

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

The State of Colorado's Management of
State Homeland Security Program and
Urban Areas Security Initiative Grants
Awarded During Fiscal Years
2007 through 2009





**Homeland
Security**

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Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

This report addresses the State of Colorado's management of State Homeland Security Program and Urban Areas Security Initiatives grants. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations and inspections, and a review of applicable documents.

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

A handwritten signature in cursive script that reads "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits

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Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
OIG	Office of Inspector General
OMB	Office of Management and Budget
FEMA	Federal Emergency Management Agency
FY	fiscal year

OIG

*Department of Homeland Security
Office of Inspector General*

Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, 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 Colorado.

The objectives of the audit were to determine whether the State of Colorado distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds (1) effectively and efficiently and (2) in compliance with applicable federal laws and regulations. We were to also address the extent to which grant funds enhanced the State of Colorado's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters. The audit included a review of approximately \$52 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded to the State of Colorado during fiscal years 2007 through 2009.

Generally, the State of Colorado did an effective job of developing its Homeland Security Strategic Plan, distributing grant funds, and ensuring that all of the available funds were being used. The State of Colorado used reasonable methods to assess threats, vulnerabilities, capabilities, and needs, and allocated funds accordingly. The State of Colorado complied with cash management and status reporting requirements, and generally spent funds in accordance with grant requirements and state-established priorities.

However, we identified four areas for improvement: guidance to subgrantees, monitoring of grant activities, performance and preparedness measurement, and responses to subgrantee cash flow problems. Our 10 recommendations call for the Federal Emergency Management Agency to initiate improvements which, if implemented, should help strengthen program management, performance, and oversight. Written comments to the draft report are incorporated as appropriate and included in their entirety in appendix B.

Background

The Homeland Security Grant Program provides federal funding to help state and local agencies enhance capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies.

The Colorado Department of Local Affairs – Division of Emergency Management administered Colorado’s Homeland Security Grant Program for 2007 and part of 2008. In February 2008, the Governor of Colorado created the Governor’s Office of Homeland Security by Executive Order as a stand-alone entity to administer the Homeland Security Grant Program. The office was established and State Administration Agency authority transferred partly in response to an OIG report issued in 2007¹ that identified an ineffective organizational structure to administer the program. Appendices A and C contain additional information on the purpose, scope, and methodology of this audit and of the Homeland Security Grant Program.

The State of Colorado (State) received \$59,796,443 in Homeland Security Grant Program funds from fiscal years (FYs) 2007 to 2009. This included \$51,752,550 in State Homeland Security Program and Urban Areas Security Initiative grants that were subawarded to the State’s nine All-Hazards Regions and one Urban Areas Security Initiative. Appendix D illustrates the State’s All-Hazards Regions.

Results of Audit

State Strategic Planning Is Aligned With National Guidance

The State’s strategic planning process followed the Guidance on Aligning Strategies with the National Preparedness Goal, the National Strategy for Homeland Security, and National Preparedness Guidelines. The State addressed the 15 prescribed national planning scenarios as well as 7 state-identified regional planning scenarios in its strategic plan. It also addressed the 4 mission areas and aligned its planning with the 8 current National Priorities. The State adopted capabilities-based planning processes as established by the National Preparedness Guidelines.

In 2007, the State rewrote its Homeland Security State Strategy to align with the National Strategy for Homeland Security and National

¹ *Audit of the State of Colorado Homeland Security Grant Program* (OIG-08-16), December 2007.

Preparedness Guidelines. Its current plan is in effect for the period 2008 through 2013. At the time the plan was prepared, the federal government was emphasizing capabilities-based planning that was designed to enable states to make informed decisions in determining priorities and to make efficient use of resources to address prioritized needs. The State strategy incorporated capabilities-based planning to address the wide range of threats and hazards realistically faced by the State's first responders and communities. A collaborative effort involving all levels of state and local governments outlined the direction for the State's prevention, protection, response, and recovery efforts.

The State facilitated and reviewed annual assessments at the state agency and regional levels to determine local risks, needs, and capabilities. According to State officials, as part of a multi-stage process, regional boards collected information from constituent jurisdictions to identify the greatest threats based on probability and consequence from a combined set of the 15 national and 7 state planning scenarios. Through this process, the State was able to determine realistic risks, needs, and capabilities at the local level.

State Guidance to Subgrantees Needs Improvement

The State's guidance to subgrantees did not provide sufficient grant administration information or program support, including mentoring, training, and regular interaction. We reviewed the State's written guidance, compared it with subgrantee activities, and identified areas for improvement in state grant guidance and program support. Documented guidance with detailed, functional procedures, as well as consistent interactive engagement with all subgrantees, may improve program management and performance.

The State's Grant Guidance Does Not Provide Subgrantees With Adequate Grant Administration Information

The State's written guidance did not adequately detail its expectations, methodologies, or functional administration requirements. The guidance did not sufficiently explain grant administration activities and processes unique to the State. With the exception of activities such as grant reimbursement requests and modification procedures, the guidance largely restated federal guidance or referred subgrantees back to original federal requirements. As a result, subgrantees did not have meaningful instructions to fully implement adequate grant administration procedures, including internal control activities.

We compared subgrantee activities that we observed during our site visits with the State's grant guidance. We identified two particular internal control activities not covered in the State's guidance: policies and procedures, and segregation of duties. These two controls were either nonexistent or inadequate at several of the subgrantees we visited. The Government Accountability Office *Standards for Internal Controls in the Federal Government* states that policies and procedures should be used to ensure compliance with federal requirements. The standards also state that segregation of duties minimizes the risk of fraud and errors by ensuring that no one individual has control over two or more phases of a transaction or operation.

Policies and Procedures

Well-documented policies and procedures help provide continuity and consistency in managing and administering the grant, especially when grant administration is a collateral duty. The State's grant guidance did not include requirements for subgrantees to implement policies and procedures unique to grant administration.

Of the 12 subgrantees we visited, 4 did not have documented policies and procedures that specifically outlined processes for managing and administering the grant. Without grant-specific policies and procedures, grant management and administration could be adversely impacted when key grant staff leave or are away for an extended period, and subgrantees cannot ensure continuity, consistency, or compliance with federal grant requirements.

For example, during our review, we identified seven subgrantees that did not have a process to confirm that vendors were in good standing prior to contracting with them. Office of Management and Budget (OMB) guidance for federal agencies on the government-wide debarment and suspension system for nonprocurement programs and activities, found at Title 2 of the Code of Federal Regulations (CFR) Part 180, as adopted and supplemented by DHS in 2 CFR Part 3000, forbids excluded persons or entities from participating in federal agencies' nonprocurement grants and contracts of assistance, among other covered transactions. Federal Acquisition Regulation Subpart 9.4 also prescribes policies and procedures forbidding contracting or subcontracting with debarred or suspended entities. Prior to the State's September 2009 Grant Management Guide, however, the State's grant guidance did not mention that subgrantees must

determine whether recipients are excluded or disqualified from participating in a transaction prior to awarding a contract. Confirming a vendor's status with the federal government is a process that should be documented in subgrantee policies and procedures.

Segregation of Duties

The State's guidance did not address requirements to ensure segregation of duties, nor did it suggest methods to accomplish it. Certain subgrantees did not ensure that grant-related goods and services were initiated, approved, and received by different staff members. We identified a grant coordinator at the subgrantee level who was responsible for multiple tasks in the procurement process. As another example, one regional coordinator was responsible for initiating purchases, receiving products, and approving transactions for payment. State guidance should specifically address segregation of duties at the subgrantee level to mitigate the risk of fraud and errors.

The State's Program Support Needs Improvement

The State did not provide sufficient program support, such as training, mentoring, and proactively engaging subgrantees, as part of its day-to-day management oversight. A Federal Emergency Management Agency (FEMA) regulation, at 44 CFR Part 13.40(a), requires that grantees manage the day-to-day operations of grant and subgrant support activities.

A State official responsible for grant administration said that unless subgrantees contact grant managers with problems, the assumption is that there are no issues and that subgrantees understand grant requirements and administration processes. Improved program support, including more active engagement, mentoring, and training, would better enable subgrantees to fully comply with grant requirements.

One subgrantee grant coordinator said that the State's grant application process was cumbersome and that he would like to see more timely and knowledgeable feedback from the State; one said that guidance was not always clear; and another said that guidance seems to be continually changing. One subgrantee said that it would welcome more interaction and mentoring from the State on grant administration activities. Two subgrantee officials expressed a desire for more feedback on the quality of grant applications.

Regional grant coordinators also expressed a desire for more timely and knowledgeable feedback from the State. One subgrantee reported little interaction with the State, including not receiving invitations to attend workshops or other events. State officials indicated that they do not proactively mentor subgrantees to improve financial, procurement, or programmatic internal controls ensuring compliance with guidance, laws, and regulations.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Governor's Office of Homeland Security to:

Recommendation #1: Revise State guidance to provide grant implementation expectations, methods, and administration activities that are in line with state and federal requirements.

Recommendation #2: Improve its program support, including continual and proactive mentoring, training, and engagement of subgrantee grant administration staff.

Management Comments and OIG Analysis

FEMA concurred with recommendations 1 and 2. FEMA acknowledged the efforts of the Colorado State Administrative Agency to provide grant implementation and administrative direction to the local jurisdictions through the State's 2009 Grant Management Guide. FEMA also acknowledged that additional guidance for subgrantees is necessary. FEMA stated that within 90 days of receipt of the final report, the Governor's Office of Homeland Security is required to submit a plan for revising, updating, and expanding the State's grant management guidance. In addition, a plan for enhancing the program support, training, and engagement services offered to subgrantees within the state will be required.

The Governor's Office of Homeland Security stated that it has already taken steps to improve its guidance by including additional details that better define state requirements and expectations. Information regarding policies and procedures and segregation of duties has been included to better summarize subgrantee expectations. In addition, a more aggressive subgrantee training curriculum has been adopted and the fiscal year 2011 grant guidance and application process were revised to provide clearer direction for the subgrantees.

The actions proposed by FEMA and the Governor's Office of Homeland Security meet the intent of the recommendations. If properly implemented, the actions identified in the responses should address the conditions identified during the audit. These recommendations are considered resolved and open, pending final implementation of the proposed corrective actions.

State and FEMA Monitoring Efforts Need Improvement

On-site monitoring of subgrantees by the State was not done in a timely manner, and the FEMA monitoring reports did not accurately portray subgrantee compliance with grant requirements. In addition, FEMA's monitoring reports did not include opportunities to improve grantee administrative and operational efficiencies.

The State's Monitoring Efforts

The State Administrative Agency was not timely in its on-site monitoring of subgrantees and performed only limited on-site visits. An OIG audit report from December 2007 recommended that the State take effective action to improve subgrantee monitoring site visits. The State has submitted evidence of conducting recent subgrantee monitoring visits and has established a grant monitoring schedule; however, few monitoring visits have been completed since the December 2007 report was issued. During the past two-and-a-half years, the State issued monitoring reports for six of the nine All-Hazards regions and four state agencies.

The Director of the State Administrative Agency is aware of the lack of timeliness of on-site monitoring visits, and said the agency had difficulty meeting its grant monitoring schedule because of staffing shortages. The Director anticipates being on schedule by the end of 2011.

Monitoring assesses the quality of program performance over time and ensures that grant activities comply with federal regulations. A FEMA regulation, at 44 CFR Part 13.40(a), requires the grantee to monitor grant- and subgrant-supported activities to ensure compliance with applicable federal requirements and achievement of performance goals. Grantee monitoring must include each program, function, or activity.

A proactive approach to on-site monitoring and oversight of subgrantees can help identify problems such as misunderstanding

of, or noncompliance with, the terms, conditions, and regulations of the grant. Early detection and correction of deficiencies found during monitoring visits can reduce the time, effort, and cost of corrective actions. For example, we identified the following deficiencies during our site visits, some of which were also noted in the state monitoring reports that we reviewed:

- Insufficient or nonexistent policies and procedures (see earlier section, *The State's Grant Guidance Does Not Provide Adequate Grant Administration Information for Subgrantees*);
- Insufficient equipment and inventory management practices; and
- Lack of oversight over subrecipients by pass-through entities.

Equipment and Inventory Management

Inventory management practices at several of the sites we visited had some level of weakness that could have affected the accuracy and integrity of the inventory purchased with grant funds. Although subgrantees generally maintained some type of equipment list, many did not do physical inventories every 2 years as required, or had other weaknesses. For example, at one subgrantee location, equipment purchased with grant funds was not properly marked with DHS tags, items were not entered on the inventory control sheet, and follow-up was not conducted to validate the subrecipients received equipment. Another subgrantee had difficulty providing an equipment list that correlated to our FY 2007–2009 grant review period. At another location, listed property was assigned to individuals who did not have custody of the property. One subgrantee did not maintain any kind of equipment list.

A FEMA regulation, at 44 CFR Part 13.32(d), requires, among other things, the development of a control system to ensure adequate safeguards to prevent loss, damage, or theft of equipment. The regulation also states that a physical inventory of equipment must be taken and reconciled with property records at least once every 2 years.

Pass-through Entity Oversight

One subgrantee we visited did not monitor funds that were passed through to subrecipients, as required. A subrecipient is an entity

that expends federal awards received from a pass-through entity to carry out a federal program. During our fieldwork, a subgrantee we reviewed passed grant funds to other jurisdictions and did not fulfill obligations to monitor the activities of the subrecipients.

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires pass-through entities to monitor subrecipient activities to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, provisions of contracts, or grant agreements, and that performance goals are achieved.

The deficiencies noted during our site visits are examples of issues that, if not discovered timely through on-site monitoring and mitigated through corrective actions, can become larger problems. Early identification of issues through on-site monitoring can improve compliance with policies and procedures, reduce equipment loss or misuse, and preclude potential waste or abuse of pass-through funds.

FEMA's Monitoring Reports

We reviewed FEMA monitoring reports to determine how FEMA reviews state and subgrantee management of the grant process and how improvements related to administrative or operational efficiency are communicated.

FEMA conducted on-site strategic and financial monitoring, as well as desk-based reviews. FEMA's strategic monitoring reports described the State's progress toward achieving target capabilities. Financial reports described expenditure status and high-level controls. Neither the strategic nor the financial monitoring reports we reviewed identified programmatic deficiencies or made recommendations to improve the State's program or operational efficiency and effectiveness. Further, FEMA's monitoring reports did not discuss results related to FEMA's training and exercise requirements.

FEMA's monitoring reports did not capture areas of deficiency that we identified during our review. For example, FEMA's 2009 Financial Monitoring Site Report documented acceptable compliance results. However, FEMA did not identify the following deficiencies:

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- Insufficient or nonexistent subgrantee policies and procedures;
 - State and subgrantee failure to conduct the required 2-year physical equipment inventory;
 - Deficient state and subgrantee inventory management systems; and
 - Subgrantee failure to vet vendors against the federal debarred and suspended parties list.

The *Implementing Recommendations of the 9/11 Commission Act of 2007* (9/11 Commission Act) mandates the frequency of monitoring activities for preparedness grants. The 9/11 Commission Act requires FEMA to conduct a programmatic (strategic) and financial review of all grants awarded to states, territories, and urban areas at least once every 2 years. FEMA's monitoring activities were supposed to serve as a method by which to assist the grantee with the grant process and provide guidance to improve grantee administrative and operational efficiencies.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #3: Direct the State to perform on-site monitoring of subgrantees on a more timely and routine basis.

Recommendation #4: Evaluate and improve FEMA-prepared monitoring reports to ensure accurate and thorough assessments of grant administration practices, requirements, and efficiency.

Management Comments and OIG Analysis

FEMA concurred with recommendation 3. FEMA stated that within 90 days of receipt of the final report, the Governor's Office of Homeland Security is required to submit a plan for monitoring its subgrantees on a timely and routine basis.

The Governor's Office of Homeland Security stated that it has performed at least one on-site monitoring visit to each of Colorado's nine all-hazards regions and the Denver Urban Areas Security Initiative during the 2009-2010 calendar years and identified areas of improvement for each of the subgrantees. The office said that it has already developed a monitoring schedule that will allow each region to receive at least one on-site financial and

physical monitoring visit per 18 months, together with the quarterly desktop financial monitoring.

FEMA concurred with the intent of recommendation 4. FEMA agreed with the recommendation to the extent that the State can and should improve the monitoring practices, processes, and procedures to be more holistic and provide more details to clearly articulate compliance or non-compliance, programmatic efficiencies and effectiveness, and overall program progress towards completion. FEMA stated that since it only monitors the grant recipient, not the state's subrecipients (except Urban Areas Security Initiatives), this effort must be aligned with the state and its fiduciary and programmatic responsibilities for upholding the terms, conditions, and use of FEMA grant funds. FEMA said that future program evaluations and monitoring, through a monitoring tool that FEMA and the states can use cooperatively, will be instituted in an upcoming software upgrade to a FEMA grants system to be completed within the next year, i.e., before September 30, 2012.

The actions proposed by FEMA and the actions the Governor's Office of Homeland Security stated it has already undertaken meet the intent of the recommendations. If properly implemented, the actions identified in the responses should address the conditions identified during the audit. These recommendations are considered resolved and open, pending final implementation of the proposed corrective actions.

Performance and Preparedness Levels Are Unknown

Neither FEMA nor the State has an adequate performance measurement system to evaluate operational effectiveness and grant funds administration. The tools used to measure program performance and preparedness are either inadequate and unreliable, or not tracked and managed. Therefore, neither the State nor FEMA can determine whether grant funds were used effectively to improve preparedness.

The *Government Performance and Results Act of 1993*, as amended, requires the head of each federal agency to make available an annual performance plan covering each program activity set forth in the budget of such agency.² Such plan shall include, among other things:

² 31 U.S.C. 1115(b).

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- Establishing performance goals to define the level of performance to be achieved by a program activity;
 - Expressing such goals in an objective, quantifiable, and measurable form; and
 - Describing the operational processes; skills and technology; and the human capital, information, or other resources required to meet the performance goals.

The Homeland Security Grant Program is a coordinated effort to strengthen homeland security preparedness. Without an adequate measurement system to collect data on its individual grantees to report on program or operational performance, FEMA cannot report on whether the program is being run effectively and efficiently.

FEMA does require Homeland Security Grant Program applicants to tie grant proposals to the National Preparedness Guidelines. These proposals must outline measurable outcomes that will be tracked and accomplished during implementation. Although FEMA requires that grantees report on progress made toward achieving the identified outcomes for each investment, the State did not track or manage its progress. In addition, neither subgrantees nor the State measured the effectiveness of training programs or exercises.

Each of the State's All-Hazards regions and state agencies is required to contribute to a Target Capabilities Assessment. The assessment is a performance measurement plan that tracks historical scores and current targets. Regions and state agencies align the measurement plan with the target capabilities documented in their Homeland Security strategic plans and then determine targets (desired levels) for each dimension of performance within each target capability.

The subgrantees' methods of contributing data to the assessments differed. Several subgrantees we interviewed described different approaches to implementing their assessment tool, as well as various methods of determining gaps between needs and capabilities. Benchmark vs. actual, weighting, and brainstorming were among the methods subgrantees used. The use of various approaches to develop the capabilities assessment tool and the subjective manner in which capabilities are measured would seem to limit the usefulness of the assessment.

In addition to the inconsistent approaches used in preparing the target capability assessment, FEMA's State Preparedness Reports in 2007, 2008, and 2009 were inconsistent because they used different formats and measures, which made trend analyses relative to specific elements virtually impossible.

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- The 2007 State Preparedness Report focused on the State's progress toward achieving eight national priorities, such as implementing the National Incident Management System and National Response Framework.
 - The 2008 report focused on the individual capabilities included within each national priority, such as setting capability targets for mass prophylaxis plans and coordination.
 - The 2009 report focused on metric targets within capability measures, such as the time in which immediate dispatch information is provided to primary first responders during regular operations.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #5: Work with the National Preparedness Directorate to standardize the State's Preparedness Report format to ensure that the State can track and measure its preparedness progress and identify work yet to be done to meet goals and objectives.

Recommendation #6: Develop, and incorporate into guidance, a comprehensive performance measurement system including specific, measurable, and outcome-based program and operational performance measures, including training and exercise effectiveness, to accurately capture the program's overall performance.

Recommendation #7: Direct the State to ensure that the Target Capability Assessment tool is valid, accurate, complete, and useful.

Recommendation #8: Direct the State to implement and manage specific milestones for achieving progress toward desired Target Capability levels and State and subgrantee investment goals.

Management Comments and OIG Analysis

FEMA concurred with the intent of recommendations 5 and 6. FEMA stated that its National Preparedness Directorate has developed an improved and sustainable methodology for assessing capabilities that will enable states to track and measure their preparedness progress over time using goals and objectives that are tied to their specific threats and hazards. This new framework and

methodology will be used for the calendar year 2011 data call, with results to be included in the 2012 National Preparedness Report.

FEMA said that the National Preparedness Directorate, the FEMA entity responsible for developing guidance regarding the Homeland Security Strategy process and preparedness performance measurement systems, is revising the guidance for Homeland Security Strategy content. It is anticipated that the new guidance will be released by the end of 2011.

FEMA stated that it has also made progress on generating viable grant metrics that have been included in the 2011 grant guidance. The National Academy of Public Administration will offer three to seven effectiveness measures by September 2011. In addition, FEMA said it has been developing effectiveness measures for grant programs that do not have adequate existing measures.

FEMA concurred with recommendations 7 and 8. Within 90 days of receipt of the final report, FEMA will recommend that the Governor's Office of Homeland Security submit a plan for ensuring the accuracy, completeness, and consistency of information collected as part of the Target Capability Assessment process.

FEMA anticipates that the National Preparedness Directorate will release new guidance by the end of 2011 for the FY 2012 Homeland Security Grant Program application cycle. The Governor's Office of Homeland Security will therefore be required to update the state's security strategy to comply with the revised guidelines.

The Governor's Office of Homeland Security concurred with recommendations 7 and 8, with comment. While it agreed that the Target Capability Assessment tool should be a valid, accurate, complete and useful tool, it did not agree with the assertion in the report that, "neither the State nor FEMA can determine whether grant funds were used effectively to improve preparedness." According to the Governor's Office of Homeland Security, there are a number of systems in place to ensure that grant funds are being used effectively and that preparedness is improving.

The Governor's Office of Homeland Security noted that Colorado has used Homeland Security Grant funds to invest in intelligence and information dissemination capabilities which helped lead to the arrest of an individual related to terrorism, and to purchase

equipment, training, and exercises that have been utilized by first responders to manage many disasters ranging from flooding to tornados to wildfires. Despite the challenges to measure preparedness, the Governor's Office of Homeland Security said it will continue to work closely with FEMA to assist in developing tools to assess and measure preparedness in order to maintain a coordinated effort that strengthens homeland security preparedness.

The actions proposed by both FEMA and the Governor's Office of Homeland Security meet the intent of the recommendations. If properly implemented, the actions identified in the responses should address the conditions indentified during the audit. These recommendations are considered resolved and open, pending final implementation of the proposed corrective actions.

Cash Flow Problems Could Impact Program Effectiveness

Local governments face declining revenue and cash flow problems that force them to delay acquisition of grant-related equipment due to the lack of funds to pay for these purchases in advance of receiving grant reimbursement. According to State officials, subgrantees typically submit spending plans with grant applications that detail specific purchases and expenditures that would be made to address prioritized capability gaps. After the subgrantee makes purchases with its own funds, reimbursement requests are forwarded to the State and grant funds are subsequently disbursed to the subgrantee.

During our review, we noted two regions that had to delay making purchases for up to a year until they could be locally funded, possibly increasing the risk that they would not be prepared to respond to an emergency. In addition, these regions neighbor each other and represent a sizable geographic area in southeastern Colorado that has had to delay purchases intended to close capability gaps. Although FEMA guidance includes the option to draw down funds 120 days prior to expenses being incurred and paid, the State discourages advanced drawdowns and prefers to operate the grant programs on a post-pay reimbursement basis. Advanced drawdowns may help to ensure that regions with cash flow issues can fulfill the intent of the program by making funds available in advance to acquire equipment necessary to respond to catastrophic or terrorist events.

Although the State advanced funds to one subgrantee, it did not adequately monitor the transaction to ensure that the funds were properly spent. In this case, it took the State a year to realize the subgrantee had not spent the

funds as expected, which resulted in the subgrantee being assessed an interest penalty for violating the *Cash Management Improvement Act of 1990*, as amended (Cash Management Improvement Act). Rather than identify the cause of the monitoring problem and take corrective action, State officials opted to reinforce the preference for using the post-pay reimbursement process.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #9: Direct the State to strengthen monitoring controls over advanced drawdowns to mitigate the risk of violating the *Cash Management Improvement Act*.

Recommendation #10: After Recommendation #9 has been implemented, direct the State to implement a method to identify subgrantees faced with economic challenges and encourage them to exercise the option of requesting advanced drawdowns when necessary and appropriate.

Management Comments and OIG Analysis

FEMA concurred with the intent of recommendations 9 and 10. FEMA agreed that the Governor's Office of Homeland Security should enhance the monitoring practices used to provide subgrantee oversight, and stated the issues regarding the advance drawdown of grant funds will be addressed by the Governor's Office of Homeland Security response to recommendations 1, 2, and 3, which is due within 90 days of receipt of the final report.

The Governor's Office of Homeland Security stated it has implemented more frequent and stringent quarterly financial monitoring, which has allowed for a more consistent review of subgrantee cash handling practices to ensure compliance with the *Cash Management Improvement Act*. The Governor's Office of Homeland Security said it has also rewritten grant guidance to more clearly address the eligibility of cash advances for subgrantees, and have reinforced the State's rules concerning cash advance requests benefiting subgrantees faced with economic challenges.

The actions proposed by both FEMA and the Governor's Office of Homeland Security meet the intent of the recommendations. If

properly implemented, the actions identified in the responses should address the conditions identified during the audit. These recommendations are considered resolved and open, pending final implementation of the proposed corrective actions.

Appendix A

Purpose, Scope, and Methodology

The objective of this audit was to determine whether the State distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The goal of this audit is to identify problems and solutions in order to assist FEMA and the State to improve the Nation's ability to prevent and respond to all hazards on both local and statewide levels.

The scope of this audit included 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. Further, the scope included the assessment of these activities within the context of risk to determine if the State's plans produced strategic performance improvements related to the highest areas of risk rather than merely producing improvements in a broader sense.

Together, the entire Homeland Security Grant Program and its five interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. Because of the interrelationship of these grant programs, all were considered when evaluating the planning cycle and the effectiveness of the overall grant program. However, only State Homeland Security Program and Urban Areas Security Initiative funding, and equipment and programs supported by the grant funding, were reviewed for compliance.

In accordance with the audit guide, auditors visited the regional coordinators and regional fiscal agents in five of the State's nine All-Hazards regions and six of the state agencies that have been awarded funding from FYs 2007 to 2009. We also visited three Urban Areas Security Initiative jurisdictions. Auditors selected at least two specific first responder sites in each region to visit and test grant assets. We visited 33 sites, including the State Administrative Agency, 12 subgrantees (Urban Areas Security Initiative Headquarters, five regional offices, and six state agency offices), 19 regional and Urban Areas Security Initiative first responders, and one remote laboratory.

Appendix A

Purpose, Scope, and Methodology

State Administrative Agency

- State of Colorado Governor's Office of Homeland Security

Regions

- North Central Region and local first responders
- Northeast Region and local first responders
- South Central Region and local first responders
- South Region and local first responders
- Southeast Region and local first responders

State Agencies

- Department of Agriculture and laboratory
- Department of Corrections
- Department of Local Affairs – Division of Emergency Management
- Department of Military and Veteran's Affairs
- Department of Public Safety
- University of Colorado – Boulder

Urban Areas Security Initiative

- Urban Areas Security Initiative Headquarters (Denver)
- City of Aurora – Stations 9 and 10
- Cunningham Fire Department
- South Metro Fire Department (Parker), Stations 33 and 34

Appendix A
Purpose, Scope, and Methodology

The scope of the audit included the following:

Homeland Security Grant Program FYs 2007 through 2009				
Funded Activity	FY 2007	FY 2008	FY 2009	Total
State Homeland Security Program	\$6,430,000	\$11,880,000	\$10,925,000	\$29,235,000
Urban Areas Security Initiative	\$7,850,000	\$7,614,500	\$7,053,050	\$22,517,550
Total	\$14,280,000	\$19,494,500	\$17,978,050	\$51,752,550
Law Enforcement Terrorism Prevention Program	\$4,600,000	Not Applicable	Not Applicable	\$4,600,000
Citizen Corps Program	\$244,560	\$249,368	\$248,204	\$742,132
Metropolitan Medical Response System Program	\$774,435	\$963,663	\$963,663	\$2,701,761
Grand Total	\$19,898,995	\$20,707,531	\$19,189,917	\$59,796,443

Source: Federal Emergency Management Agency.

We reviewed a judgmental sample of the State’s administrative expenditures representing at least 50% of the dollar value expended for all grant years to determine the allowability of the expenditure. We also used an internal control questionnaire and reviewed a judgmental sample of subgrantee expenditures for each applicable grant year. We tested for appropriateness and allowability of expenditures and judgmentally chose specific expenditure assets to observe at the local sites. We developed a tracking tool to document the transactions chosen for review; results of review; tracking status, function, and condition of equipment; and details related to training and exercises to ensure that requirements had been met.

We conducted this performance audit between September 2010 and March 2011 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.

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



SEP 14 2011

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

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

SUBJECT: Comments to OIG Draft Report, *The State of Colorado's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2007 through 2009*

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:

Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Governor's Office of Homeland Security to revise State guidance to provide grant implementation expectations, methods, and administration activities that are in line with state and federal requirements.

FEMA Response: FEMA concurs with this recommendation.

In 2009, The Colorado Governor's Office of Homeland Security (GOHS) stated that it "works with representatives from the State's nine All Hazards Emergency Management Regions and other partners to strengthen and streamline the grants administration process," by releasing a Grant Management Guide for use by the State. This document incorporated "by reference the provisions of OMB circulars and government-wide common rules applicable to grants" and was

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a significant contribution to the formal guidance provided by the GOHS to its subrecipients. FEMA acknowledges the efforts of the Colorado State Administrative Agency (SAA) to provide grant implementation and administrative direction to those local jurisdictions receiving Homeland Security grant funds.

However, FEMA concurs with the recommendation that additional guidance for subgrantees is necessary. Therefore, within 90 days of receipt of the final report via the grantee notification, FEMA will require the GOHS to submit a plan for revising, updating, and expanding the State's grant management guidance. FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Governor's Office of Homeland Security to improve its program support, including continual and proactive mentoring, training, and engagement of subgrantee grant administration staff.

FEMA Response: FEMA concurs with this recommendation.

Within 90 Days of receipt of the final report via the grantee notification, FEMA will require the GOHS to submit a plan for enhancing the program support, training, and engagement services offered to subgrantees within the State. FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the State to perform on-site monitoring of subgrantees on a more timely and routine basis.

FEMA Response: FEMA concurs with this recommendation.

Within 90 days of receipt of the final report via the grantee notification, FEMA will require the GOHS to submit a plan for monitoring its subgrantees on a timely and routine basis. FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, evaluate and improve FEMA-prepared monitoring reports to ensure accurate and thorough assessments of grant administration practices, requirements, and efficiency.

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

FEMA agrees with the recommendation to the extent that the GPD can and should improve the monitoring practices, processes and procedures to be more holistic and provide more details to clearly articulate compliance/non-compliance, programmatic efficiencies and effectiveness and overall program progress towards completion. However, since FEMA only monitors the grant recipient, not the State's subrecipients, except UASIs, this effort must be aligned with the State and their fiduciary and programmatic responsibilities for upholding the terms, conditions and use

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of FEMA grant funds. FEMA and GPD reevaluate this process annually and strive to improve the monitoring process and reporting year over year. Future program evaluations and monitoring is evolving to a more robust monitoring tool for States and FEMA to use cooperatively, collaboratively and more frequently, whereby increasing constancy of monitoring results and accurately documenting project level accomplishments. This will be instituted in a coming software upgrade currently proposed in the next year (based on available funding) through the program module of the current ND Grants System. FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, work with the National Preparedness Directorate to standardize the State's Preparedness Report format to ensure that the State can track and measure its preparedness progress and identify work yet to be done to meet goals and objectives.

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

FEMA agrees with the intent of the recommendation for the National Preparedness Directorate (NPD) to standardize the format of the State Preparedness Reports. FEMA NPD has developed an improved and sustainable methodology for assessing capabilities that will enable states to track and measure their preparedness progress over time using goals and objectives that are tied to their specific threats and hazards. This was accomplished in partnership with state and local jurisdictions. This new framework and methodology will be used for the calendar year 2011 data call, with results to be included in the 2012 National Preparedness Report.

FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

Recommendation #6: We recommend that the Assistant Administrator, Grant Programs Directorate, develop and incorporate into guidance, a comprehensive performance measurement system including specific, measurable, and outcome-based program and operational performance measures, including training and exercise effectiveness, to accurately capture the program's overall performance.

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

NPD is the FEMA entity responsible for developing guidance regarding the Homeland Security Strategy (HSS) process and preparedness performance measurement systems. NPD is revising the guidance for HSS content. It is anticipated that, in preparation for the FY 2012 Homeland Security Grant Program (HS GP) application cycle, this new guidance will be released by the end of the year 2011.

FEMA has also made steady progress on generating viable grant metrics. To date, we have developed measures and metrics that have been included in the 2011 grant guidance. The National Academy of Public Administration will offer 3-7 effectiveness measures by September 2011. Additionally, we have been developing effectiveness measures for any grant programs that do not have adequate existing measures.

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With its partners/stakeholders, NPD is the FEMA entity responsible for developing the National Preparedness Goal and description of the National Preparedness System required by the *Presidential Policy Directive/PPD-8: National Preparedness*. The National Preparedness Goal will identify the core capabilities and performance objectives for National Preparedness with respect to prevention, protection, response, recovery and mitigation. The National Preparedness System will provide the description of a methodical approach which links together programs and requirements into a comprehensive system, driving rational decision-making and allowing for a direct and defensible assessment of progress against clearly defined objectives. The system will also describe the guidance for resources, equipment, national training and exercise programs. The National Preparedness Goal is due by September 25, 2011 and the National Preparedness System is due by November 24, 2011.

FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

Recommendation #7: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the State to ensure that the Target Capability Assessment tool is valid, accurate, complete, and useful.

FEMA Response: FEMA concurs with this recommendation.

Within 90 Days of receipt of the final report via the grantee notification, FEMA will recommend the GOHS submit a plan for ensuring the accuracy, completeness, and consistency of information collected as part of the Target Capability Assessment process. FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective actions.

Recommendation #8: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the State to implement and manage specific milestones for achieving progress toward desired Target Capability levels and State and subgrantee investment goals.

FEMA Response: FEMA concurs with this recommendation.

All 56 States and Territories have developed a HSS. This document is the primary mechanism for State and Territorial governments to identify the homeland security goals for their respective communities. NPD is the FEMA entity responsible for developing guidance on homeland security strategies and preparedness performance measurement systems. As stated in response to recommendation 6, it is anticipated that NPD will release new guidance by the end of the year 2011 for the FY 2012 HSGP application cycle. FEMA will require the GOHS to update the State's security strategy in compliance with revised guidelines developed by NPD.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation remain resolved and open pending revision of Colorado's HSS.

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Recommendation #9: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the State to strengthen monitoring controls over advanced drawdowns to mitigate the risk of violating the *Cash Management Improvement Act*.

Recommendation #10: We recommend that the Assistant Administrator, Grant Programs Directorate, after Recommendation #9 has been implemented, direct the State to implement a method to identify subgrantees faced with economic challenges and encourage them to exercise the option of requesting advanced drawdowns when necessary and appropriate.

FEMA Response to Recommendations 9 & 10: FEMA concurs with the intent of these recommendations.

FEMA concurs with the recommendations that the GOHS should enhance the monitoring practices used to provide oversight for subgrantees receiving homeland security grant funds. However, it is FEMA's position that the specific issues regarding the advance drawdown of grant funds will be addressed by the GOHS response to recommendations #1 (updated grant guidance), #2 (enhanced program support and training), and #3 (monitoring sub-grantee activities).

Within 90 Days of receipt of the final report via the grantee notification, FEMA will require the GOHS to submit a plan for: 1) revising, updating, and expanding the State's grant management guidance; 2) enhancing the program support, training, and engagement services offered to subgrantees within the State; and 3) monitoring its sub-grantees on a timely and routine basis.

FEMA requests that these recommendations be resolved and open pending implementation of the stated corrective action.

Again, we thank you for the opportunity to review and comment on your draft report which contains recommendations aimed at improving the efficiency of our agency. Should you have further questions regarding our response, please do not hesitate to call FEMA's Chief Audit Liaison, Brad Shefka, at 202-646-1308.

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STATE OF COLORADO

GOVERNOR'S OFFICE OF HOMELAND SECURITY

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John Hickenlooper
Governor

Larry D. Trujillo
Director, Office of
Homeland Security

August 17, 2011

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

Re: Response to OIG DRAFT REPORT: The State of Colorado's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2007 through 2009" OIG Project No. 10-169-AUD-FEMA

Dear Ms. Richards:

The Colorado Governor's Office of Homeland Security (GOHS) has received and reviewed the above-referenced draft report. The findings in this report will be used to strengthen the effectiveness and efficiency of how our office will execute and measure the homeland security program. We recognize the need to continuously improve the process, including addressing the recommendations raised in this report.

Thank you for the opportunity to respond to this report and to work with the Office of the Inspector General during this engagement. We appreciate the report's recognition that the State did an effective job of developing its Homeland Security Strategic Plan, distributing grant funds, and ensuring that all of the available funds were being used. The report also recognizes that the State used reasonable methods to assess threats, vulnerabilities, capabilities, and needs, allocated funds accordingly, complied with cash management and status reporting requirements, and generally spent funds in accordance with grant requirements and state-established priorities.

Response To Recommendations

Recommendation #1: Revise State guidance to provide grant implementation expectations, methods, and administration activities that are in line with state and federal requirements.

Response: GOHS concurs with this recommendation and has taken steps to improve its guidance by including additional details that better define state requirements and expectations. Although State guidance has consistently addressed federal requirements, additional information regarding

Colorado's Communities Working Together for a Safer Tomorrow

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policies and procedures and segregation of duties has been included to better summarize sub grantee expectations.

Status: Fully Implemented

Recommendation #2: Improve its program support, including continual and proactive mentoring, training, and engagement of sub-grantee grant administration staff.

Response: GOHS concurs with this recommendation and has taken steps to provide additional mentoring and training to sub grantees. Annual trainings and routine site visits had occurred during the 2007-2009 fiscal years; however, since 2010 and based on this recommendation, GOHS has now adopted a more aggressive sub grantee training curriculum to address the needs of experienced and new fiscal agents, project managers, and coordinators. These trainings are now available multiple times a year, and have been customized to address the wide-range of experience levels that exists amongst the sub grantees. The fiscal year 2011 grant guidance and application process were revised to provide clearer direction and to reduce some of the burden placed on the sub grantees. Furthermore, draft grant applications were accepted and reviewed by GOHS staff and feedback was provided to sub grantees. GOHS has increased its engagement with sub grantees in order to improve overall program support.

Status: Fully Implemented

Recommendation #3: Direct the State to perform on-site monitoring of sub-grantees on a more timely and routine basis.

Response: GOHS concurs with this recommendation with comments and recognizes the benefits of on-site monitoring as the preferred method of monitoring. Although FEMA regulations require monitoring to occur, unfortunately they do not specify a specific method or a specific frequency at which they must occur. GOHS performed at least one on-site monitoring visit to each of Colorado's nine all-hazards regions and the Denver UASI during the 2009-2010 calendar years and identified areas of improvement for each of the sub grantees. Corrective actions were implemented and subsequent grant management trainings highlighted findings that were commonly identified during the monitoring visits. GOHS also conducts quarterly monitoring by reviewing sub grantee financial and progress reports. Recognizing the need to continuously improve, GOHS has developed a monitoring schedule that will allow each region to receive at least one on-site financial and physical monitoring visit per 18 months, together with the quarterly desktop financial monitoring. This monitoring schedule also allows for additional site visits be performed if deemed necessary. Given the recent significant Congressional cuts to the Homeland Security Grant Program, we recognize that this is aggressive monitoring schedule may require revisions in subsequent fiscal years.

Status: Fully Implemented

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Recommendation #4: Evaluate and improve FEMA-prepared monitoring reports to ensure accurate and thorough assessments of grant administration practices, requirements, and efficiency.

Response: This recommendation is directed at FEMA, and therefore, Colorado will defer to FEMA for a response to this recommendation.

Status: Awaiting FEMA Guidance

Recommendation #5: Work with the National Preparedness Directorate to standardize the State's Preparedness Report format to ensure that the State can track and measure its preparedness progress and identify work yet to be done to meet goals and objectives.

Response: GOHS concurs with this recommendation, and Colorado will continue to work with the National Preparedness Directorate to develop standardized reporting tools to help measure preparedness progress understanding that the development and standardization of these tools is ultimately up to FEMA to publish.

Status: Awaiting FEMA Guidance

Recommendation #6: Develop, and incorporate into guidance, a comprehensive performance measurement system including specific, measurable, and outcome-based program and operational performance measures, including training and exercise effectiveness, to accurately capture the program's overall performance.

Response: This recommendation is directed at FEMA, and therefore, Colorado will defer to FEMA for a response to this recommendation.

Status: Awaiting FEMA Guidance

Recommendation #7: Direct the State to ensure that the Target Capability Assessment tool is valid, accurate, complete, and useful.

Response: GOHS concurs, but with comments on this recommendation. GOHS agrees that the Target Capability Assessment tool should be a valid, accurate, complete and useful tool; however, GOHS does not agree with the assertion in the report that "neither the State nor FEMA can determine whether grant funds were used effectively to improve preparedness." Although numerical measurement of improvements in preparedness is something that all levels of government across the entire nation are struggling to capture, there are a number of systems in place to ensure that grant funds are being used effectively and that preparedness is improving.

The State of Colorado's Target Capability Assessment tool has been used on an annual basis since 2006 to ensure that grant funds are being used effectively by better understanding the capability strengths, weaknesses and needs of our local and State stakeholders. As part of a

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multi-stage process, all-hazards regions identify their greatest threats and hazards, based upon the probability (likelihood of occurrence in that region) and the consequence (estimate of losses expected) from a set of both national and state planning scenarios. The determination of the priority regional threats directs the focus of enhancement of target capabilities primarily linked to mitigating those threats. These assessments have given the all-hazards regions a measure of their current level of capability and the ability to project where that capability needs to be in order to achieve a pre-determined level of preparedness based upon the level of risk that they are willing to accept. These tools provide a baseline upon which Regional Homeland Security Strategies are developed and used as a mechanism by which regions can prioritize their most pressing needs and map out a plan for addressing those needs. The Regional Homeland Security Strategies are a key component used to justify requests through regional applications for homeland security grant funding. Projects must tie directly back to the goals and objectives indicated in the strategies, providing a simple check that funding requests are contributing to accomplishing the long-range goals established by regional subject matter experts.

Improvements in preparedness have been demonstrated both locally and nationwide through a number of real-world events. Homeland Security Grant funds have been utilized in Colorado to invest in intelligence and information dissemination capabilities to support the Colorado Information Analysis Center which, in conjunction with the FBI Denver Office, arrested Najibullah Zazi on charges of lying in a matter involving terrorism. Homeland Security Grant funds have also been used to purchase equipment, trainings and exercises that have been utilized by first responders to manage many disasters ranging from flooding to tornados to wildfires saving countless lives and property.

Despite the challenges at all levels of government to measure preparedness, Colorado will continue to work closely with FEMA to assist in developing tools to assess and measure preparedness in order to maintain a coordinated effort that strengthens homeland security preparedness.

Status: Awaiting FEMA Guidance

Recommendation #8: Direct the State to implement and manage specific milestones for achieving progress toward desired Target Capability levels and State and sub-grantee investment goals.

Response: See response to Recommendation #7

Recommendation #9: Direct the State to strengthen monitoring controls over advanced drawdowns to mitigate the risk of violating the *Cash Management Improvement Act*.

Response: GOHS concurs with this recommendation and has implemented more frequent and stringent quarterly financial monitoring which has allowed for a more consistent review of sub grantee cash handling practices to ensure compliance with the *Cash Management Improvement Act*.

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Status: Fully Implemented

Recommendation #10: After Recommendation #9 has been implemented, direct the State to implement a method to identify sub-grantees faced with economic challenges and encourage them to exercise the option of requesting advanced drawdowns when necessary and appropriate.

Response: GOHS concurs with this recommendation and in the months following the State of Colorado's exit interview with the DHS Office of Inspector General, GOHS has rewritten grant guidance to more clearly address the eligibility of cash advances for sub grantees. Also, in subsequent fiscal agent trainings, meetings, and regional board meeting GOHS staff have reinforced the State's rules on, and acceptance of, cash advance requests to benefit sub grantees faced with economic challenges. These changes have already resulted in a significant increase in the number of sub grantees requesting and receiving advanced drawdowns.

Status: Fully Implemented

Thank you again for the opportunity to comment on this report. We appreciate the hard work and cooperative attitude that the audit team exhibited, and look forward to instituting positive changes in the program as a direct result of these recommendations. Please be advised that at this time we do not have concerns with publicly releasing the information contained in the report and look forward to working with you to finalize this audit.

Respectfully,


LARRY D. TRUJILLO
Director, Governor's Office of Homeland Security
larry.d.trujillo@state.co.us

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Appendix C

Homeland Security Grant Program Background

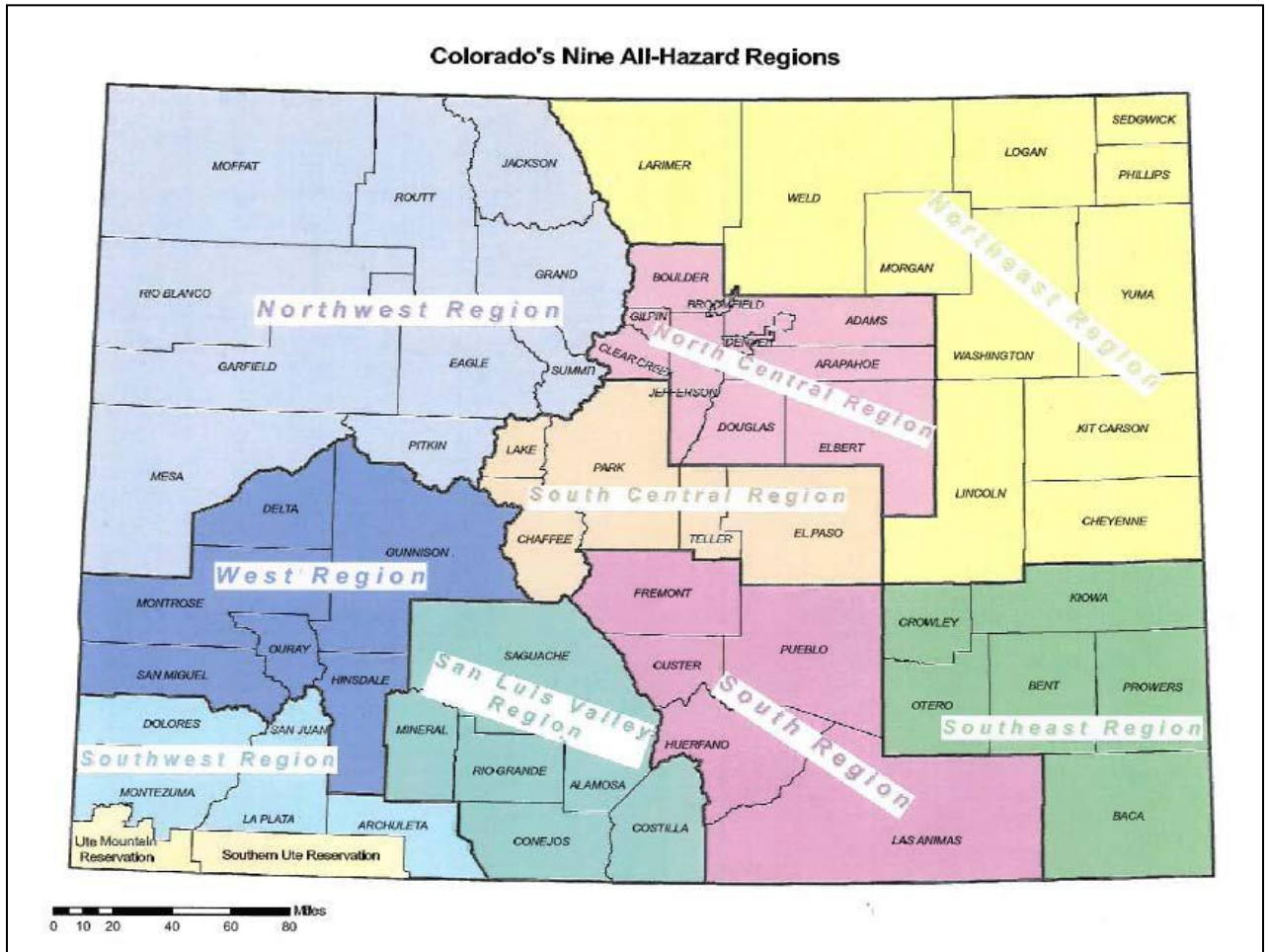
The Homeland Security Grant Program provides federal funding to help state and local agencies enhance their capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The Homeland Security Grant Program encompasses several interrelated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

- **State Homeland Security Program** provides financial assistance directly to each of the states and territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address the identified planning, equipment, training, and exercise needs.
- **Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas, and to assist 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 State Homeland Security Program. Funding is expended based on the Urban Area Homeland Security Strategies.

In addition, the Homeland Security Grant Program includes other interrelated grant programs with similar purposes. Depending on the fiscal year, these include the following:

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

Appendix D
Colorado's Nine All-Hazards Regions



Map provided by the State of Colorado

Appendix E
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Appendix F
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