



Department of Homeland Security Office of Inspector General

Improvements Needed in Federal Emergency Management Agency Monitoring of Grantees



Office of Inspector General

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**Homeland
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Preface

The Department of Homeland Security Office of Inspector General 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 strengths and weaknesses of the Federal Emergency Management Agency's grant management infrastructure to ensure effective monitoring of grantees. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

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

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

Richard L. Skinner
Inspector General

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Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
OIG	Office of Inspector General

OIG

*Department of Homeland Security
Office of Inspector General*

Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, directed the Department of Homeland Security Office of Inspector General to review and evaluate the grant management and oversight practices of the Federal Emergency Management Agency. We reviewed the grant management and oversight practices of 3 out of the 26 active and 52 total grant programs administered by the Federal Emergency Management Agency: the State Homeland Security Program, the Staffing for Adequate Fire and Emergency Response Program, and the Emergency Food and Shelter Program.

Improvements are needed in the Federal Emergency Management Agency's grant management and oversight infrastructure to ensure effective monitoring of grantees. Specifically, the Federal Emergency Management Agency does not consistently and comprehensively execute its two major oversight activities, financial and program monitoring. This occurs because it has not conducted the analyses and developed the plan of action required by Public Law 109-295 Title VI, the *Post-Katrina Emergency Management Reform Act of 2006* as part of its strategic human capital plan. In addition, financial and programmatic monitoring policies, procedures, and plans are not comprehensive.

We also identified support contractors for the Federal Emergency Management Agency that are performing inherently governmental functions while carrying out duties associated with the oversight of the Staffing for Adequate Fire and Emergency Response Program. As a result, the Federal Emergency Management Agency does not have adequate assurance that federal grant funds are being used effectively and appropriately.

We made recommendations to the Administrator, Federal Emergency Management Agency, to address the needed grant management infrastructure improvements as well as the actions of the support contractors performing inherently governmental functions. In response to our report, the Federal Emergency Management Agency generally concurred that grant management improvements were needed; however, it did not agree that contractors were performing inherently governmental functions.

Background

The Federal Emergency Management Agency (FEMA) was created by a Presidential Executive order in 1979 and became part of the U.S. Department of Homeland Security (DHS) in 2003. Its mission is to reduce the loss of life and property and to protect the Nation from all hazards, including natural disasters, acts of terrorism, and other man-made disasters. Through the appropriation for state and local programs, FEMA fulfills its role as the principal component within DHS responsible for preparing state and local governments to prevent, protect against, respond to, and recover from incidents of terrorism and other catastrophic events. The appropriation provides for grants, training, exercises, and other support to assist federal agencies, states, territories, tribal, and local jurisdictions.

On October 4, 2006, the President signed Public Law 109-295, with Title VI entitled the *Post-Katrina Emergency Management Reform Act*. The Act provided a renewed focus on FEMA's Regions and their relationship with state and local partners for emergency management and preparedness. The Act also established new leadership positions within DHS, transferred additional functions to FEMA, and created and reallocated functions to other components within the department. For example, the Act transferred the mission, functions, staff, and programs of the DHS Office of Grants and Training and other major preparedness programs to FEMA, effective April 1, 2007. As a result, FEMA directly oversees more than 80% of all grants awarded by DHS.

At the time of the transfer, the Office of Grants and Training was renamed the Office of Grant Programs; shortly thereafter it was renamed the Grant Management and Operations Directorate. The Grant Management and Operations Directorate centralized FEMA's grant management, analysis, and oversight capacity, and was to provide the controls to ensure that billions of dollars provided through grants and disaster assistance are appropriately awarded, tracked, and monitored. During Fiscal Year (FY) 2008, the Grants Management and Operations Directorate was renamed the Grant Programs Directorate, and the majority of the financial monitoring responsibility was transferred to the Regions.

In addition to the Grant Programs Directorate, several other directorates have grant management and oversight responsibilities, including Disaster Operations, Disaster Assistance, the National

Preparedness Directorate, the Mitigation Directorate, and the U.S. Fire Administration. FEMA's many grant programs vary from enhancing capabilities that focus on counter-terrorism and catastrophic events, to specific first-responder disciplines that strengthen capabilities for addressing hazards of all types.

During FY 2007, FEMA awarded more than \$10.6 billion in grants to state and local governments; territories; tribal governments; private, public, profit, and nonprofit organizations; and sponsoring agencies. These grants are intended to enhance preparedness, protection, response, recovery, and mitigation capabilities throughout the Nation. A breakdown of the grants by award type is shown in Table 1.

Table 1

FY 2007 Grant Awards		
Type of Grants	Number of Awards	Amount Awarded
Assistance to Firefighters Grants	6,436	\$672,280,341
Preparedness Grants	788	\$3,697,455,785
Disaster Assistance Grants	129	\$5,471,384,499
Non-Disaster Grants	422	\$785,490,791
Total Awarded in FY 2007	7,775	\$10,626,611,416.00

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the DHS Office of Inspector General (OIG) to review and evaluate the grant management and oversight practices of FEMA, which has a total of 52 grant programs. Based on funding, number of grants, and type of program, we selected the following for review as representative of the active grants administered by FEMA: the State Homeland Security Program, Staffing for Adequate Fire and Emergency Response Program, and Emergency Food and Shelter Program.

Results of Audit

Improvements are needed in FEMA's grant management infrastructure to ensure effective monitoring of grantees. Our review determined that FEMA does not consistently and comprehensively execute its two major oversight activities, financial and program monitoring. This occurs because FEMA has not implemented required analyses and a plan of action associated with its strategic human capital plan. Also, FEMA's financial and programmatic monitoring policies, procedures, and plans are not comprehensive. We also identified FEMA support contractors that are performing inherently governmental functions while carrying out duties associated with the oversight of the Staffing for Adequate Fire and Emergency Response Program. As a result, FEMA cannot adequately ensure that federal grant funds are being used effectively and appropriately.

Financial and Program Monitoring

FEMA staff monitors grant recipients, both financially and programmatically, to ensure that project goals, objectives, performance requirements, timelines, milestone completion, budgets, and other related grant requirements are being met. Monitoring involves (1) collecting financial and program status reports as well as performance and administrative information relative to each program; (2) analyzing the information; and (3) taking appropriate actions. Monitoring is accomplished through a combination of office-based reviews and on-site visits.

Financial Monitoring

The goal of FEMA's financial monitoring is to ensure compliance with federal grant regulations and objectives, and to seek opportunities for organizational and operational improvements and innovations. FEMA's financial monitoring efforts also aim to proactively educate grantees on how to make more informed decisions; link outcome to funding; and identify potential waste, fraud, abuse, and mismanagement. Financial monitoring includes office-based reviews and on-site reviews conducted at the grantee's physical location. FEMA's financial monitoring goal is to visit all grantees at least once during the life cycle of the grant, which, depending on the program, could last several years.

FEMA did not meet its financial monitoring goals for the State Homeland Security Program, the Staffing for Adequate Fire and

Emergency Response Program, and the Emergency Food and Shelter Program for FY 2007. For the State Homeland Security Program, FEMA completed five of nine comprehensive reviews of State Administrative Agencies planned for FY 2007 and none of the 19 planned desk reviews of discretionary award recipients. In addition to the five comprehensive reviews completed during FY 2007, FEMA's financial monitoring staff conducted two unplanned State Homeland Security Program site reviews of American Samoa and Puerto Rico. According to FEMA officials, these unplanned reviews were conducted because significant issues arose at these sites that took precedence over the remaining planned reviews.

The Grant Programs Directorate conducted minimal financial monitoring of the Staffing for Adequate Fire and Emergency Response Program during FY 2007, and none was planned for FY 2008. The only financial-related oversight of the Staffing for Adequate Fire and Emergency Response program during FY 2007 were reviews of payment requests and evaluations of performance reports performed by support staff under contract with the program monitoring staff. These reviews were much less comprehensive than the financial monitoring activities described in FEMA's financial monitoring policies and procedures for other programs, which include both office-based reviews and site visits.

A FEMA official told us that financial monitoring in compliance with the Emergency Food and Shelter Program Responsibilities and Requirements document has not occurred since 2003 because of FEMA's focus on other priorities, such as disaster assistance programs. The Emergency Food and Shelter Program financial oversight efforts for FY 2007 were limited to desk reviews of financial statements for the one grant recipient receiving funds, and the FEMA Emergency Food and Shelter Program officer's participation in four teleconferences with the National Board (representatives from FEMA and six charities), local board, and local recipient organizations.

Program Monitoring

Program monitoring allows DHS to verify that grant funds are being administered in accordance with the guidance issued to grantees. Monitoring also provides an opportunity to collaboratively determine areas of concern, needs, and priorities so that DHS can effectively provide services to better ensure national

preparedness. Effective monitoring consists of both administrative (office-based) and strategic (on-site) monitoring.

For the State Homeland Security Program, administrative monitoring includes an overall review and analysis of the grantee's status on submission of quarterly and biannual reports, status of drawdown funding amounts, recent activities with drawdowns, and expiration and extension history of open grants. One office-based administrative monitoring review must be completed for each grantee. Strategic monitoring focuses on progress made toward investments, achieving state or urban area goals and objectives, and accomplishing national priorities. For FEMA preparedness programs, strategic monitoring was required for each State Administrative Agency (grant recipient) in FY 2007.

The Grant Development and Administration Division, within the Grant Programs Directorate, completed its FY 2007 programmatic monitoring plan for the State Homeland Security Program, including site visits to all 56 states and territories. The Grant Development and Administration Division used its branch chiefs and preparedness officers to conduct administrative (office-based) and strategic (on-site) monitoring, despite having 11 vacant positions in the Division.

The draft Staffing for Adequate Fire and Emergency Response Programmatic Monitoring Plan lists the types of monitoring activities to be performed by program staff. The monitoring activities include quarterly performance reviews, annual desk reviews, report submission compliance reviews, and site visits. The monitoring plan categorizes site visits as either reactive or proactive. Reactive site visits are conducted as concerns arise about a grantee's performance. Proactive site visits are conducted on 1% to 5% of Staffing for Adequate Fire and Emergency Response grants, to include activities such as examining receipts for expenditures, procurement records, and policies and procedures governing awarded grant activities.

During FY 2007, program monitoring of Staffing for Adequate Fire and Emergency Response grant recipients was limited to quarterly reviews of payment requests and evaluations of performance status reports. As of July 2008, only one reactive site visit had been conducted since the program was established in 2005. No annual reviews or compliance reviews were conducted during FY 2007.

Approximately 12,000 subrecipients received Emergency Food and Shelter Program funds from one grant recipient during FY 2006. According to a former Emergency Food and Shelter Program officer, program monitoring of the one grant recipient ceased in 2003 because staff were reassigned to other FEMA priorities, such as disaster assistance programs.

Monitoring Documentation

FEMA monitoring staff did not consistently maintain financial monitoring documentation. The FEMA FY 2007 financial monitoring plan lists specific documentation to be maintained in the monitoring files, including audit histories, monitoring histories, state strategy and application reviews, and financial reporting analyses. Supporting documentation maintained by the financial monitoring staff was voluminous but not well organized, making it difficult to ensure that all required documentation was maintained and analyses were performed.

Likewise, program monitoring files for the State Homeland Security Program did not contain consistent documentation. For example, of the nine files reviewed, three did not include copies of the Application for Federal Assistance (Standard Form 424) or any accompanying documentation submitted by the grantee. Six files contained copies of the application, but three of those six did not contain the accompanying documentation, which includes items such as investment justifications and budget information.

In addition, monitoring procedures for the State Homeland Security Program dictate that a “continuously robust and interactive relationship” should exist between grantees and fellow federal homeland security partners, but the procedures do not specify how this relationship should be documented or what evidence would validate such a relationship. Of the nine files reviewed, five files contained very little documentation—such as e-mails, correspondence, or documented telephone conversations—to demonstrate contact with the grant recipients. The remaining four files contained some documents showing a pattern of communication between the program staff and grant recipient.

Without consistent and organized documentation, FEMA has little assurance that documentary evidence maintained was adequate to support the conclusions made in the monitoring and site visit reports. The existing condition of files did not readily allow for an

independent reviewer to assess the degree of compliance with monitoring policies and procedures.

Unresolved Human Capital Issues

Human capital issues have significantly affected FEMA's ability to monitor grantees. Congress has recognized these issues and addressed them in the *Post-Katrina Emergency Management Reform Act* (the Act) dated October 4, 2006. The Act transferred functions such as the DHS Office of Grants and Training to FEMA, and also required FEMA to develop and submit to the Congress a Strategic Human Capital Plan (the Plan) to Congress by April 2007.

Congress required that this agency-level Plan include a workforce gap analysis, including an assessment of present and future critical skills and competencies needed to support the mission and responsibilities, and effectively manage FEMA. The Plan was to cover the entire FEMA workforce and was intended to address staffing levels, including actual and projected gaps in the workforce, and include specific strategies for developing, training, deploying, compensating, motivating, and retaining the workforce. The Act also required the Plan to include a plan of action for developing and reshaping the FEMA workforce that would address the identified gaps in critical skills and competencies.

FEMA submitted the Plan to Congress in June 2008. However, the Plan does not provide either the detailed human capital analyses or plan of action for resolving the human capital issues called for in the Act. Instead, the Plan describes a number of strategies and initiatives planned or under way in FEMA, and states that it "provides a map of how the Agency will create an environment and culture that supports, nurtures, and sustains a workforce that will be up to any challenge."

The Plan states that FEMA is engaged in determining the proper size of its workforce, and that over the next year FEMA will perform a detailed requirements analysis to establish future staffing needs for each Directorate, Region, and critical support function. Specifically, FEMA intends to conduct the right-sizing analysis on a "bottom-up" basis, as each Directorate is to examine its own role in support of the FEMA Vision. Further, the Plan states that FEMA will undertake a comprehensive "Business Process Re-Engineering" exercise to evaluate proposed staffing structures.

However, the Plan does not provide timeframes for completing these analyses and implementing corrective actions.

Separate Strategic Human Capital Plan of Action for Grant Management and Oversight

The Grant Programs Directorate has initiated its own actions to begin addressing grant management and oversight workforce issues, unrelated to the *Post-Katrina Emergency Management Reform Act*. However, the actions were initiated without the benefit of a comprehensive strategic human capital plan at either the Agency or Directorate level for grant management and oversight functions.

The Grant Programs Directorate contracted for a study to analyze its workforce and address the number of personnel needed to perform specific grant functions such as pre-award, post-award, and closeout for active Headquarters-awarded grant programs. However, since this study was unrelated to the requirements of the *Post-Katrina Emergency Management Reform Act*, the study did not fully address the Act requirements, such as an analysis of workforce skill mix and capabilities and identification of required competencies and associated training to perform specific grant management and oversight responsibilities. The study was completed in January 2009.

According to a FEMA official, the Grant Development and Administration Division also performed a workload analysis that defined clear delineations of responsibilities between supervisors and staff. The study determined necessary changes in work assignments and primary responsibilities across role levels, regions, and field-based staff. The study also revised role descriptions for director, manager, and staff positions; established standards for roles and responsibilities throughout the entire division and across its programs; and recommended process and program changes to ensure integration. This additional study did not address the *Post-Katrina Emergency Management Reform Act* requirements, as it was performed prior to the Act.

Since a majority of grant management and oversight functions are conducted independent of critical disaster recovery activities, FEMA should take the approach of conducting the analyses required by the Act and developing a separate plan of action for all staff tasked with grant management and oversight responsibilities rather than follow the current plan to analyze each directorate

separately. Future workforce actions for grant management and oversight should be limited until a comprehensive human capital plan for grant management and oversight is implemented that fully responds to the requirements of the Act.

Grant Monitoring Staffing Issues

Staffing issues have affected the amount of financial and programmatic grant monitoring work being conducted both at Headquarters and in the Regions.

During the second half of FY 2007, FEMA concentrated on establishing a new Grant Programs Directorate and implementing a new payment system. To accomplish these tasks, eight of nine staff members were transferred from financial management to these activities. As a result, the State Homeland Security Program financial monitoring activities were conducted only during the first half of the fiscal year.

FEMA's Grant Development and Administration Division within the Grant Programs Directorate completed its FY 2007 programmatic monitoring plan despite having 11 vacant positions in the Division. The Grant Development and Administration Division accomplished this task, including site visits to all 56 states and territories, by using branch chiefs and preparedness officers to conduct administrative (office-based) and strategic (on-site) monitoring. For example, two of the three branch chiefs, who are responsible for overseeing between 15 and 24 states and territories, individually performed program monitoring of one or two states in addition to their normal oversight and supervisory duties. As of August 2008, only 2 of the 11 vacancies were filled.

Staff within the Emergency Food and Shelter Program declined from six in 1997 to one in 2008. According to FEMA program officials, this decline led to a significant decrease in financial and program monitoring. Having one staff member responsible for both monitoring activities reduces FEMA's ability to ensure the appropriate use of grant funds. Regarding the Staffing for Adequate Fire and Emergency Response program, Grant Programs Directorate personnel explained that while staff was available to process Staffing for Adequate Fire and Emergency Response grant awards, no staff was available to conduct financial monitoring because the unit has five vacant positions.

Staffing issues have also affected the Regions. In an effort to implement the requirements of the *Post-Katrina Emergency Management Reform Act*, FEMA regionalized specific business functions such as cash analysis and closeout for certain grant programs, audit resolution, and financial monitoring. Implementing these actions, which began to take effect in FY 2008, included hiring two grant management specialists for each Region. Shortly after implementation, one of the two positions in each Region was reassigned as a branch chief for a newly created grant branch, reducing the number of staff dedicated to grant monitoring and oversight. A FEMA Headquarters manager said that creating the Grant Branch Chief was necessary to ensure that adequate oversight and direction were available in the Regions. Regional personnel, however, generally agreed that one person fully dedicated to supplement the already existing regional oversight personnel was not adequate to conduct their current oversight responsibilities.

Organizational Stability and Changes in Leadership

The Grant Programs Directorate went through two reorganizations after the Office of Grants and Training was transferred to FEMA in April 2007. Several key positions, such as the Deputy Assistant Administrator, and the Director and Deputy Director of Grant Development and Administration have been vacant for much of 2008. The Deputy Assistant Administrator position was filled in June 2008, but the top two leadership positions within the Grant Development and Administration Division were not filled until the end of calendar year 2008. These two positions represent the programmatic subject matter expertise for the Grant Programs Directorate's preparedness programs and are critical positions to be filled.

Policies and Procedures, Monitoring Plans, and Integrated Systems

Financial and programmatic monitoring policies, procedures, and plans describe the monitoring activities required of FEMA grant oversight staff. Monitoring activities generally include desk reviews and site visits.

Policies and Procedures for FEMA Monitoring Activities

Policies and procedures of the State Homeland Security Program are implemented through its FY 2007 Administrative and Strategic

Monitoring Protocols for Eastern, Central, and Western Division Preparedness Officers. The protocol requires that a post-site visit letter be sent as soon as the final monitoring report has been fully approved, and the subsequent monitoring report to be issued within 30 days. Our review of nine monitoring files determined that monitoring reports were not issued within the required timeframes. Program officials said that the protocol indicated that the reports were to be submitted to the first line supervisor within 30 days. However, the protocol did not specify to whom the reports were to be submitted.

No financial monitoring policies or procedures exist for the Staffing for Adequate Fire and Emergency Response program. The draft Staffing for Adequate Fire and Emergency Response Programmatic Monitoring Plan contains policies and procedures for program monitoring. This document includes information on types of programmatic monitoring; the duties and responsibilities of subject matter experts; and the frequency of performance reviews, including annual desk reviews, report submission compliance reviews, and site visits. However, since the program's inception in FY 2005, the document has remained in draft.

No monitoring policies or procedures exist for the Emergency Food and Shelter Program. The cooperative agreement between FEMA and the grant recipient is being used for the Emergency Food and Shelter Program in place of formal monitoring policies or procedures. While the cooperative agreement includes financial and program reporting requirements for the grantee, it does not contain any specific monitoring requirements for FEMA.

Monitoring Plans

The State Homeland Security Program financial monitoring plan for FY 2007 did not include enough site visits to represent the grant universe. This plan indicated that staff would visit nine states for the Homeland Security Grant Program/State Homeland Security Program and cover FY 2006 Homeland Security Grant Program/ State Homeland Security Program funding. All 56 states and territories were awarded Homeland Security Grant Program/State Homeland Security Program funds, totaling \$528,165,000. The nine states planned for review represented only 16% of the universe; only five states and two territories were ultimately completed. The FY 2008 plan included site visits to 34 states and territories, a far more representative sample.

Site visits included in the Staffing for Adequate Fire and Emergency Response program monitoring plans also were not representative given the number of active grantees. The Staffing for Adequate Fire and Emergency Response program staff followed a draft Programmatic Monitoring Plan, which required that site visits be performed on either a reactive or proactive basis. Reactive site visits may be conducted at any time as dictated by a grantee's performance issues or program office concerns. To monitor grants proactively, approximately 1% to 5% of Staffing for Adequate Fire and Emergency Response grants (hiring of career firefighters and the recruitment and retention of volunteer firefighters) will be selected for a grantee site visit during each calendar year. The plan further states that grantees should not receive more than one site visit over the life cycle of the grant without identified cause. This sample is far less than the site visits conducted for other program monitoring activities.

Integrated Grant Management Systems

While FEMA intends to implement two grant management systems—the Emergency Management Mission Integrated Environment for disaster grants and the Non-Disaster system for non-disaster grants—grant programs are being phased into these systems beginning in October 2008, with final implementation years away.

Development of comprehensive systems has been extremely slow to materialize, partly because of a lack of staff tasked to create and build them. The FEMA Information Technology Division cited a lack of adequate funding as a major challenge. Also, the FEMA Information Technology Division has a large number of customers to serve, but the scope of the systems and the potential requirement for the systems to handle all DHS grant programs (and the resulting increased workloads) have not been determined.

Gathering data from FEMA's grant processes is extremely time-consuming. Data analysis is cumbersome because the systems do not interface and some manual systems still exist. Integrated systems and advanced technology would make grant processes run more efficiently, from grant application to closeout. In addition, standardization would increase FEMA's efficiency and improve its ability to monitor and analyze grant programs.

Need to Better Ensure Effective and Appropriate Use of Grants

FEMA's financial and programmatic monitoring activities are critical parts of an effective grant oversight program. FEMA needs an appropriate oversight infrastructure to ensure that all financial and programmatic monitoring activities can be accomplished, as specified in its monitoring plans. Key components of this infrastructure include implementation of a strategic human capital plan and associated workforce analysis, adequate staffing, formal training, comprehensive policies and procedures, realistic and representative monitoring plans, consistent documentation of monitoring activities, and integrated grant management systems.

Effective oversight will ensure that grantees have adequate internal controls, grant funds are being used as intended, grant programs are carried out as prescribed, and grantees are complying with the terms and condition of their grant award agreements.

Recommendations

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

Recommendation 1: For all grant management and oversight personnel, conduct the analyses mandated in the *Post-Katrina Emergency Management Reform Act of 2006* and develop a plan of action with milestones for resolving identified human capital issues.

Recommendation 2: Develop comprehensive grant management and monitoring policies and procedures, including details on conducting financial and programmatic monitoring activities, the number and frequency of site visits, and the need to adequately document the results.

Management Comments and OIG Analysis

We obtained written comments on a draft of this report from FEMA's Assistant Administrator, Grant Programs Directorate. We have included a copy of FEMA's response in its entirety as Appendix B.

FEMA Response to Recommendation #1

FEMA's comments indicate concurrence in part with our recommendation regarding developing a plan of action with milestones for resolving identified human capital issues. FEMA's response does not address human capital issues for offices other than the Grant Programs Directorate. The Grant Programs Directorate is progressing with recruiting and retaining the workforce needed to fulfill FEMA's mission and responsibilities as mandated in the *Post-Katrina Emergency Management Reform Act of 2006*. According to FEMA, since the beginning of the audit, a significant number of vacancies have been filled while other positions are being advertised on a regular basis. The Grant Development and Administration Division is performing a workload analysis that includes the following:

- (1) Defining clear delineations of responsibilities between supervisory and staff roles;
- (2) Determining necessary changes in work assignments and/or primary responsibilities across role levels, regions, and field-based staff;
- (3) Revising position descriptions for director, manager and staff positions;
- (4) Establishing standards for roles and responsibilities across all Grant Development and Administration Divisions and programs; and
- (5) Recommending process and/or program changes to ensure successful integration.

The Grants Management Division was recently reorganized in an effort to maximize use of its human capital resources. Administrative and financial staff are now assigned to work with states in a way that more effectively supports and complements the work of program staff in the Grant Development and Administration Division.

FEMA Response to Recommendation #2

FEMA's comments indicate concurrence with our recommendation regarding developing comprehensive grant management and monitoring policies and procedures. The Grants Management Division has developed comprehensive and standardized financial monitoring protocols for both desk reviews and on-site monitoring. These tools also provide instructions regarding official documentation required for the files.

The FEMA Monitoring Plan identifies the required financial monitoring activities in FEMA. To complement the headquarters plan, the ten FEMA Regions will prepare a plan which will include the grants to be monitored, the type of monitoring, and the monitoring schedule.

The Grant Development and Administration Division recently updated its monitoring tools and policy directives for the Homeland Security Grant Program, the Transit Security Grant Program, and the Emergency Management Performance Grant Program. The policy directives clearly outline the purpose and need for programmatic monitoring and on-site visits.

The Grant Development and Administration Division has developed a Microsoft Access database to facilitate program monitoring of the Homeland Security Grant Program. This database includes a comprehensive review of each grantee's investments for all current grants and requires a score to be assigned to demonstrate progress achieved for each objective in the approved State and/or Urban Area Homeland Security Strategy. For FY 2009, the database will include the FY 2006, FY 2007, and FY 2008 investments. This updated database also includes a section on programmatic requirements to ensure that all grant program requirements are being met timely. A standard on-site monitoring toolkit, developed by the Grant Development and Administration Division for the Transit Security Grant Program and Emergency Management Performance Grant Program, includes a section on program requirements specific to each program.

OIG Analysis of FEMA's Responses to Recommendations #1 and #2

We consider FEMA's proposed actions responsive to the recommendations for the Grant Program Directorate. However, FEMA's response does not address the human capital issues or comprehensive grant management and monitoring policies and procedures for other offices within FEMA tasked with grant management and oversight responsibilities, such as the Individual Assistance Division within the Disaster Assistance Directorate. In this regard, recommendations #1 and #2 are considered resolved but will remain open pending receipt of documentation and target dates that address implementation of actions to resolve human

capital issues, and development of comprehensive grant management and monitoring policies and procedures, for other offices within FEMA tasked with grant management and oversight responsibilities.

Contractors Are Performing Inherently Governmental Functions

Office of Management and Budget (OMB) Circular No. A-76 Revised, *Performance of Commercial Activities*, May 29, 2003, establishes federal policy for the competition of commercial activities, and also defines activities performed by government personnel as either inherently governmental or commercial. An inherently governmental activity is one so intimately related to the public interest as to mandate performance by government personnel. These activities require the exercise of substantial discretion in applying government authority and in making decisions for the government, including procedures and processes related to the oversight of monetary transactions or entitlements.

The circular further states that for contracted activities, the contractor does not have the authority to decide on courses of action. However, the contractor may be tasked with developing options or implementing courses of action decided upon by the agency, with agency oversight.

Despite these requirements, contract staff are approving Staffing for Adequate Fire and Emergency Response grant payments without FEMA program personnel review and approval. Contract staff are also evaluating quarterly status reports submitted by Staffing for Adequate Fire and Emergency Response grant recipients. Our discussions with program and contractor personnel disclosed that Staffing for Adequate Fire and Emergency Response contractors have the authority to make decisions on payment requests and program status, which are prohibited activities according to OMB Circular No. A-76. As such, contractors are performing work that constitutes inherently governmental functions.

FEMA has been using contract staff for these inherently governmental functions since 2006 due to lack of FEMA staff. The Staffing for Adequate Fire and Emergency Response program manager said that he does not have the time to “look over the shoulder” of the contract staff while they are reviewing quarterly reports and requests for funds. According to the program manager,

he has articulated specific review requirements to the contract staff, and matters outside of those review requirements are vetted and discussed with him. Staffing for Adequate Fire and Emergency Response program officials told us that they have been requesting staff since the program started, but their requests have not been approved. They said that they had recently submitted another request and additional staff were approved.

Recommendations

We recommend that the Administrator, Federal Emergency Management Agency:

Recommendation 3: Immediately stop the practice of contractor personnel approving Staffing for Adequate Fire and Emergency Response payments and making program decisions resulting from quarterly performance report evaluations.

Recommendation 4: Establish and implement monitoring procedures to ensure that approval and program decision-making activities are performed by FEMA employees, and clarify the roles and responsibilities of Staffing for Adequate Fire and Emergency Response support contractors, limiting the contractors to developing options or implementing courses of action, but not making decisions on the courses of action.

Management Comments and OIG Analysis

We obtained written comments on a draft of this report from FEMA's Assistant Administrator, Grant Programs Directorate. We have included a copy of FEMA's response in its entirety as Appendix B.

FEMA's Response to Recommendation #3

FEMA's comments indicate non-concurrence with our recommendation on stopping the practice of allowing contractor personnel to approve Staffing for Adequate Fire and Emergency Response payments and make program decisions. According to FEMA, in processing funds requests, the ultimate decision to disburse funds to a grantee is made by federal staff in the FEMA Chief Financial Officer's organization, which requests that Treasury issue funds to the grantee. Prior to that decision, there is a range of reviews which evaluate the appropriateness of the grantees' request for funds.

Specifically, once a request is submitted by a grantee, the program office decides whether the request: (1) conforms with the original statement of work; (2) is within the formulaic paradigm that determines how much money is available to the grantee; and (3) has any aspects which are contrary to prior approvals of similar requests. These procedures are established by federal staff and are merely followed by the contractor staff. Therefore, FEMA contends that it is the federal employees of the program office who make the determination that a request should proceed to processing in the Chief Financial Officer's Office.

Quarterly reports which do not include requests for funds are processed under a similar set of review steps. That is, a reviewer of the report, whether it is a federal employee or a contractor, must adhere to procedure and precedent in performing the review. In no instance does contractor staff make decisions on their own that constitute inherently governmental actions as defined in the Federal Acquisition Regulation.

FEMA has obtained approval to hire additional staff in the Assistance to Firefighter Grant Program office, and human resource actions to implement this resolution have been initiated. Nevertheless, until those actions have been completed, FEMA will continue to use contractors in its Assistance to Firefighter Grant Program office to process routine grant management actions—funds requests, quarterly reports, and amendment requests—under the tightly controlled process briefly outlined above.

FEMA's Response to Recommendation #4

FEMA's comments indicate non-concurrence with our recommendation on establishing monitoring procedures to ensure that only FEMA employees make approvals and program decisions. According to FEMA, it does not allow contractors to make program decisions. Contractors work under governmental supervision, and decisions that contract staff may communicate to grantees are either those that have been vetted through precedent, or have been specifically approved by governmental oversight.

OIG Analysis of FEMA's Responses to Recommendations #3 and #4

We acknowledge that federal staff within the Chief Financial Officer's office process requests for payments. However, it is

contract staff that are approving Staffing for Adequate Fire and Emergency Response grant requests for payment without FEMA program personnel review and approval, regardless of whether the contract staff are following procedures established by federal staff. Therefore, FEMA should reevaluate its approval process to ensure that approval and program decision-making activities are performed by FEMA employees, and clarify the roles and responsibilities of Staffing for Adequate Fire and Emergency Response support contractors, limiting the contractors to developing options or implementing courses of action but not making decisions on the courses of action. Recommendations #3 and #4 are considered unresolved until FEMA reevaluates and modifies its program approval process, or until federal employees assume the responsibilities currently performed by contract support staff.

Appendix A

Purpose, Scope, and Methodology

The purpose of our audit was to determine the extent to which FEMA effectively manages grant resources to provide sufficient financial and programmatic monitoring of grantees. Specifically, our objectives were to assess whether FEMA (1) instituted appropriate organizational structures and a workforce skill mix to achieve its grant management responsibilities; (2) identified gaps or deficiencies in its skill mix; (3) implemented processes and procedures to monitor grantees; and (4) identified a means to improve grant management operations.

We initially met with FEMA officials responsible for grant management and oversight, including program and financial monitoring for each directorate: Grant Programs, U.S. Fire Administration, Mitigation, Disaster Operations, Disaster Assistance, and National Preparedness. We interviewed staff tasked with financial and programmatic monitoring of specific grant programs, including the State Homeland Security Program, the Staffing for Adequate Fire and Emergency Response Program, and the Emergency Food and Shelter Program.

We also interviewed FEMA regional staff regarding financial monitoring and Office of the Chief Financial Officer staff responsible for processing Staffing for Adequate Fire and Emergency Response payments, as well as the contractors responsible for reviewing payment requests and evaluating quarterly status reports for the Staffing for Adequate Fire and Emergency Response Program. We met with FEMA's Human Capital and Information Technology Divisions to discuss processes, functions, and activities related to grant management and oversight. In addition, we met with DHS and FEMA officials to obtain their views and opinions on effectively managing grant resources. We obtained written responses regarding the *Post-Katrina Emergency Management Reform Act* and the Strategic Human Capital Plan from the Strategic Planning Office, Transformation Office, and the Human Capital Office. Our audit coverage included program and financial information and statistics for FY 2007 through FY 2008, although other periods were included as deemed necessary to satisfy the audit objectives.

We conducted our fieldwork at FEMA Headquarters, and at the Grant Programs, Mitigation, Disaster Assistance, Disaster Operations, and National Preparedness Directorates, all located in the Washington, DC, metropolitan area.

Appendix A

Purpose, Scope, and Methodology

Our audit also consisted of:

- A review of FEMA's organizational structure and workforce.
- A review of the current skills mix and capabilities included in position descriptions for the grant management and oversight workforce, including Headquarters and regional staff.
- An assessment of training and development requirements for the grant management workforce.
- A review of contracts to identify staff tasked with grant functions and activities for the selected grant programs.
- A review of policies, procedures, protocols, and plans for monitoring the selected grant programs.
- A review of supporting documentation regarding financial and programmatic monitoring activities for the selected grant programs.

Our review covered financial and programmatic monitoring conducted during FY 2007, which consisted of funds awarded in FY 2006. We judgmentally selected a sample of grant programs for review based on funding, number of grants, and type of program. Therefore, our test results represent the characteristics of our judgmental sample and were not projected to the population from which the sample was selected. We selected our sample from active disaster, non-disaster, and preparedness grants administered by FEMA as of January 2008. This included 26 active grant programs, with approximately 6,061 grant awards totaling \$3,178,677,987. FEMA currently has 52 grant programs.

For financial monitoring, we selected programs monitored by the Financial Accountability and Oversight Division within the Grant Programs Directorate, since this division oversees non-disaster and preparedness grants, along with the Assistance to Firefighters Grant Program. We reviewed support documentation for five states and two territories included in the FY 2007 Financial Monitoring Plan for the Homeland Security Grant Program/ State Homeland Security Program.

For program monitoring, we selected grant programs based on funding, number of grants, type of program, type of award cycle, information obtained through interviews, and current and planned DHS OIG audit work. The three grant programs we chose for review were (1) State Homeland Security Program, (2) Staffing for Adequate Fire and Emergency Response, and (3) Emergency Food and Shelter Program.

Appendix A

Purpose, Scope, and Methodology

For the State Homeland Security Program, a formula grant included as part of the Homeland Security Grant Program, the total universe consisted of 56 states and territories including the District of Columbia. The Grant Development and Administration Division within the Grant Programs Directorate was responsible for program monitoring, and the former Office of Grant Operations was responsible for financial monitoring. The State Homeland Security Program funds allocated for FY 2006 totaled \$528,165,000. Our sample included nine geographically dispersed states and territories awarded \$76,050,000, which represents 16% of the grantees and 14% of the FY 2006 funds awarded.

For the Staffing for Adequate Fire and Emergency Response Program, approximately 265 project grants were awarded from the FY 2006 appropriation, for a total of \$105,142,102. The Grant Development and Administration Division within the Grant Programs Directorate was responsible for program monitoring, and the former Office of Grant Operations was responsible for financial monitoring. We judgmentally selected a 10% sample to review a variety of grantees, based on regions, program types, state, department type, award amount, and service area. The selection resulted in a review of 27 grant recipients, totaling \$11,584,857. In addition, we reviewed the only site visit conducted for the program, which covered \$283,759 from FY 2005 grant awards. DHS awarded 162 Staffing for Adequate Fire and Emergency Response grants from the FY 2005 appropriation, totaling \$64,370,976.

For the Emergency Food and Shelter Program, our review covered financial and programmatic monitoring of these formula grants conducted during FY 2007. The Individual Assistance Division within the Disaster Assistance Directorate was responsible for both program and financial monitoring. During FY 2007, the monitoring plan covered one recipient. However, funds are distributed to more than 12,000 social service agencies, both private nonprofit and public organizations, as subrecipients. The funding allocated for FY 2006 was \$151,470,000.

We conducted our audit from February 2008 through August 2008 under the authority of the *Inspector General Act of 1978*, as amended, and in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained

Appendix A
Purpose, Scope, and Methodology

provides a reasonable basis for our findings and conclusions based on our audit objectives.


Appendix B
Management Comments to the Draft Report

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



DEC 17 2009

MEMORANDUM FOR: Richard L. Skinner
Inspector General

FROM: W. Ross Ashley 
Assistant Administrator, Grant Programs Directorate

SUBJECT: Response to OIG Audit Titled: Improvements Needed in Federal
Emergency Management Agency Monitoring of Grantees

This is in response to your request for a report on our corrective action plan to implement the four recommendations contained in the subject Office of the Inspector General audit report. Per your request, the report specifically addresses how the recommendations are being implemented.

Thank you for the opportunity to respond to the report and to work with the Office of the Inspector General during this engagement.

Attachment

cc: Annette Hampton
Mildred Lloyd
Tracy Trautman
Lisa Lewis

Appendix B

Management Comments to the Draft Report

Response to OIG Draft Report: Improvements Needed In Federal Emergency Management Agency Monitoring of Grantees

Recommendation 1: For all grant management and oversight personnel, conduct the analyses mandated in the *Post-Katrina Emergency Management Reform Act of 2006* and develop a plan of action with milestones for resolving identified human capital issues.

FEMA Response: The Grant Programs Directorate (GPD) is progressing with recruiting and retaining the workforce needed to fulfill FEMA's mission and responsibilities as mandated in the Post-Katrina Emergency Management reform Act (PKEMRA) of 2006. Since the OIG began auditing FEMA's Management of grant resources in February 2008, a significant number of the then-thirty vacant GPD positions have been filled while other positions are being advertised monthly or semi-monthly. The Grant Development and Administration Division is performing a workload analysis and hopes to achieve the following:

1. Defining clear delineations of responsibilities between supervisory and staff roles namely;
 - Branch Chief and Section Chief
 - Section Chief and Program Analyst
 - Program Analyst and Grant Tech
 - Regionally-based Program Analysts and Headquarters-based Program Analysts
2. Determining necessary changes in work assignments and/or primary responsibilities across role levels, regions and field-based staff.
3. Revising position descriptions for director, Manager and Staff positions.
4. Establishing standards for roles and responsibilities across all GD&A Divisions and programs.
5. Recommendations for process and/or program changes to ensure successful integration.

GPD has also sought to restructure its operations to maximize the most efficient use of its human capital resources. The Grants Management Division within GPD was recently reorganized so that administrative/financial staff is assigned to work with states in a way that more effectively supports and complements the work of program staff in the Grant Development & Administration Division. This is another step in GPD's effort to shape and improve the workforce and achieve progress on implementing improved human capital management.

Recommendation 2: Develop comprehensive grant management and monitoring policies and procedures, including details on conducting financial and programmatic monitoring activities, the number and frequency of site visits, and the need to adequately document the results.

Appendix B Management Comments to the Draft Report

FEMA Response:

The Grants Management Division has developed comprehensive and standardized financial monitoring protocols. These protocols have been developed for both desk reviews and on-site monitoring. These tools serve as a detailed instruction to grants management staff performing the monitoring, as well as official documentation for the files.

The FEMA Financial Monitoring Plan identifies the required financial monitoring activities in FEMA. The ten FEMA Regions will prepare a plan to complement the headquarters plan. This plan will include the grants to be monitored, type of monitoring and monitoring schedule.

The Grant Development and Administration (GD&A) Division recently updated their monitoring tools and policy directives for the Homeland Security Grant Program, Transit Security Grant Program and Emergency Management Performance Grant (EMPG). The policy directives clearly outline the purpose and need for programmatic monitoring and the requirement that each State Administrative Agency (SAA) for HSGP and EMPG and all Tier I TSGP recipients must be monitored through an on-site visit by September 30, 2009.

GD&A has developed a Microsoft Access database to programmatically monitor HSGP. This database includes a comprehensive review of each grantee's investments for all open grants and requires a score to be assigned to demonstrate progress achieved for each objective in the approved State and/or Urban Area Homeland Security Strategy. For FY 2009, the database will include the FY 2006, FY 2007 and FY 2008 investments. This updated database also includes a programmatic requirements section to ensure that all grant program requirements are being met timely. In addition, for FY 2009, GD&A developed a standard on-site monitoring toolkit for the TSGP and the EMPG. This toolkit includes a program requirements section specific to each program as well as a review of all projects that the grantee is currently pursuing for progress achieved.

A list of the completed visits for HSGP has been provided at the conclusion of each fiscal year to auditors for several years. At the conclusion of FY 2009, this report will also include the results for TSGP and EMPG monitoring.

Recommendation 3: Immediately stop the practice of contractor personnel approving SAFER payments and making SAFER program decisions resulting from quarterly performance report evaluations

FEMA Response:

Under the processing of funds requests, the ultimate decision to disburse funds to a grantee is carried out by federal staff in the FEMA Chief Financial Officer's (CFO) organization, which makes the request to Treasury to issue funds to the grantee. Prior

Appendix B

Management Comments to the Draft Report

to that decision, there are a range of reviews which evaluate the appropriateness of the grantees request for funds. Specifically, once the request is submitted by the grantee, the program office decides whether the request : 1) conforms with the original statement of work; 2) is within the formulaic paradigm that determines how much money is available to the grantee; and 3) has any aspects which are contrary to prior approvals of similar requests. These procedures are established by the federal staff of the office and merely followed by the contractor staff. Thus, it is the federal employees of the program office who make a determination that a request should proceed in the processing to the CFO's shop. In some cases, there is also a threshold which triggers the inclusion of the GPD Grants Management Division in the review. Quarterly reports which do not include requests for funds are nevertheless processed under a similar set of review steps – that is, the reviewer of the report, whether it is a federal employee or a contractor, must adhere to procedure and precedent in the review. Reports outside of the norm are presented to the staff supervisor for adjudication. There is, however, no trigger for involvement of the GMD. With respect to amendments, the same process includes an automatic trigger to include GMD in review and approval for the CFO's decision to reflect the amendment in the financial data base. In none of the instances does Contractor staff make decisions on their own that pertain to inherently governmental actions as defined in the F.A.R..

FEMA has obtained approval for the hiring of additional staff in the AFG program office (temporary full time staff) and human resource actions to implement this resolution have been initiated. Nevertheless, until those actions have been completed, FEMA will continue to utilize contractors in its AFG program office in order to process routine grant management actions – funds requests, quarterly reports and amendment requests – under the tightly controlled step process briefly outlined above.

Recommendation 4: Establish and implement monitoring procedures to ensure that approval and program decision-making activities are performed by FEMA employees, and clarify the roles and responsibilities of SAFER support contractors, limiting the contractors to developing options or implementing courses of action, but not making decisions on the courses of action.

FEMA Response:

FEMA does not now allow contractors to make program decisions. Contractors work under governmental supervision. Decisions that they may iterate to grantees are either those that have been vetted through precedent, or have been specifically approved by governmental oversight.

The issue of contractor staff versus government staff has been addressed under recommendation #3. Specifically, FEMA began a process of obtaining approval of additional staff over one year ago, and that process is now in the vacancy announcement stage.

Appendix C
Major Contributors to this Report

Michael Sivi, Director, Grants Management Division
Inez Jordan, Audit Manager
Patricia Plummer, Program Analyst (Team Leader)
Mark S. Phillips, Auditor (Team Leader)
Tierney Davis, Program Analyst
Hortencia Francis, Program Analyst
Brandon Landry, Program Analyst
Andre Marseille, Program Analyst
Amy Nase, Auditor

Appendix D
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