI grant funds to determine whether funds were expended according to grant requirements and priorities established by the State.

We conducted this performance audit between August 2011 and January 2012, pursuant to 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
FEMA Management Comments to the Draft Report

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



FEMA

JUN 12 2012

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

FROM: *for* David J. Kaufman *Kathleen B. Cox*
Director
Office of Policy and Program Analysis

SUBJECT: Comments to OIG Draft Report, *The State of Georgia's Management of State Homeland Security Program and Urban Areas Security Initiatives Grants Awarded During Fiscal Years 2008 through 2010*

Thank you for the opportunity to comment on the draft report. The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our programs. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report. Our responses to the recommendations are as follows:

OIG Recommendation #1: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate assist the Director of the Georgia Emergency Management Agency and the Urban Area Working Group in developing a comprehensive Homeland Security Strategy that:

- a. Includes specific, measurable, and results-oriented objectives in compliance with the most recent DHS guidance
- b. Ensures that objective completion dates are consistently listed in the strategies, and are current and realistic for achieving each objective

FEMA Response: FEMA concurs with the intent of this recommendation.

The FY12 Homeland Security Grant Program (HSGP) Funding Opportunity Announcement (FOA,) provided encouragement to states on updating their homeland security strategies so that their goals and objectives align to Presidential Policy Directive 8 (PPD-8) and the Whole of Community approach.

The FOA states that *State and Urban Area Homeland Security Strategies should be updated every two (2) years at a minimum to ensure that their strategies continue to address all homeland security mission areas (prevent, protect against, respond to, recover from, and mitigate all hazards) and reflect how their goals and objectives align to PPD-8 and the Whole Community approach. When*

www.fema.gov



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

revisiting and updating the strategies, goals, and objectives, States and Urban Areas are strongly encouraged to consider collaboration across disciplines, jurisdictions, and agencies within the framework of the mission areas and based on a capability-based planning approach.

The FY 2011 and FY 2012 guidance to grantees sets funding priorities and includes specific objectives, measures and reporting requirements. Furthermore, FEMA will offer technical assistance to the State of Georgia to help with their planning efforts. FEMA will work with Georgia in developing an updated state strategy which includes objectives that are more specific, measurable, achievable, results-oriented, and time limited. Completion of the enabling objectives in the strategy will lead to the accomplishment of their associated goal.

An updated strategy meeting the recommended criteria will be submitted into the Grants Reporting Tool within 90 days of this report. FEMA requests that the recommendation be resolved and open pending completion of the stated corrective actions.

OIG Recommendation #2: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Georgia Emergency Management Agency to align the Overall Readiness Index with FEMA grant guidance, so the index can be used as a basis for developing performance measures until the Federal Emergency Management Agency issues guidance.

FEMA Response: FEMA concurs with the intent of this recommendation.

FEMA will work with the State of Georgia to ensure that the state utilizes all available resources to support effective performance of grant projects and funding. Specifically, FEMA will provide support to Georgia to ensure that the state strategy and subsequent preparedness grant applications align with the FEMA core capabilities, the Georgia State Preparedness Report (SPR), and Georgia Threat and Hazard Identification and Risk Assessments (THIRA). Ensuring integration and consistency of their State strategy and grant applications with FEMA doctrine and policy will allow Georgia to measure progress against a common set of core capabilities established in the National Preparedness Goal.

FEMA recommends that this recommendation be resolved and open pending the submission and subsequent review of Georgia FY 2012 HSGP application.

OIG Recommendation #3: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Georgia Emergency Management Agency to assess and streamline the current processes and procedures involved with the execution of subgrantee awards to expedite and obligate funds according to the Federal Emergency Management Agency prescribed timeline.

FEMA Response: FEMA concurs with the intent of the recommendation. FEMA will work with the State of Georgia to ensure that the state improves subgrantee award protocols and processes aligning with the guidance and regulations. The Director of the Georgia Emergency Management Agency, the State Administrative Agency (SAA), will be required to complete a policy for

www.fema.gov



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

subgrantee awards that aligns with the required timelines and regulations in the grant guidance. The revised policy document should be submitted to FEMA for review by August 31, 2012.

FEMA requests that the recommendation be resolved and open pending completion of the stated corrective actions.

OIG Recommendation #4: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Georgia Emergency Management Agency to notify all entities awarded Homeland Security Grant Program funds of the requirement to use and follow federal, State and local procurement policies and standards as required for purchasing or acquiring equipment and services.

FEMA Response: FEMA concurs with the intent of the recommendation.

FEMA will work with the State of Georgia to ensure that the State formally notifies subgrantees of the requirements to use federal, State, and local procurement guidance and regulations as standards for purchasing or acquiring equipment and services. The Director of the Georgia Emergency Management Agency, the State Administrative Agency (SAA), will be required to send formal notification to existing subgrantees and add language to future subgrantee award documents that formally notifies subgrantees of the requirement to follow Federal, State, and Local policies and standards for procurement of services and equipment.

Evidence of the formal notification and revised award documentation should be sent to FEMA for review by August 31, 2012. FEMA requests that the recommendation be resolved and open pending completion of the stated corrective actions.

OIG Recommendation #5: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate encourage the Georgia Emergency Management Agency to complete a review of all grant-funded purchases using fiscal years 2008, 2009, and 2010 State Homeland Security Program and Urban Areas Security Initiative grant funds of \$100,000. This should include those purchases made as sole source procurements and verify that sole source procurement was justified.

FEMA Response: FEMA concurs with the intent of the recommendation.

FEMA will work with the State of Georgia to ensure that a review of all grant-funded purchases using FY 2008, 2009, and 2010 State Homeland Security Program and Urban Areas Security Initiative grant funds of \$100,000 or more. The Director of the Georgia Emergency Management Agency, the SAA, will be required to complete a review of all 2008, 2009, and 2010 grant purchases over \$100,000 to ensure that proper procurement procedures were followed, including sole source requirements.

The results of the review will be submitted to FEMA by August 31, 2012. FEMA requests that the recommendation be resolved and open pending completion of the stated corrective actions.

www.fema.gov



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Recommendation #6: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Georgia Emergency Management Agency to develop a program monitoring schedule and plan to help focus monitoring efforts on subgrantees. A plan would help the Georgia Emergency Management Agency better determine the resources that it can commit to monitoring subgrantees and what resources it especially needs to meet determined monitoring goals.

FEMA Response: FEMA concurs with the intent of the recommendation.

FEMA will work with the State of Georgia to ensure that the State develops a program monitoring schedule and methodology to ensure monitoring efforts are maximized and in accordance with requirements set forth in 13 CFR. The Director of the Georgia Emergency Management Agency, the SAA, will be required to submit the revised subgrantee monitoring plan to FEMA for review within 90 days of the issuance of this report. FEMA requests that the recommendation be resolved and open pending completion of the stated corrective actions.

OIG Recommendation #7: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Georgia Emergency Management Agency to revise and update the financial monitoring guide to ensure that it captures relevant and accurate information necessary to ensure there is a review of subgrantee compliance with federal and State requirements.

FEMA Response: FEMA concurs with the intent of the recommendation.

FEMA will work with the State of Georgia to ensure that the State revises its financial monitoring guide to ensure effective oversight of subgrantees and compliance with federal and State requirements.

The Director of the Georgia Emergency Management Agency, the SAA, will be required to complete the corrective actions described by August 31, 2012. FEMA requests that the recommendation be resolved and open pending completion of the stated corrective actions.

OIG Recommendation #8: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Georgia Emergency Management Agency to ensure that subgrantees develop and sustain an inventory control system that meets federal requirements.

FEMA Response: FEMA concurs with the intent of the recommendation.

FEMA will work with the State of Georgia to ensure that the State requires subgrantees to develop and maintain an inventory control systems that complies with federal requirements.

The Director of the Georgia Emergency Management Agency, the SAA, will be required to complete the corrective actions described by August 31, 2012. FEMA requests that the recommendation be resolved and open pending completion of the stated corrective actions.

www.fema.gov



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

OIG Recommendation #9: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Federal Emergency Management Agency to enhance its monitoring reviews to include a component for following up with and verifying corrective actions initiated by grantees as a result of prior audit reports.

FEMA Response: FEMA concurs with the intent of the recommendation.

FEMA is currently updating its monitoring protocols and plans to incorporate audit corrective actions as part of the review while on-site with grantees.

The revised protocols should be finalized no later than August 31, 2012. FEMA requests that the recommendation be resolved and open pending final approval of revised monitoring protocols.

Again, we thank you for the opportunity to review your findings and recommendations contained in your OIG Draft Report, *The State of Georgia's Management of State Homeland Security Program and Urban Areas Security Initiatives Grants Awarded During Fiscal Years 2008 through 2010*. Please feel free to contact Gina Norton of our GAO/OIG Audit Liaison Office, at 202-646-4287, with any questions or concerns.

www.fema.gov



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C

State of Georgia Management Comments to the Draft Report

**GEORGIA EMERGENCY MANAGEMENT AGENCY
GEORGIA OFFICE OF HOMELAND SECURITY**

NATHAN DEAL
GOVERNOR



CHARLEY ENGLISH
DIRECTOR

**State of Georgia
Response to
Office of Inspector General
Department of Homeland Security
Audit Report Entitled
*The State of Georgia's Management of
State Homeland Security Program and
Urban Area Security Initiative Grants
Awarded During Fiscal Years
2008 through 2010***

Exhibit C, Georgia Comments to Audit Report

The Georgia Emergency Management Agency/Homeland Security (GEMA) has administered homeland security grants since 1999 on behalf of the State. GEMA appreciates the appropriation of these funds by Congress, and has worked diligently through the years to apply these funds toward the goals of reducing Georgia's vulnerability to terrorism and enhancing emergency response. A comprehensive but still incomplete list of the response capabilities created or enhanced by the State through these grants follows below, along with specific examples of how those capabilities have had impact in Georgia. However, the State respectfully yet strongly asserts that this audit report does a disservice to Congress, the State, and the citizens whose taxes have supported these efforts by stating that "Georgia could not demonstrate quantifiable improvement and accomplishments to reduce its vulnerability to terrorism and natural disasters." This statement is inflammatory, irresponsible, and offensive to the State and to those in the homeland security community who benefit every day from the equipment, training, plans and systems that homeland security funds have provided to Georgia's first response community over the years. The State is not simply satisfied, but proud of the accomplishments gained by this funding, and it is indisputable that Georgia's vulnerabilities to terrorism and natural hazards have been reduced.

Through GEMA, HSGP grants have built and supported such things as the Georgia Information Sharing and Analysis Center (GISAC), Georgia's fusion center which has initiated numerous investigations resulting in apprehension, most recently the arrests of individuals in north Georgia intent on chemical and explosive attacks against federal and state facilities in Atlanta. GISAC has long been considered by the Department of Homeland Security a "best practice" center and was presented the *Fusion Center of the Year Award* by Secretary Napolitano in April of this year. GISAC reduces Georgia's vulnerability and makes the state safer. These grants have also been applied to build and sustain Georgia Search and Rescue (GSAR) collapsed structure response teams located throughout the state, a capability nonexistent in Georgia before the grants became available. These teams have responded to numerous incidents through the years, such as the Bluffton University Baseball Team bus crash in Atlanta in 2007, the tornados in northwest Georgia one year ago and in downtown Atlanta in 2008, and other incidents requiring a high level of expertise and technical equipment. These teams also reduce vulnerability and make Georgia safer. The DHS Office of Bombing Prevention also considers Georgia a "best practice" state regarding the State's Improvised Explosive Device planning and bomb management program, citing Georgia's practices to others nationwide. These efforts also reduce vulnerability and make Georgia safer.



Post Office Box 18055 • Atlanta, Georgia • 30316-0055
(404) 635-7000 • Toll-free in Georgia 1-800-TRY-GEMA • www.gema.ga.gov



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

These are only a very few examples that the State presents to refute the disingenuous assertion that the state cannot demonstrate a reduction in vulnerability. Even so, the State respects and takes very seriously the audit process, has carefully reviewed this audit report, and submits this reply to the audit findings. The State will address all bolded categories of the report, but will address Finding 1 and Finding 2 in one section, as the issue of performance measures is integral to the State's strategic planning effort.

Auditor's Finding 1:

The State's SHSP and UASI strategies should include measurable objectives.

Auditor's Finding 2:

GEMA should develop adequate performance measures to assess overall State capabilities and preparedness.

Executive Summary of Response to Auditor's Finding 1 and 2:

The State of Georgia does not concur with Auditor's Findings 1 and 2 for the following reasons:

FEMA approved Georgia's 2006 State Homeland Security Strategy, and the State has complied with the requirements which were a condition precedent to receiving the grant awards which include annual reviews of the State Strategic Plan. The OIG report cites that "FEMA has not provided clear guidance to States for development of performance measures." For the period reviewed by the audit, FEMA's grant guidance did not require measureable objectives; however the State continued to apply funds to meet State Strategic Plan objectives that are measurable by a variety of standards. Since 2005, FEMA has initiated no fewer than three performance measures pilot programs, none of which were fully developed and implemented. These included the "National Preparedness System," the "Pilot Capabilities Assessment" and "Cost to Capability." The state actively participated in the development of two of these programs, and the UASI the third, investing considerable time and effort only to see each effort abandoned by FEMA. While FEMA continues to struggle with providing guidance for appropriate measureable objectives, the State has applied funds in accordance with all guidance and to create, improve or enhance capabilities as defined and prioritized by FEMA. Last year FEMA initiated a new system of strategy development with performance measures under Presidential Preparedness Directive 8, and the State is meeting those requirements with the development of a new State Strategic Plan with performance measures that are based upon the latest FEMA guidance related to the State Preparedness Report and the Threat and Hazard Identification Risk Assessment (THIRA).

Even so, the State contends that the State Strategic Plan does contain measurable objectives. While it is notable that DHS and FEMA guidance and priorities changed each year, the State consistently applied Homeland Security Grant Program (HSGP) funding toward the goals and objectives contained in the State Strategic Plan to enhance capabilities in the areas of response, prevention, protection and recovery. The State contends that many of these goals, especially those involving response assets that make Georgia safer, are easily quantified. For example, page 22 of the State Strategic Plan outlines response time objectives to every location in Georgia for specific specialized response teams that were either under development or in which capabilities were enhanced using HSGP funds under the plan as follows:

Animal Response Team	2 hours
Bomb Squads	1 hour
Dive Rescue Team	2 hours
Hazardous Materials Team	2 hours
Heavy Rescue Team	2 hours



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Hostage Negotiation Team	1 hour
Incident Management Team	1 hour
K9 Teams (except K9 Bomb Team)	2 hours
K9 Bomb Team	1 hour
Mobile Field Forces	2 hours
SWAT / Tactical Team	1 hour
Georgia Search & Rescue Task Force	4 hours

In conjunction with the response time measurement, the State has also dedicated funds each year to upgrading response team capabilities to the next higher level of capability as defined by National Incident Management System (NIMS) typing levels. The measureable objectives are to provide the highest level capability response (Type 1) to every location in Georgia within the timeframe established by the table above.

Additionally, the State applied funds to achieve a relatively low cost solution to interoperability among local and state public safety agencies statewide in development of the Georgia Interoperability Network and mobile communications platforms to respond to sites of emergencies and disasters. Each Public Safety Answering Point (PSAP) throughout the state (149) now has equipment installed that allows it to connect with any other PSAP statewide as well as numerous state agency warning points. With this equipment, each respective PSAP may also connect disparate systems and frequencies to its system to allow interoperability with outside jurisdictions. As this system has matured, the State has developed a web-based training program and is conducting exercises to measure the effectiveness of the system and the training.

The State agrees that a clear State Strategy and performance measures are essential to enhance capabilities and efficiently manage funds. While not yet a requirement in grant guidance, FEMA has developed better tools to assist the States in doing so under the PPD 8 initiative. The State believes that the soon to be completed State Strategic Plan will satisfy this non-mandatory requirement.

Auditor's Finding 3:

GEMA should notify and obligate grant funds to subgrantees more timely.

Executive Summary of Response to Auditor's Finding 3:

The State does not concur with Auditor's Finding 3 for the following reasons:

The State contends that the auditors calculated the end of the 45-day obligation period incorrectly and incorrectly stated that 80% of FY08-10 HSGP grant funding was not obligated within 45 days of receipt of the grant funds as required. But prior to the State's reply to this finding, the State wishes to clarify that while we view all grant guidance seriously, the State will always err on the side of caution regarding stewardship of these funds, and believes strongly that adherence to grant guidance and conditions to reduce vulnerability to terrorism and enhance response rightly take precedence over timely obligation.

GEMA did notify and obligate grants funds within 45 days of receipt of the FY08, 09 and 10 HSGP funds as required.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

FY08 DHS HSGP grant guide, Obligation of Funds, p. iii, states: The SAA must obligate 80 percent of the funds awarded under SHSP and UASI to local units of government within 45 days of *receipt of funds* ... (Emphasis added).

FY09 DHS HSGP grant guide, Award Administration Information, A. Notice of Award, p. 46, states: The SAA must obligate at least 80 percent of the funds awarded under SHSP and UASI to local units of government within 45 days of *receipt of the funds*. (Emphasis added).

FY10 DHS HSGP grant guide, Award Administration Information, A. Notice of Award, p. 51, states: The SAA must obligate at least 80 percent of the funds awarded under SHSP, UASI and OPSG to local units of government within 45 days of *receipt of the funds.*" (Emphasis added).

The State contends that the 45-day period to obligate funds starts on the date of receipt of the grant funding. DHS specifies in the FY09 Homeland Security Grant Program Guidance and Application Kit, page 46, footnote 7, that "receipt of funds means the date on which funds are available (e.g., all special conditions prohibiting obligation, expenditure and draw down have been removed.)" Until the award documentation is received by the State, i.e., available to be downloaded and/or printed, no funds can be available to or received by the State. Until the State accepts the award of funding by signing and returning the Grant Award Notice, the funds are not available. The State measures the 45-day period from the date that the Grant Award Notice (GAN) is *received*, which is earlier than what the State contends to be the required date when the funds are available to the State (after the State has accepted and signed the GAN).

The audit report's dates for "funds required to be obligated" are incorrect because those dates are not 45 days after Georgia *received* the grant funding or even 45 days after the State received the Grant Award Notice. For example, the date that the auditors specify as the "funds required to be obligated by" date for the FY08 HSGP would have allowed the State only 19 days after the *receipt* of the Grant Award Notice to obligate local share funding. The FY08 GAN was loaded onto the grant system, available for receipt (download by the State), on September 19, 2008. Assuming *arguendo* that the date of receipt of the GAN, rather than availability of grant funding, starts the 45-day obligation period, the end of the 45-day period after date of *receipt* of the GAN was November 3, 2008, not October 6, 2008, as stated in the audit report. The State met the obligation requirement within 45 days of receipt of the GAN and notified DHS/FEMA GPD as required through the Initial Strategy Implementation Plan (ISIP) via GAN Special Condition #16.

The second notification column of Table 3 is also based on erroneous start dates. The State met the obligation requirements for the local share funding by sending award letters from the Governor of the State of Georgia to the subrecipients and thereby completed the requirement to obligate grant funding within 45 days of receipt of the award.

Besides the inaccurate measure of the 45-day obligation period, there are other inaccuracies in the "Timely Obligation of Grant Funds" section of the audit report. Table 3 is, as stated, based on incorrect start date, so column 3 is inaccurate. Columns 4 and 5 are also inaccurate based on the incorrect start time and not relevant to any grant requirements since the funds have been obligated prior to the activities discussed.

The paragraph below the table and Figure 1 on page 9 of the audit report contains inaccuracies and misrepresentations. As explained to the auditors, the State works with subrecipients to obtain budget worksheets. Contrary to the audit report, this activity is neither an "initial reallocation process" nor "lengthy secondary review process before executing the grant agreements." Before the Governor's award letters are sent out to meet each grant's 45-day obligation period, the awards to the subrecipients, the project (purpose of the grant), program from which funds are awarded, and the funding amount for each subrecipient have all been identified. All of that award information is included in the award letters. There is no reallocation of the local share funding awarded by letter from the Governor within the 45-day obligation period.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Figure 1 attempts to illustrate two review processes and describe the State's processing of the budget worksheets and subgrantee agreement as a linear process when, in fact, several activities are being accomplished concurrently with many staff working on the process. Figure 1 incorrectly describes the process, stating the GEMA management "reallocate" funds rather than "allocate" the grant funds that have just been awarded. "GEMA and subgrantees revise awards into budget worksheets" is another incorrect description. The budget worksheets in fact itemize the specific items and costs for the subgrantee's particular project and the funding amount that was obligated by the award letter. There is no revision to the award received in the award letter. The development of the subgrantee agreement includes adding the special conditions contained in the Grant Award Notice rather than being a separate activity. The activity referred to as the "first notification" is in fact the Governor's award letter. What the auditor describes as the "second notification" is the subgrantee agreement.

As stated above, the grant funds are required to be obligated within 45 days after the State received the grant funding. The State met this requirement for grant years FY08, FY09, and FY10 by the sending out the Governor's award letters within 45 days. Therefore, the remainder of the audit report identifying a "second notification" column of Table 3 that cites that the State was "late" in the obligation and second notification is not relevant to the DHS obligation of funds requirement.

Auditor's Finding 4:

GEMA should better monitor subgrantees.

Executive Summary of Response to Auditor's Finding 4:

The State does not concur with Auditor's Finding 4 for the following reasons:

The third sentence of this audit report states: "GEMA believes that these efforts are sufficient to identify and correct any financial, programmatic, and administrative issues that may occur. However, our review showed that these efforts do not *always* ensure subgrantee compliance with federal laws and requirements." (Emphasis added).

In addition to the substantial monitoring activities that the State conducts, as partially described by the auditors, the assurance that the subgrantees will comply with federal and state laws, grant guidance, regulations, circulars and other requirements is strongly established by the contractual obligation of every subgrantee to comply with every requirement, including penalties for failure to comply, clearly set forth in the subgrantee agreement. Corrective actions and penalties are included in each subgrantee agreement for noncompliance.

Another strong safeguard to compliance is the payment reimbursement process. As part of the subgrantee agreement, subrecipients receive a budget worksheet with each item allowed to be purchased and the dollar amount that will be reimbursed by the State for each line item. Each budget worksheet includes items only for the approved, obligated award as described in the Governor's award letter, and all items are allowable under the grant. Subrecipients do not receive any grant funding for the items on the budget worksheet unless they provide documentation evidencing payment by them for the specific item on the approved budget worksheet included in the subgrantee agreement.

The subgrantee agreements, the State's combined efforts in desk monitoring, payment reimbursements, program managers' interactions and site visits together with the site monitoring process fulfill the State's monitoring requirements to assure compliance and remedies.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The total efforts in administering the Homeland Security Grant Program grants awarded to the State of Georgia are sufficient to comply with the laws, regulations and grant requirements. The audit report statement "... our review showed that these efforts do not always ensure subgrantee compliance with federal laws and requirements" suggests that the State assure 100% compliance from every grant subgrantee for each FY08-10 HSGP grant to the State. It is the State's view that the federal requirement is for the State to monitor and administer the subgrants and take corrective action as needed to assure compliance. The State fulfills that requirement. Even if a noncompliant action by a subgrantee occurs, each subgrantee is under contract with the State with corrective actions required to assure that any noncompliance is corrected in accordance with grant requirements. The auditors chose a sampling of subgrants to review for this audit, not all of them. And just like the auditors who conducted this audit, the State chooses a sampling of subgrantees for more extensive review. There has been no guidance issued that requires more.

The audit report stated that only five site monitoring reports had been submitted. However, sometime early in the audit visit process the State submitted program monitoring reports regarding 48 hazardous materials response teams to the auditors. The state was requested to send additional monitoring reports at the very end of the audit process after the staff member who conducted the monitoring visits had left the State's employment. Some audit reports may not have been located and provided to the auditor.

Procurement Practices

The State contends that it follows federal and state procurement regulations. The report states that a local subgrantee did not provide sufficient sole source documentation when purchasing \$2.2 million in communications equipment. Through the subgrantee agreement as outlined above, the State requires subgrantees to follow local, state and federal rules and regulations regarding procurement. The instance cited involves a subgrant to the City of Douglasville, Georgia to facilitate the city's communication system integration with its neighbor, Cobb County. Previous HSGP grants awarded to Cobb County were designed to make that system the hub for interoperable communications across the Atlanta metropolitan area. Douglasville chose to make a sole source procurement with the vendor that developed the host county's system leveraging the previous grants to help contain costs. The City of Douglasville's sole source explanation is outlined in a letter attached to this response.

The report cites that a contractor awarded a "local" university \$450,000 for an update to an inventory of food systems, but that the contractor did not document sole source justification. By DHS definition, any college or university that is under the purview of the State Board of Regents is considered a state agency. The contractor and "local" universities in this instance are both governed by the Board of Regents, and both are considered as sister state agencies under Georgia law. These are as follows:

The University System, which consists of 35 teaching institutions, is created under the Georgia Constitution of 1983. Ga. Const. Art. VIII, Sec. IV, Para. 1; a.e.G.A. §§ 20-3-20 through 20-3-87. The Board of Regents is considered a Georgia state agency. Miller v. Ga. Ports Auth., 266 Ga. 586,589 (1996); Wilson v. Bd. of Regents, 262 Ga. 413,414(3) (1992); Pollard v. Bd. Of Regents, 260 Ga. 885, 887(b) (1991).

1.2.2.1. Intergovernmental Agreements (from the State Procurement Manual)

The Georgia Constitution authorizes state entities to enter into an intergovernmental agreement if the items to be acquired are available from that source.

An intergovernmental agreement is a contract between two or more government entities. Permissible government entities include state and local (county, city, etc.) government entities within the state of Georgia as well as other states of the United States of America. Intergovernmental agreements do not require approval from SPD State Purchasing Division or competitive bidding and are not subject to dollar limits.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

NOTE: To be considered exempt from the competitive bidding requirements of the State Purchasing Act, the good or service must be materially provided by the other governmental entity and not passed through the governmental entity by a private third party.

This was explained in great detail to the auditing team regarding the “contracting” university. The same laws and state rules of procurement under which the State contracted with the first university also apply to the two universities contracting with one another.

Grant Inventory Requirements

In the Grant Inventory section of the report, 44 CFR 13.32(d), *Management Requirements* is cited as establishing procedures for management of equipment acquired with grant funds. The subgrantee agreements entered into between the State and the subgrantees for all grant years, FYs 08-10, subject to the current audit include the requirement that subgrantees comply with 14 CFR 13. Compliance to these requirements is promised through the signature on the agreement by the Chief Executive of each subgrantee’s parent jurisdiction. Excerpts of these agreements are below.

FY10 HSGP Subgrantee Agreement, excerpt from page 3

2. **Laws, Regulations and Program Guidance:** *The Subgrantee shall comply with the most recent version of the Administrative Requirements, Cost Principles, and audit Requirements. A non-exclusive list of regulations commonly applicable to DHS grants are listed below. Referenced CFR sections may be accessed online at www.gpoaccess.gov/ecfr/.*

A. Administrative Requirements

- 1) *44 CFR Part 13, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;*
- 2) *2 CFR Part 215 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110)*

B. Cost Principles

- 1) *2 CFR Part 225, Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87)*
- 2) *2 CFR Part 220, Cost Principles for Educational Institutions (OMB Circular A-21)*
- 3) *2 CFR Part 230, Cost Principles for Non-Profit Organizations (OMB Circular A-122)*
- 4) *Federal Acquisition Regulations (FAR), Part 31.2 Contract Cost Principles and Procedures, Contracts with Commercial Organizations*

C. Audit Requirements

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

FY09 HSGP Subgrantee Agreement, excerpt from page 3
Audits, Financial Regulations and Guides

1. **Audits and Monitoring:** *The Subgrantee agrees that federal or state officials and auditors or their duly authorized representatives may conduct programmatic, financial and administrative monitoring, audits and examinations. The Subgrantee further agrees that such officials, auditors or representatives shall have access to any books, documents, papers and records of any recipients of this funding and of any persons or entities which perform any activity which is reimbursed to any extent with federal or state funds distributed under the authority of the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 and this Agreement.*
2. **Laws, Regulations and Program Guidance:** *The Subgrantee shall comply with the most recent version of the Administrative Requirements, Cost Principles, and audit Requirements. A non-exclusive list of regulations commonly applicable to DHS grants are listed below:*
 - A. **Administrative Requirements**
 - 1) *44 CFR Part 13, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;*
 - 2) *2 CFR Part 215 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110)*
 - B. **Cost Principles**
 - 1) *2 CFR Part 225, Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87)*
 - 2) *2 CFR Part 220, Cost Principles for Educational Institutions (OMB Circular A-21)*
 - 3) *2 CFR Part 230, Cost Principles for Non-Profit Organizations (OMB Circular A-122)*
 - 4) *Federal Acquisition Regulations (FAR), Part 31.2 Contract Cost Principles and Procedures, Contracts with Commercial Organizations*

FY08 HSGP Subgrantee Agreement, excerpt from page 3

2. **Laws, Regulations and Program Guidance:** *The Subgrantee agrees to comply with all applicable laws, regulations and program guidance. Specifically without limitation, Subgrantee must comply with FEMA's codified regulation 44 CFR Part 13, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. A non-exclusive list of regulations commonly applicable to DHS grants are listed below, including the guidance:*
 - A. **Administrative Requirements**
 - 1) *Office of Management and Budget (OMB) Circular A-102, State and Local Governments (10/07/94, amended 08/29/07) (44 CFR Part 13);*
 - 2) *OMB Circular A-110, Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (11/19/93, amended 09/30/99) (2 CFR Part 215)*
 - B. **Cost Principles**
 - 1) *OMB Circular A-87, State and Local Governments (5/10/04)*
 - 2) *OMB Circular A-21, Educational Institutions (5/10/04)*
 - 3) *OMB Circular A-122, Non-Profit Organizations (5/10/04)*



OFFICE OF INSPECTOR GENERAL Department of Homeland Security

The audit report stated "Subgrantee personnel indicated that they were not aware of the federal property management requirements, despite the requirements' inclusion in the terms of the subgrantee contracts with GEMA." The audit report concludes, "[a]s a result, GEMA cannot ensure that assets procured with grant funds are adequately safeguarded to prevent loss, damage, or theft and used as intended. This could result in an emergency situation in which GEMA may not *always* have knowledge of the location of, or ready access to, vital emergency preparedness equipment." (Emphasis added.)

While GEMA understands the concern about the subgrantee's personnel responding to the auditors question, GEMA would need to follow up with the subgrantee to assure that the personnel who responded to the audit were the people who actually use the equipment. In some agencies, especially larger ones, the personnel who maintain records are not the same people who maintain and use the equipment. The statement in the audit report that GEMA cannot ensure use as intended of the equipment and have access to vital emergency preparedness equipment is not a certain conclusion of the audit, and the State considers this an irresponsible conclusion and statement. State Program Management staff maintain continual contact with grant recipients to ensure that capabilities are maintained. In addition the State conducts routine training and exercise programs wherein this equipment is needed and tested. While GEMA concedes that compliance with 44 CFR 13 is important and noncompliance must be remedied, the audit did not find any instances of loss, damage or theft which, in accordance with the requirements of 44 CFR 13.32(d), must be investigated. The audit report did not find any actual loss, damage or theft, which would require an investigation under 44 CFR 13.32(d), but the inability of personnel without information regarding the equipment would warrant further inquiry before determining that the equipment was not available in an emergency.

The State strongly disagrees with the auditors' belief that the equipment may be missing and therefore not available for an emergency. This assertion may be based on an interview, possibly with non-program staff that simply weren't aware that the equipment is on hand. But the State agrees that in order to ensure that all equipment is available, maintained and/or replaced as needed, stronger inventory controls are desirable. The State will develop inventory control procedures, and conduct training with subgrantees to make them aware of the requirement.

The Report of Audit states that subgrantees did not always mark equipment purchased with Homeland Security Grant funds. The subgrantees are not required to always mark equipment purchased with Homeland Security Grant Program funding. It is noted that the verbiage in the Special Conditions included in the Grant Award Notices for the FY08 and FY09 HSGP Grants do not require decals on equipment in all instances but instead states that the decals must be applied "when practicable." The FY10 HSGP grant guidance does not require application of decals, but suggests that it might benefit recipients of grant funding to apply decals.

The GEMA subgrantee agreements for the FY08-10 HSGP grants include a special condition stating:

The Subgrantee agrees that, when practicable, any equipment purchased with grant funding shall be prominently marked as follows: "Purchased with funds provided by the U.S. Department of Homeland Security."

Although clearly not a requirement, the State issued decals for such purpose for application to special use vehicles in the past.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Response to Recommendations:

Recommendation #1: This two part recommendation asks that FEMA assist the State and UASI in developing strategies that include specific, measurable, realistic objectives with timelines.

The State Strategic Plan has been revised and is under review as a first draft, and it meets FEMA GPD requirements and guidance. The plan should be completed and published by July 1 2012 and will be submitted to FEMA GPD at that time.

The State will review the UASI Strategic Plan and ensure that it also meets requirements and guidance before the end of calendar year 2012.

Recommendation #2: This recommendation asks FEMA GPD to require GEMA to align its Overall Readiness Index with FEMA grant guidance.

The Overall Readiness Index is yet another tool that GEMA employs to gauge readiness across its varied responsibilities. As an internal process, GEMA does not believe that FEMA has any authorities over that process or document. GEMA will continue to use that and other processes to guide the State toward readiness.

Recommendation #3: This recommendation calls upon FEMA to require GEMA to streamline its current processes and procedures regarding subgrant awards.

GEMA is confident that the deadlines established by FEMA GPD are being met. Also as stated, GEMA will continue to err on the side of caution regarding issuance of awards to ensure that the State remains good stewards of this federal funding.

Recommendation #4: This recommendation asks FEMA GPD to require GEMA to notify all subgrantees of the requirement to follow federal, state and local procurement regulations and policies.

As presented in the "*Procurement*" section of this response, the State is confident that the binding, subgrantee agreement signed by grant recipients contains language that clearly notifies grant recipients of the requirements regarding procurement.

Recommendation # 5: This recommendation encourages GEMA to review all grant award purchases of more than \$100,000 to ensure proper procurement procedures were followed.

GEMA will endeavor to identify and review such awards by the end of 2012 for the grant years noted to ensure that procurement regulations and procedures were followed.

Recommendation #6: This recommendation suggests that GEMA be required to develop a program monitoring schedule and plan.

The position within GEMA responsible for program monitoring is currently vacant. As soon as practical after hiring, GEMA will establish a monitoring schedule to conduct program monitoring visits. GEMA will also continue to contract with professional associations to assist in the monitoring process. GEMA will also develop and implement a program monitoring plan by the end of 2012.

Recommendation #7: This recommendation would require GEMA to revise and update the financial monitoring guide to ensure that data is captured to assure compliance by subgrantees.



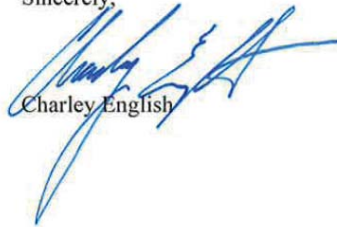
OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

GEMA will comply with this recommendation, and will develop and implement a more robust financial monitoring guide that includes FEMA requirements by September 1 2012.

Recommendation #8: This recommendation asks FEMA GPD to require GEMA to institute an inventory control system regarding equipment purchased through grants. GEMA will develop further guidance documents and training for subgrantees regarding inventory control policies to be instituted for grant awards in FFY 12.

Recommendation #9: This recommendation would require FEMA to enhance its monitoring program. GEMA has no reply to this recommendation, but will cooperate with all program monitoring visits and requests for information by FEMA.

Sincerely,



Charley English



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security



Appendix D

Description of the Homeland Security Grant Program

The HSGP provides Federal funding to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The HSGP encompasses several interrelated Federal grant programs that together fund a range of preparedness activities, including planning, organization, equipment purchase, training, and exercises, as well as management and administration costs. Programs include the following:

- **The State Homeland Security Program** provides financial assistance directly to each of the States and Territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address identified planning, equipment, training, and exercise needs.
- **The Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas, and to assist in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism and other disasters. Allowable costs for the urban areas are consistent with the SHSP. Funding is expended based on the Urban Area Homeland Security Strategies.

The HSGP also includes other interrelated grant programs with similar purposes. Depending on the fiscal year, these programs include the following:

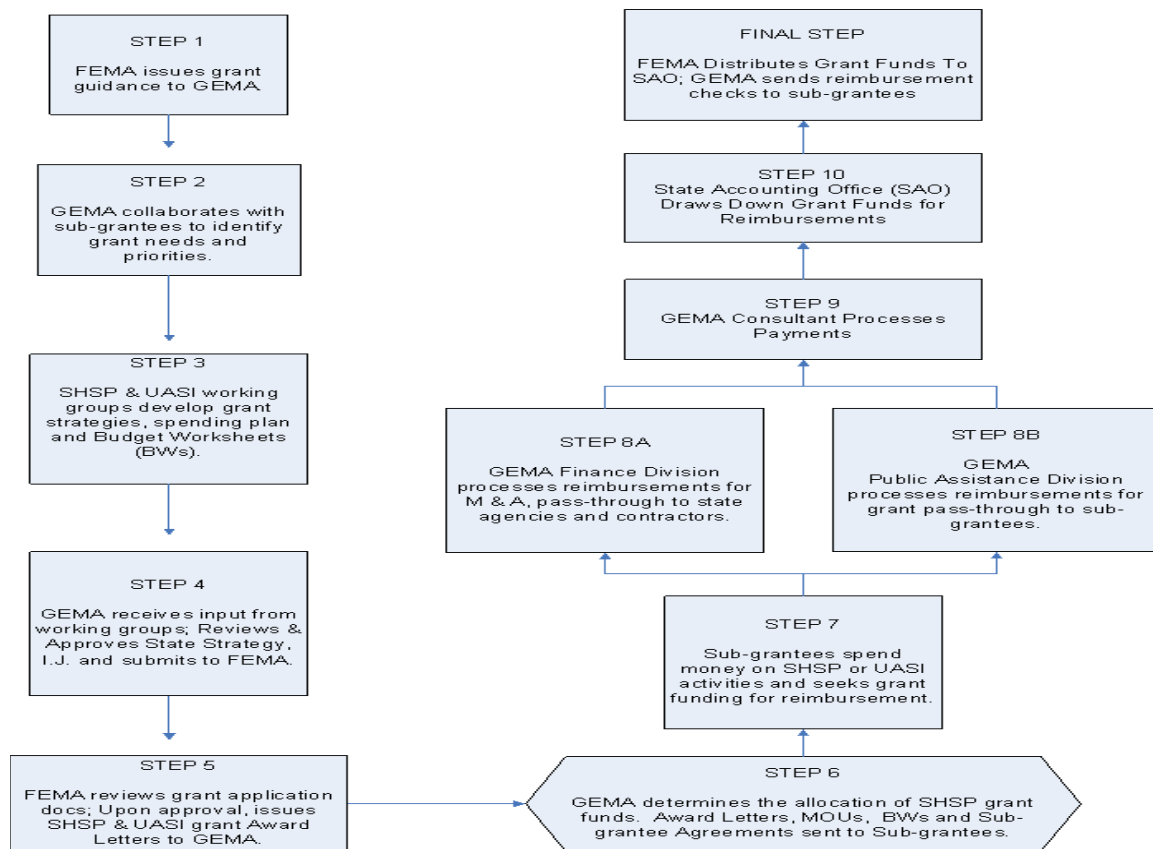
- Metropolitan Medical Response System
- Citizen Corps Program
- Law Enforcement Terrorism Prevention Program (through FY 2007)



Appendix E

Description of State of Georgia’s Homeland Security Grant Program Process

The Governor of Georgia designated GEMA within the Georgia Office of Homeland Security to serve as the State Administrative Agency. FEMA requires that the State Administrative Agency be responsible for obligating grant funds to local units of government and other designated recipients. The following is a flowchart and description of the grant process as administered by GEMA.



Grant Guidance and Application

According to GEMA officials, Step 1 of the process begins when FEMA issues the Homeland Security Grant Guidance and Application Kits for each designated grant year. GEMA, in collaboration with the All Hazards Council and all other subgrantees (Step 2), determines the needs, assessments, and priorities for State grantees. Then the All Hazards Council, a statewide working group of State, county, and local elected leaders



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

and first responder officials, establishes program needs and priorities in a coordinated and collaborative manner (Step 3).

The Atlanta UASI and the All Hazards Council develop grant strategies and spending plans (Step 4), which are then forwarded to GEMA and consolidated into the State Homeland Security Strategy and Investment Justification. GEMA then submits the grant application package to FEMA for approval.

Grant Funding

FEMA reviews and approves the State's grant application package (Step 5) and then issues SHSP and UASI grant award letters to GEMA. GEMA determines the funding allocation, prioritizes grant projects, and creates budget worksheets for each subgrantee (Step 6). The budget worksheets are control mechanisms that GEMA uses to track grant awards and reimbursements throughout the entire grant process. A subgrantee may have more than one budget worksheet. Award letters are sent with the subgrantee agreements and budget worksheets to the subgrantees.

Procurement

In general, subgrantees accept award letters, subgrantee agreements, and budget worksheets (Step 7), and then begin making grants and submitting documentation for grant reimbursement. In some cases, GEMA may enter into a memorandum of understanding with a State agency or local jurisdiction to make grant purchases on behalf of a subgrantee.

Once subgrantees make grant-related purchases, they submit copies of the budget worksheets, invoices for goods or services procured, and a copy of the check or electronic funds transfer for grant reimbursement to either GEMA's Finance Division (Step 8A) or its Public Assistance Division (Step 8B). The Finance Division processes grant reimbursements for management and administrative costs that GEMA incurs during the grant process and passthrough funding to State agencies and contractors. The Public Assistance Division processes grant reimbursements for grant passthrough to all other subgrantees.

Reimbursement

Once subgrantees submit grant reimbursement paperwork to GEMA, the process continues with the GEMA consultant (Step 9) receiving electronic Microsoft Access entries from the GEMA Public Assistance and Finance Divisions. The consultant converts reimbursement entries from Microsoft Access to PeopleSoft, verifies the information, and sets up purchase orders. The State Accounting Office also receives delivery orders



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

from the Finance Division to reimburse State agencies or GEMA vendors. The State Accounting Office verifies the purchase order and delivery order amounts, and then initiates the grant drawdown of funds from FEMA (Step 10). The State Accounting Office then issues reimbursement checks to GEMA, which in turn forwards grant reimbursement checks with notification letters to subgrantees (Final Step).

UASI

UASI funding has an additional review process. UASI subgrantees submit reimbursement documents to the Atlanta UASI. Once the UASI verifies the documentation, it is forwarded to GEMA for final approval. The State Accounting Office draws down grant funds to be sent through the Atlanta Regional Commission, with which the Atlanta UASI has a contract to provide finance and procurement functions on behalf of the Atlanta UASI. Because the Atlanta UASI is not a government entity and cannot function as one to receive or distribute Federal grant funding, the Atlanta Regional Commission contract provides essential finance and procurement functions for the Atlanta UASI. Under this contracted relationship, the Atlanta Regional Commission forwards grant reimbursement checks to UASI subgrantees.



Appendix F

Major Contributors to This Report

Patrick O'Malley, Director
J. Eric Barnett, Audit Manager
Dennis Deely, Audit Manager
Jose Benitez-Rexach, Auditor
Jeff Wilson, Program Analyst
Andre Marseille, Program Analyst
Jason Kim, Auditor
Kevin Dolloson, Communications Analyst
Ralleisha Dean, Independent Referencer



Appendix G

Report Distribution

Department of Homeland Security

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

Federal Emergency Management Agency

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

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

For additional information, visit our website at: www.oig.dhs.gov, or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

OIG HOTLINE

To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at www.oig.dhs.gov and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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