

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

The State of New Mexico's Management of State
Homeland Security Program Grants Awarded During
Fiscal Years 2007 through 2009






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Department of Homeland Security

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

July 26, 2012

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *The State of New Mexico's Management of State
Homeland Security Program Grants Awarded During Fiscal
Years 2007 through 2009*

Attached for your action is our final report, *The State of New Mexico's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2007 through 2009*. We incorporated the formal comments from the Office of Policy and Program Analysis and State of New Mexico officials in the final report.

The report contains 14 recommendations aimed at improving the State's management of State Homeland Security Program grants. Your office partially concurred with one recommendation and concurred with the remaining recommendations. State of New Mexico officials also agreed with the recommendations. Based on information provided in your response to the draft report, we consider recommendation 14 resolved and closed. Recommendations 1 and 3 through 13 are considered resolved and open. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Recommendation 2 remains unresolved and open. As prescribed by the Department of Homeland Security Directive 077-1, Follow-Up and Resolutions for the Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.



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

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

Attachment



June 27, 2012

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

Dear Ms. Richards:

Williams, Adley & Company-DC, LLP performed an audit of the State of New Mexico's management of the Department of Homeland Security's State Homeland Security Program grants for fiscal years 2007 through 2009. The audit was performed in accordance with our Task Order No. TPD-FIG-BPA-07-013A-0003, dated September 27, 2010. This report presents audit results and includes recommendations to help improve the State's management of the audited State Homeland Security Program grants.

We conducted our audit in accordance with applicable *Government Auditing Standards*. The audit was a performance audit as defined by Chapter 1 of the *Standards* and included a review and report of program activities with a compliance element. Although this audit report comments on costs claimed by the state, we did not perform a financial audit, the purpose of which would be to render an opinion on the State of New Mexico's financial statements or funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of any further assistance, please contact me at 202-371-1397.

Sincerely,

Williams, Adley & Company-DC, LLP

A handwritten signature in cursive script that reads 'Charbet M. Duckett'.

Charbet M. Duckett
Partner



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Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
OIG	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, Office of Inspector General, 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 New Mexico and its State Homeland Security Program grants.

The objectives of the audit were to determine if the State of New Mexico distributed and spent State Homeland Security Program grant funds (1) effectively and efficiently and (2) in compliance with applicable federal laws and regulations. We also addressed the extent to which grant funds enhanced the State of New Mexico'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 \$16.5 million in State Homeland Security Program grants awarded to the State of New Mexico during fiscal years 2007 through 2009.

Generally, the State did an effective and efficient job of managing the State Homeland Security Program grant funds during fiscal years 2007 through 2009. The State formed working groups to establish priorities, and spent grant funds in accordance with applicable federal laws and regulations. However, we identified six specific areas for improving grants management: the strategic planning process, performance and financial reporting, monitoring subgrantee performance, management and administrative costs, obligation of funds to local units of government, and improper payments for services and equipment.

Our 14 recommendations call for the Federal Emergency Management Agency (FEMA) to initiate improvements which, when implemented, should help strengthen program management, performance, and oversight. FEMA partially concurred with one recommendation and concurred with the remaining recommendations. Written comments to the draft report are incorporated as appropriate and included in their entirety in appendix B.



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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 State of New Mexico (State) received \$20.6 million in Homeland Security Grant Program funds during fiscal years (FYs) 2007, 2008, and 2009. This included \$16.5 million in State Homeland Security Program grants. Appendix A provides details on the purpose, scope, and methodology for this audit.

The Governor of the State of New Mexico designated the Department of Homeland Security and Emergency Management as the State Administrative Agency, the entity responsible for administering the Homeland Security Grant Program. The State Administrative Agency is responsible for managing the grant programs in accordance with established federal guidelines and allocating funds to local, regional, and other county government agencies. The Department of Homeland Security and Emergency Management organization is depicted in appendix D.

Within the State of New Mexico, the State Administrative Agency awarded State Homeland Security Program funds to 25 counties, one state agency, and three cities.

Results of Audit

Improvements Needed in State Homeland Security Program Grants Management Performance

Generally, the State did an effective and efficient job of managing approximately \$16.5 million in State Homeland Security Program grant funds during FYs 2007 through 2009. The State formed working groups to establish priorities and spent grant funds in accordance with applicable federal laws and regulations.

However, the State can improve its management of State Homeland Security Program grants in its strategic planning process, performance and financial reporting, monitoring subgrantee performance, management and administrative costs, obligation of funds to local units of government, and improper payments for services and equipment.



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Strategic Planning Process

New Mexico's process for strategic planning contains weaknesses that minimize the program's effectiveness. Specifically:

- The strategic plan lacked specific goals, objectives, and performance measurements;
- The State's Homeland Security Program's effectiveness could not be measured;
- The threats and vulnerability assessments were not documented;
- The local governments did not play a part in the development of the strategic plan; and
- The policies and procedures for strategic planning did not exist.

Consequently, New Mexico may not be able to demonstrate improvements to its all-hazards approach funded by Federal grant funds, and did not have a basis for measuring improvements in its preparedness and response capabilities.

According to the State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal, July 22, 2005, States and Urban Areas must ensure that their updated strategies address the four mission areas (prevent, protect, respond, recover) and reflect the National Priorities. Although it is not a requirement to provide an individual goal and objective for each mission area and priority, States and Urban Areas must show how their goals and objectives align with these priorities. Each State and Urban Area has unique needs and capabilities and the strategies should reflect these attributes. Therefore, strategies should include goals and objectives that reflect specific State and Urban Area priorities. Strategies must address citizen preparedness, volunteer efforts, and local government concerns.

State Strategic Plan lacked specific goals, objectives, and performance measurements

The New Mexico Three-Year Domestic Preparedness Strategy lacked current and specific goals, objectives, and performance measurements. It was developed in January 2003 and approved by FEMA, but was never updated to include goals and objectives that were specific, measurable, and time limited. In FY 2005, FEMA requested an update for the state strategy. Although the State of New Mexico developed a draft state strategy, it was never approved. In addition, the strategy goals and objectives were not linked with the goals and objectives included in the annual investment justifications.



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Department of Homeland Security (DHS) *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005, states that a comprehensive strategy should contain both broad based, long term goals and corresponding short term objectives that address areas of prevention, protection, response, and recovery enhancements within the State or Urban Area. In addition, the primary determinants of an overall successful strategy are the quality of the goals and performance against those goals. The guidance also states that an objective sets a tangible and measurable target level of performance over time against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. An objective should be:

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

Additionally, the strategy guidance established a basis for a dynamic, on-going process to address changes in priorities based on current events. The strategy guidance stated that updated State and Urban Area Homeland Security Strategies will then provide a context for performing the strategic exercise of asking “How are we organized?” and “How are we managing our homeland security programs?”

State Administrative Agencies should assess the quality of the strategy's objectives to determine if the measures are meaningful in the context of a specific action item or preparedness effort, the measurement methodology is sound, and the measures can be verified with reliable data. Only if the objectives meet these criteria should they be included in the strategy.

Table 1 provides examples where New Mexico's State strategy contained goals and objectives that did not specifically identify what was to be achieved or accomplished, did not identify the time frame the goals or objectives required, and did not provide a standard for comparison or measurement.



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Table 1: Strategy Analysis

Examples of Goals and Associated Objectives Included in FEMA-Approved Homeland Security Strategy	
Goals	Objectives
Goal 1: Protect New Mexico from Terrorist Attacks	Objective 1.1: Intelligence Capacity – Increase the effectiveness of the Department of Public Safety, Special Investigation Section, Counter-Terrorism Intelligence Section.
	Objective 1.2: Police Officer Familiarization – Increase number of law enforcement officers statewide who are trained to recognize and be familiar with basic suspected, or indicators of, terrorist activities.
Goal 2: Reduce the Vulnerability to Terrorist Attacks	Objective 2.1: Warning Systems – Increase statewide capabilities to provide homeland security warnings and advisories to state and local law enforcement agencies and others with a need to know including the private sector.
	Objective 2.2: Infrastructure Protection – Achieve a unified Homeland Security infrastructure protection program.
	Objective 2.3: Cyber-Terrorism – Increase the State’s capability to protect systems against cyber-terrorism.
	Objective 2.6: Detection and Decontamination – Increase the number of inspections and detection and decontamination system throughout the state transportation structure to detect nuclear material and biological and chemical agents.
Goal 3: Minimize the Effects Should Terrorist Attacks Occur	Objective 3.1: Response Plan – Decrease the number of different state plans pertaining to emergency response.
	Objective 3.2: Tactical Response Capacity – Increase state and local law enforcement tactical counter-terrorism capabilities.
	Objective 3.3: General Response Capability – Increase the state’s first response capability through equipment procurement, training, and exercising response to all terrorist attacks.

In addition, the State strategy did not specify target dates to identify when individual objectives will be achieved. Further, the strategy did not provide an adequate basis for measuring progress during FYs 2007 through 2009.

The State’s Homeland Security Program’s effectiveness could not be measured

The State could not measure the effectiveness of its Homeland Security Program because it does not have a process to determine performance and accomplishments.

The FY 2009 Homeland Security Grant Program Guidance and Application Kit states that use of State Homeland Security Program funds must be consistent



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with and supportive of implementation of the state homeland security strategy and State preparedness report. Linkages between specific projects undertaken with State Homeland Security Program funds and strategic goals and objectives will be highlighted through regular required reporting mechanisms, including the Biannual Strategy Implementation Report and the annual investment justification. The investment justification must demonstrate how proposed projects address gaps and deficiencies in current programs and capabilities. The investment justifications also provide annual goals, objectives, primary and secondary target capabilities, milestones, management challenges, and funding needs in support of the overall state strategy.

We reviewed the annual investment justifications included as part of the grant application submitted to FEMA for FYs 2007, 2008, and 2009. The goals and objectives included in the investment justifications were too general to be measurable, and did not link to the State Strategic Plan. The State had multiple opportunities and avenues to assess performance, but did not. Several milestones could have been measured or assessed, but were not. For example, FY 2008 Investment Justification #3 included the following milestones that could have been measured if they had included a completion date(s) and reporting of the accomplishment:

Milestone 1 – Conduct a capability assessment/evaluation related to threat identification, notification, mutual aid, interoperable communication, information analysis, response, and reporting through Luna, Grant, Dona Ana, Otero, and Hidalgo counties and their major cities.

Milestone 2 – Develop a New Mexico Border Security Strategic Plan based on the finding of the evaluation conducted in Milestone #1. Include strategies, goals, objectives, and action items with specific time frames that address all functional areas needing improvements.

Milestone 3 – Establish a New Mexico Border Security and Emergency Management Border Security forward operating location within the Border Area.

State Administrative Agency officials acknowledged that this was a problem, and are working towards reforming how they track and measure progress other than financially. State officials also stated that the staff has not been trained on how to measure preparedness improvements.

In the same investment justification, the State Administrative Agency acknowledged the requirement to report on performance and milestone



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progress to management and DHS. However, the strategy did not include performance measures nor did the Department of Homeland Security and Emergency Management perform an analysis of capabilities and performance. Specifically, there was no evidence that monthly subgrantee reports or After Action Reports were reviewed and analyzed to ensure that the goals and objectives of the grant were achieved, or continued to reflect the real threats and vulnerabilities of the State. As a result, there was no assurance that the State Homeland Security Program grant funds were spent in accordance with the specific goals and objectives included in the investment justifications or the state strategy.

In 2010, the State of New Mexico updated its state strategy and obtained FEMA approval. However, we observed that the goals and objectives in the 2010 state strategy were also too general and lacked performance measures.

Threat and vulnerability assessments were not documented

The State was unable to provide documentation to support the identification of primary threats and vulnerabilities, and the evidence used to measure the risk of threats and vulnerabilities. While the State did use committees and subcommittees to evaluate threats and vulnerabilities, it did not create and maintain documentation to support the evaluations.

An important aspect in the development of the state strategy is the identification and assessment of threats and vulnerabilities. For example, in its investment justification for the FY 2009 Homeland Security Grant Program, the State of New Mexico included the following:

“The Department implements an ‘all hazards’ approach to homeland security and emergency management. The Department of Homeland Security and Emergency Management recognizes and plans for disasters, as well as possible acts of terrorism or pandemics. The State recently completed a comprehensive risk assessment which found that New Mexico is at risk from human-caused hazards.”

Based on this assessment, the State identified an increased Outlaw Motorcycle Gang presence, and an increased presence of drug enforcer groups. However, this assessment of human-caused hazards was not documented.

Documenting threat and vulnerability assessments are an essential element of prudent management controls to ensure tracking and continuity to address



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threats and vulnerabilities. The lack of procedures to analyze documents and submitted reports limits the proper evaluation of the State's strategies to ensure that the goals and objectives are being achieved or are still in line with the real threats and vulnerabilities of the State. In addition, FEMA is limited in its ability to evaluate program performance.

Local involvement was not an integral part of the strategy's development

The State did not include local jurisdictions during the planning processes for developing its State Homeland Security Program strategic plan.

The State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal, July 22, 2005, strongly encouraged that States and Urban Areas consider collaboration across disciplines, jurisdictions, and agencies when describing the strategies, goals, and objectives within the framework of the mission areas. States and Urban Areas were also encouraged to begin the process of evolving their strategies to address not only terrorism, but a broad range of other threats and hazards, founded on a capabilities-based planning approach.

The New Mexico Homeland Security Strategy was established at a high level within the State. The Cabinet Secretary, with input from State bureaus (Information Technology, Recovery and Response, Preparedness, and Intelligence & Security), established the goals and objectives of the state strategy.

However, the local jurisdictions' needs were not considered when the state strategic plan was formulated. Fourteen of 16 subgrantees we surveyed responded that their jurisdictions had not participated in the formulation of the goals and objectives or the compilation of needs assessment and domestic preparedness strategies. Additionally, the subgrantees felt that their local jurisdictions were not appropriately represented in Homeland Security related matters and, despite being informed of the priorities, they did not agree with their focus.

Coordination and alignment of strategy development and implementation within the State occurs through the Governor's Office of Homeland Security and the Governor-appointed Homeland Security Advisory Committee. The Homeland Security Advisory Committee, chaired by the Governor's Chief of Staff, enhances the development and integration of programs involved in homeland security to include public health, medical, agriculture, and other initiatives.



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Representatives from three counties explained that their participation in strategy formulation occurred at the local level and was accomplished through their local annual Preparedness Area and multi disciplinary meetings. During these meetings, objectives, priorities, plans, and exercises were discussed. These meetings occurred after the State had determined the percentage of allocations that would be awarded for each strategic area. According to a county representative, the State annually communicated its priorities with a report generated by the Department of Homeland Security and Emergency Management when the grant application kit was announced. One Emergency Manager conveyed that while his jurisdiction participated in the formulation of state strategies, he believed that the final strategies did not reflect current threats.

In addition, 10 of 16 subgrantees surveyed responded that the Department of Homeland Security and Emergency Management did not require them to establish or update needs as capabilities were met. Two counties explained that although not required, this function is performed at the local level by their program managers.

Consequently, the State may have missed a key opportunity to ensure that the state strategy was comprehensive with quality goals, performance measures, and increased buy-in from local government and first responders.

Policies and procedures for strategic planning did not exist

The State lacked policies and procedures to guide the Department of Homeland Security and Emergency Management in its strategic planning process, including policies and procedures that required analysis and documentation of capabilities and performance. As a result, the state strategy was not appropriately updated, performance was not measured, and the State could not demonstrate the prudent use of grant funds to meet mission needs. In particular, the State had not developed internal controls and written policies and procedures surrounding the strategy, capabilities, needs assessments, and performance measurements to ensure that:

- The strategy was updated to reflect current risks and capabilities;
- Documentation was retained on the identification of primary threats and vulnerabilities;
- The strategy reflected the involvement of local governments;
- Requirements and guidance related to establishing or updating needs as capabilities are met were communicated to subrecipients; and



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- Improvements in performance and the State's progress towards achieving program goals and objectives were measured and documented.

In summary, without an updated strategy, the Department of Homeland Security and Emergency Management may be hindered in its efforts to make meaningful management decisions to determine whether funds are properly awarded to meet the State's greatest vulnerabilities and threats. Because of the lack of written policies and procedures regarding the identification of primary threats and vulnerabilities, and the corresponding risk assessment, there is no supporting documentation to ensure the information is accurate and consistent. Without supporting documentation, the State cannot demonstrate the prudent use of grant funds to meet mission needs. Without the participation of the subgrantees in the development of the goals and objectives, the state strategy may not reflect the priorities of the various counties and first responders of the State.

In addition, the lack of procedures for analyzing performance documents and reports prevents proper needs assessments to ensure that the goals, objectives, funding plans, milestones, and management challenges have been achieved, and are still in line with the real threats and vulnerabilities of the State. Without subgrantee needs assessments, the Department of Homeland Security and Emergency Management's ability to track the performance of existing projects and to identify threats and vulnerabilities in the State is hindered. Finally, without proper data, DHS may not be able to properly determine program effectiveness and impact, and may report imprecise results to the Congress, Office of Management and Budget, and the President.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to:

Recommendation #1:

Validate that the updated strategy reflects the requirements of local governments' involvement, inclusion of measurable goals and objectives, and inclusion of appropriate performance measures.



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Recommendation #2:

Establish and implement internal controls and written policies and procedures surrounding the strategy, capabilities and needs assessments, and performance measurement to ensure that:

- The strategy is periodically updated to reflect current risks and capabilities;
- Documentation is retained on the identification of the primary threats and vulnerabilities;
- The strategy reflects the involvement of local governments;
- Requirements and guidance related to establishing or updating needs as capabilities are met are communicated to subrecipients; and
- Improvements in performance and the State's progress towards achieving program goals and objectives are measured and documented.

Recommendation #3:

Establish and communicate to the subrecipients the requirement for conducting and submitting to the Department of Homeland Security and Emergency Management a needs assessment on an ongoing basis.

Management Comments and Auditors' Analysis

FEMA concurred with recommendations 1, 2, and 3. According to FEMA officials, the New Mexico Department of Homeland Security and Emergency Management stated that the State Administrative Agency had requested technical assistance from FEMA to develop their state strategy, and that the strategy is in the process of being updated. FEMA will request that the New Mexico Department of Homeland Security and Emergency Management, within 120 days of the final report, develop an updated strategy that reflects the requirements of local governments' involvement, inclusion of measurable goals and objectives, and inclusion of appropriate performance measures. State officials also agreed with the recommendation, and projected a December 2012 completion date for the strategy.

The corrective actions proposed by FEMA and the State will address the intent of the recommendation. Recommendation 1 is considered resolved, and will remain open pending implementation of the proposed corrective actions.

With respect to recommendation 2, FEMA stated it will request that the New Mexico Department of Homeland Security and Emergency Management develop



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strategic goals and specific objectives applicable to capabilities and express them within an updated state strategy. This proposed corrective action does not address the recommendation to establish and implement policies and procedures regarding strategy development and documentation. State officials agreed with the recommendation, and said they would establish a strategy review cycle and discussed a strategy development guiding policy.

If properly implemented, the corrective actions proposed by the State will address the intent of the recommendation. However, until FEMA specifically addresses the recommendation and provides a firm timetable for implementation, recommendation 2 will remain unresolved and open.

For recommendation 3, FEMA said that starting in FY 2012 Homeland Security Grant Program recipients will be required to submit a Threat and Hazard Identification and Risk Assessment that will require the State to address any shortfalls starting at the local level. Program recipients will also be required to report on progress towards implementing plans described in their application by way of a bi-annual Standard Form Performance Progress Report. Finally, FEMA will request that the New Mexico Department of Homeland Security and Emergency Management, within 150 days of the final report, develop procedures to ensure that the new requirements for the Threat and Hazard Identification and Risk Assessment and Standard Form Performance Progress Report are communicated to sub-grantees as well as their role in gathering the required information on an on-going basis.

State officials also agreed with the recommendation, stated that they are currently working on the recommendation, and expected completion by December 2012.

The corrective actions proposed by FEMA and the State will address the intent of the recommendation. Recommendation 3 is considered resolved, and will remain open pending implementation of the proposed corrective actions.

Performance and Financial Reporting

The State did not submit timely and accurate Biannual Strategy Implementation Reports and Financial Status Reports to FEMA. This occurred because the New Mexico Department of Homeland Security and Emergency Management did not implement effective and consistent procedures to meet the 30-day reporting requirement and did not ensure that the data used to prepare the reports were accurate. In addition, during our reconciliation of the Biannual Strategy



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Implementation Reports with the subgrantee agreements, we noted that the amounts included in these reports were not accurate.

Code of Federal Regulations Title 44 §13.40, *Monitoring and reporting program performance*, states that grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, and quarterly or semi-annual reports shall be due 30 days after the reporting period.

Additionally, FEMA Guidelines for FYs 2007, 2008, and 2009 require that:

1. Obligations and expenditures be reported on a quarterly basis through the Financial Status Reports¹ which are due within 30 days of the end of each calendar quarter.
2. Following an award, the awardees will be responsible for providing updated obligation and expenditure information on a semi-annual basis in the Categorical Assistance Progress Reports, which are due 30 days after the end of the reporting period.²

The New Mexico Department of Homeland Security and Emergency Management did not implement effective and consistent procedures to meet the 30-day reporting requirement for FYs 2007 through 2009. For each grant program and the periods of performance listed in table 2, the State did not submit the Biannual Strategy Implementation Reports within the required 30 days after the end of the reporting period. Of the 12 Biannual Strategy Implementation Reports submitted, 11 were submitted late, ranging from 24 to 1003 days late. In addition, of the 27 Financial Status Reports submitted, eight were submitted late: six for the FY 2007 grant, one for the FY 2008 grant, and one for the FY 2009 grant.

¹ The Financial Status Reports were replaced by the Federal Financial Report in FY 2010.

² For reporting purposes the Biannual Strategy Implementation Reports replaced the Categorical Assistance Progress Reports in FY 2007. However, the requirements still refer to the Categorical Assistance Progress Report but ask that the grantee state "see BSIR."



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Table 2: Biannual Strategy Implementation Report Late Submissions

Grant FY	Reporting Period	Due Date	Date Submitted	Days Late
2007	07/01/07 to 12/31/07	01/30/08	10/29/10	1003
	01/01/08 to 06/30/08	07/30/08	11/18/10	841
	07/01/08 to 12/31/08	01/30/09	10/29/10	637
	01/01/09 to 06/30/09	07/30/09	10/29/10	456
	07/01/09 to 12/31/09	01/30/10	10/29/10	272
	01/01/10 to 06/30/10	07/30/10	11/18/10	111
2008	09/01/08 to 12/31/08	01/30/09	02/23/09	24
	07/01/09 to 12/31/09	01/30/10	11/18/10	292
	01/01/10 to 06/30/10	07/30/10	11/18/10	111
2009	08/01/09 to 12/31/09	01/30/10	11/18/10	292
	01/01/10 to 06/30/10	07/30/10	11/18/10	111

In addition to timeliness issues, we identified discrepancies between obligations to subgrantees and corresponding Biannual Strategy Implementation Reports. Table 3 details the differences between the amounts obligated and the amounts reported in the Biannual Strategy Implementation Reports.

Table 3: Biannual Strategy Implementation Report (BSIR) Discrepancies

Subgrantees	Grant Year	Amount Obligated to Subgrantee per Agreement	Amount Reported in BSIR
Curry County	2007	\$300,000	\$ 0
Department of Public Safety	2008	\$14,500	\$ 0
Bernalillo County	2008	\$6,500	\$ 0
Colfax County	2008	\$12,771	\$ 0
Luna County	2008	\$25,225	\$ 0
San Juan County	2008	\$520,197	\$490,127
Department of Public Safety	2009	\$360,784	\$ 0
Cibola County	2009	\$109,370	\$ 0

These errors amounted to approximately 8 percent of the total grants for FY 2007, 1 percent of the total grants for 2008, and 7 percent of the total grants for FY 2009. After we brought the errors to the attention of the State Administrative Agency, Agency officials made the corrections on the next Biannual Strategy Implementation Report.



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The discrepancies detailed in table 3 were caused by a lack of independent review and validation of data initially entered into the Grant Reporting Tool. A State Administrative Agency official stated that the discrepancies between the amounts reported in the Biannual Strategy Implementation Reports and the subgrantee agreements were created when the Initial Strategy Implementation Plan was created and recorded in July 2008 within the Grant Reporting Tool. For the subsequent January submission, the subgrantees logged on to the Grant Reporting Tool and entered their expenditures and obligations for their open subgrantee agreements.

If the local jurisdiction did not log on to enter their data, the Department of Homeland Security and Emergency Management officials entered the information for them. (Note that beginning with the FY 2010 subgrantee agreements, a special condition was added requiring each subgrantee to enter its information in the Grant Reporting Tool.) However, the Department of Homeland Security and Emergency Management did not ensure that the data entered were accurate through verification with the local jurisdiction or to supporting documentation. Ultimately, the State is responsible to FEMA for accurate financial reporting.

The Biannual Strategy Implementation Reports and Financial Status Reports serve as key management tools that FEMA uses to make critical decisions when awarding grants. Without accurate and timely reports, the State may not be able to make prudent decisions in awarding grants to subrecipients. This may affect the grant recipients' ability to receive funds needed for improving their capabilities for all-hazards response. In addition, delays in the submission of these reports may result in delays accessing grant funds because the payment systems will prevent access to funds if reporting requirements are not met on a timely basis. This may cause delays in reimbursement to subgrantees.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to:

Recommendation #4:

Revise its policies, procedures, and timelines to include sufficient time for review and approval of the required Biannual Strategy Implementation Reports and Financial Status Reports.



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Recommendation #5:

Submit accurate Biannual Strategy Implementation Reports and Financial Status Reports in accordance with the 30 day requirements.

Management Comments and Auditors' Analysis

FEMA concurred with recommendations 4 and 5. According to FEMA officials, the State is current on all of its Biannual Strategy Implementation Reports and Financial Status Reports. State officials also agreed with the recommendations, and said that the New Mexico Department of Homeland Security and Emergency Management has implemented policies and procedures to ensure accurate and timely submission of Biannual Strategy Implementation Reports and financial status reports. FEMA will request that within 150 days of the final report, the State ensure that the newly developed policies and procedures ensure the timely submission of required programmatic and financial reports, and provide FEMA with documentation of procedures to ensure the timely and accurate submission of all required reports.

The corrective actions proposed by FEMA and the State will address the intent of the recommendations. Recommendations 4 and 5 are considered resolved, and will remain open pending implementation of the proposed corrective actions.

Monitoring Subgrantee Performance

The State was not monitoring the subgrantees' performance to assure adherence to performance goals. The State Administrative Agency informed us that State officials are not measuring preparedness improvements because of a lack of training and personnel. However, the State is in the process of developing a means of tracking and measuring subgrantee's performance against goals and objectives and hiring the necessary personnel.

Code of Federal Regulations Title 44 §13.40, *Monitoring and reporting program performance* states that grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

Office of Management and Budget Circular A-133, Compliance Supplement, Part 3-M, March 2008, provides details of the grantee monitoring requirements



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stipulated in the Code of Federal Regulations. Part 3-M states that grantees are responsible for monitoring subgrantee use of federal awards through reporting, site visits, regular contact, or other means. Grantee monitoring should provide reasonable assurance that the subgrantee administers federal awards in compliance with laws and regulations, as well as the provisions of contracts or grant agreements. Monitoring should assure that performance goals are achieved.

The State does not have a system or process in place, including qualified personnel, to track accomplishments resulting from grant funds received. Without such a system or process, the sufficiency and capabilities of available staff could not be assessed. State officials informed us that personnel are not trained on how to measure preparedness improvements, and the State had not hired additional personnel to address this function. This lack of resources, including qualified personnel, could create a potential span of control issue if the monitoring function is not sufficiently staffed with qualified personnel.

Without performance monitoring, there is no reasonable assurance that program goals are accomplished and that purchased assets will enhance the State's first responder capabilities. For example, in FY 2008, the Department of Homeland Security and Emergency Management awarded a subgrant of \$338,130 for Bomb Squad Enhancement. However, without performance monitoring, the Department of Homeland Security and Emergency Management cannot ensure that the county has met this enhancement goal. In addition, without adequate monitoring, there can be no verification that grant requirements are met.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to:

Recommendation #6:

Revise its subgrantee monitoring program to comply with the appropriate guidance and regulations.

Recommendation #7:

Ensure that its personnel have proper training on performance monitoring.



Recommendation #8:

Assess whether sufficient personnel are assigned to perform monitoring and schedule and conduct on-site monitoring visits as appropriate.

Management Comments and Auditors' Analysis

FEMA concurred with recommendations 6, 7, and 8. Regarding recommendation 6, FEMA will request that the New Mexico Department of Homeland Security and Emergency Management, within 120 days of the final report, establish policy and monitoring procedures that include the frequency of visits, methodology for selecting subgrantees to visit, and a protocol for reviewing financial and performance related activities during the visits. Regarding recommendations 7 and 8, FEMA will require the New Mexico Department of Homeland Security and Emergency Management, within 150 days of the final report, to ensure proper training of personnel on the monitoring protocols, and ensure there is sufficient qualified staff to oversee, administer, and monitor all FEMA awards. Additionally, FEMA said that the State may consider the use of field representatives to increase the oversight function and decrease the burden on the New Mexico Department of Homeland Security and Emergency Management for on-site visits. State officials also agreed with the recommendations, and said that they began correcting these deficiencies in 2010 and expect to complete these recommendations by July 2012.

The corrective actions proposed by FEMA and the State will address the intent of the recommendations. Recommendations 6, 7, and 8 are considered resolved, and will remain open pending implementation of the proposed corrective actions.

Management and Administrative Costs

The State Administrative Agency did not properly identify management and administrative costs. As required by FEMA guidance, the State Administrative Agency must identify the direct costs needed to administer the grant and include those direct costs up to the maximum allowable per the grant. During our review of the FY 2009 Homeland Security Grant Program application, we noted that the State Administrative Agency unilaterally allocated \$195,735 as management and administrative costs, which is the 3 percent maximum allowed to the State for FY 2009. However, the State Administrative Agency did not provide the detailed costs for the \$195,735 that was included. Additionally, the State Administrative Agency spread the \$195,735 among various budget line



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items without sufficient supporting documentation to easily identify what comprised each budget line item. At the time of our audit, the management and administrative funds had not yet been expended by the State Administrative Agency.

According to the Homeland Security Grant Application Kit issued by FEMA for FYs 2007 to 2009, State management and administrative funds must be included when accounting for the total funds retained by the State. Additionally, the January 2006 DHS Financial Management Guide, page 35, *Management and Administrative Costs*, states that management and administrative costs are direct costs that are incurred to administer a particular program or award. Management and administrative costs are identifiable and unique to each program or award and are charged based on the activity performed for that particular project. Management and administrative costs may include salaries of full-time or part-time staff or contractors and consultants to assist with the management of the program; hiring of full-time or part-time staff or contractors and consultants to assist with the implementation and administration of the program; travel expenses; and meeting related expenses.

State Administrative Agency officials informed us that during FY 2009 the grant application was non-competitive, and they assumed that the previous requirement related to management and administrative costs was no longer applicable. Therefore, the State allocated the \$195,735 as management and administrative costs based on the 3 percent stated in the grant application, instead of an estimation of the potential management and administrative costs for FY 2009.

The absence of a schedule or mechanism for determining the allocation of the management and administrative costs by line item inhibits the ability of the user to identify the amount of the costs charged to the State Homeland Security Program grants. In addition, the State may overstate the management and administrative at the time of the grant application.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to:



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Recommendation #9:

Implement policies and procedures that require the State Administrative Agency to prepare a schedule that properly identifies the management and administrative costs that will be charged to the State Homeland Security Program grants.

Recommendation #10:

Identify or determine the management and administrative expenses that will be charged to the FY 2009 State Homeland Security Program grant and refund any remaining balance that is not supported.

Management Comments and Auditors' Analysis

FEMA concurred with Recommendation 9 and partially concurred with Recommendation 10. FEMA will request that the New Mexico Department of Homeland Security and Emergency Management, within 150 days of the final report, develop and implement policies and procedures to ensure that management and administrative costs are properly budgeted and planned for, as well as accurately charged to funding for each grant award year. However, FEMA officials also stated that it is not reasonable to require the New Mexico Department of Homeland Security and Emergency Management to provide an accounting of expenditures, post audit, because the costs had not been expended at the time of the audit. FEMA officials agreed that the New Mexico Department of Homeland Security and Emergency Management should provide sufficient documentation that policies, procedures, and internal controls have been developed and implemented to ensure that management and administrative costs are properly charged to funding for all grant award years.

State officials agreed with the recommendations, and said that they had procedures to identify management and administrative costs. State officials also said that they had identified the management and administrative expenses that would be charged to the FY 2009 State Homeland Security Program. According to the State officials, this recommendation was completed in June 2011.

The corrective actions proposed by FEMA and the State will address the intent of the recommendations. Recommendations 9 and 10 are considered resolved, and will remain open pending implementation of the proposed corrective actions.



Obligation of Funds to Local Units of Governments

During FYs 2008 through 2009, the State withheld a total of \$2,530,807 in State Homeland Security Program grant funds from local units of government to provide training and exercises, without the required written memorandums of understanding. The FEMA Program Guidelines and Application Kits for each of the fiscal years required the State to provide at least 80 percent of the total grant amount to local units of governments within 60 days of receipt of the funds for FY 2007, and 45 days for FYs 2008 and 2009. By withholding a portion of the grant funds to provide training and exercises for local units of government, the State obligated less than the required 80 percent to local units during FYs 2008 and 2009. Table 4 indicates the grant funds withheld by the State on behalf of local units of government.

Table 4: Funds Withheld by State on Behalf of Local Governments

Grant FY	Total Grant Award	80% of Total Grant Award	Amount Obligated to Local Governments	Amount Withheld	Percent Allocated
2008	\$6,170,000	\$4,936,000	\$3,920,816	\$1,015,184	64%
2009	\$6,524,500	\$5,219,600	\$3,703,978	\$1,515,622	57%
Total	\$12,694,500	\$10,155,600	\$7,624,794	\$2,530,806	

According to the Homeland Security Grant Program Guidelines for FY 2007 to 2009, when requested in writing by a local government, the State may retain some or the entire local government's allocation of grant funds for purchases to be made by the State on behalf of the local unit of government. States withholding grant funds on behalf of local units of government must enter into a memorandum of understanding with the local unit of government specifying the amount of funds to be retained by the State for purchases and the intended use of funds. This agreement must be kept on file with the State Administrative Agency.

The State withheld grant funds "off the top" from the FYs 2008 and 2009 grants in order to centrally provide training and exercises for the local units of government. However, in FY 2010, the Department of Homeland Security and Emergency Management changed its process and is now requiring subgrantees to sign a Memorandum of Understanding specifying the amount of funds to be retained by the State for purchases and the intended use of funds.



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Withholding grant funds from subgrantees may limit the subgrantees' ability to make purchase decisions regarding their most critical needs, and limits subgrantee input regarding training decisions. In addition, these issues caused noncompliance with the requirements and intent of Congress for the grant, which is to place control of the funds in the hands of the local units of government.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to:

Recommendation #11:

Adhere to grant program guidance that requires the State Administrative Agency to obtain a memorandum of understanding for funds withheld by the State on behalf of local units of government and to maintain such documentation at the State Administrative Agency.

Recommendation #12:

Enforce procedures to ensure that all required funds are properly allocated to subgrantees and that funds withheld by the State have been properly authorized by subgrantees.

Management Comments and Auditors' Analysis

FEMA concurred with recommendations 11 and 12. FEMA stated that the New Mexico Department of Homeland Security and Emergency Management indicated that it had established a process to obtain concurrence letters from local units of government for the use of FY 2010 State Homeland Security Grant funds retained by the State. FEMA stated that it will request, within 150 days of the final report, that the New Mexico Department of Homeland Security and Emergency Management develop and implement policies and procedures to ensure that memorandums of understanding are obtained on funds withheld by the State, including funds outstanding for FYs 2007 – 2009 awards.

State officials also agreed with the recommendations, and said that, beginning in FY 2010, the New Mexico Department of Homeland Security and Emergency Management obtained concurrence from local governments about funds that



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were held by the State on behalf of local units. According to State officials, this recommendation was completed in November 2010. Additionally, in FY 2011 the State moved to an automatic allocation process; and starting in FY 2012, local jurisdictions may apply for additional funding through an optional Competitive Capability Application.

The corrective actions proposed by FEMA and the State address the intent of the recommendations. Recommendations 11 and 12 are considered resolved, and will remain open pending implementation of the proposed corrective actions.

Improper Payments for Services and Equipment

A county paid funds to a vendor for a data management system upgrade and related equipment, prior to receipt of the services and equipment. The subgrantee advanced a total of \$99,250 (\$62,000 on November 10, 2008, and \$37,250 on December 15, 2008), representing 63 percent of the total contract price of \$157,620. On January 11, 2009, the Department of Homeland Security and Emergency Management reimbursed the county for the amounts advanced to this vendor by the subgrantee. As of the date of our audit testing, these upgrades and equipment had not been received.

Code of Federal Regulations Title 48 Subpart 32.2, *Commercial Item Purchase Financing*, includes definitions of payments for commercial item purchases. These definitions incorporate the requirements of the statutory commercial financing authority and the implementation of the Prompt Payment Act.

Commercial advance payment, as used in this subsection, means a payment made before any performance of work under the contract. The aggregate of these payments shall not exceed 15 percent of the contract price. These payments are contract financing payments for prompt payment purposes (*i.e.*, not subject to the interest penalty provisions of the Prompt Payment Act in accordance with subpart 32.9).

The DHS Financial Management Guide, January 2006, page 14, *Monitoring Project Performance*, states that a recipient has full responsibility for the conduct of the project or activity supported and for the results achieved. The recipient must monitor the performance of the project to assure adherence to performance goals, time schedules, or other requirements as appropriate to the project or the terms of the agreement. The recipient is responsible for monitoring the activities of and pass-through requirements to any subrecipients.



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The subgrantee attempted to follow up on the advances paid to the vendor via email and telephone. When those attempts failed, the county stopped paying the maintenance fees on the existing management system previously purchased from the vendor. However, no further action was taken until our discussion on February 4, 2011, with Department of Homeland Security and Emergency Management representatives. At that time, they started to investigate this issue in conjunction with the county representative.

The Department of Homeland Security and Emergency Management has paid a subgrantee for software, equipment, and other related items that have not yet been received. As such, the State improperly reimbursed the subgrantee for these advances. Therefore, the amount of \$99,250 is questioned, as detailed in appendix E.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to:

Recommendation #13:

Establish and implement procedures to ensure that subgrantees are only reimbursed for equipment or services that have been received.

Recommendation #14:

Return to FEMA the questioned amount of \$99,250.

Management Comments and Auditors' Analysis

FEMA concurred with recommendation 13. FEMA will request that the New Mexico Department of Homeland Security and Emergency Management, within 150 days of the final report, develop and implement policies and procedures to ensure that subgrantees are complying with applicable Code of Federal Regulation requirements which ensure that any reimbursement requests for equipment or services have been delivered or received prior to full reimbursement. State officials also agreed with the recommendation, and said that they have implemented procedures for pre-approving purchases before they are made. Special conditions have been added to all subgrant agreements



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to ensure that subgrantees do not pay for contractual services until after they have been received.

The corrective actions proposed by FEMA and the State will address the intent of the recommendation. Recommendation 13 is considered resolved, and will remain open pending implementing of the proposed corrective action.

Regarding Recommendation 14, State officials said that, after several conference calls with the Emergency Manager and the vendor, the equipment was received and installed at the selected sites. These actions occurred subsequent to the audit fieldwork. The State maintains that the cost was allowable due to the fact that services were ultimately provided by the vendor. The State's actions address the intent of the recommendation. Because the vendor ultimately delivered and installed the equipment as requested, this recommendation is considered resolved and closed.



Appendix A

Objectives, Scope, and Methodology

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

The objective of this audit was to determine whether the State of New Mexico distributed and spent State Homeland Security Program grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The goal of this audit was to identify problems and solutions in order to assist FEMA and the State in improving the nation's ability to prevent and respond to all hazards on a local as well as a statewide level.

The scope of this audit included the plans developed by the State of New Mexico to improve preparedness and all hazards response, the goals set within those plans, the measurement of progress towards 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 funding, and equipment and programs supported by the grant funding, were reviewed for compliance.

We visited 16 total sites, including the State Administrative Agency (the Department of Homeland Security and Emergency Management) and the following 15 subgrantees:

- City of Albuquerque
- Bernalillo County
- Chaves County
- Cibola County
- Dona Ana County



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- Eddy County
- Lea County
- Lincoln County
- Los Alamos County
- Mora County
- Otero County
- San Juan County
- San Miguel County
- Sandoval County
- Santa Fe County

The scope of the audit included the State Homeland Security Program grant awards for FYs 2007, 2008, and 2009 as shown in the following table:

Homeland Security Grant Program FYs 2007 through 2009				
Funded Activity	FY 2007	FY 2008	FY 2009	Total
State Homeland Security Program	\$ 3,820,000	\$ 6,170,000	\$ 6,524,500	\$16,514,500
Law Enforcement Terrorism Prevention Program	2,730,000	Not Applicable	Not Applicable	2,730,000
Citizen Corps Program	165,108	166,053	165,581	496,742
Metropolitan Medical Response System Program	258,145	321,221	321,221	900,587
Total	\$ 6,973,253	\$ 6,657,274	\$ 7,011,302	\$20,641,829

Source: Federal Emergency Management Agency

The team reviewed a statistical sample of the State Homeland Security Program grant's expenditures representing 98 percent of the dollar value expended for each grant year to determine the sufficiency of internal controls.

We conducted this performance audit between October 2010 and June 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



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

Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. This was a performance audit as defined by Chapter 1 of the *Government Auditing Standards*, and included a review and report of program activities with a compliance element.

Williams, Adley & Company-DC, LLP was not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, Williams, Adley & Company-DC, LLP was neither required to review, nor express an opinion on, the costs claimed for the grant programs included in the scope of the audit. Had Williams, Adley & Company-DC, LLP been required to perform additional procedures, or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to its attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the State of New Mexico.

While the audit was being performed and the report prepared under contract, the audit results are being reported by the DHS Office of Inspector General to appropriate FEMA and State of New Mexico officials.



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Appendix B
Management Comments to the Draft Report


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



FEMA

MAY 31 2012

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

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

SUBJECT: Comments to OIG Draft Report, *The State of New Mexico's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2007 through 2009*

The Federal Emergency Management Agency (FEMA) appreciates the opportunity to review and respond to the Department of Homeland Security (DHS) Office of Inspector General (OIG) Draft Report, *The State of New Mexico's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2007 through 2009*. As noted in our responses to your recommendations, below – FEMA is continuing to work to resolve the issues identified in the audit.

OIG Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Department of Homeland Security and Emergency Management to validate that the updated strategy reflects the requirements of local governments' involvement, inclusion of measurable goals and objectives, and inclusion of appropriate performance measures.

FEMA Response to Recommendation #1: FEMA concurs with this recommendation.

FEMA addressed this same finding in a March 2011 follow up letter to their September 2010 monitoring. FEMA requested the corrective action as outlined below:

States are encouraged to revisit their current strategy to tailor and update, as appropriate, existing goals and objectives to reflect enhancements to State capabilities and to support National Preparedness Goals and Priorities, local government concerns, and citizen preparedness efforts. The use of HSGP funds must be consistent with and supportive of the implementation of the State Homeland Security Strategy. (2006 through 2009 HSGP Grant Guidance)
Recommended Action:



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1. Update the strategy to incorporate, as appropriate advancements that have been achieved in the State's preparedness capabilities.
2. Amend the strategy document to accurately reflect those State and Federal offices the strategy has application to.

The September 2011 Corrective Action Plan (CAP) update from New Mexico Department of Homeland Security and Emergency Management (NMDHSEM) stated that they have requested technical assistance from FEMA to develop their state strategy and approval of this request is pending. FEMA is actively working with the state to explore options for technical assistance. NMDHSEM has indicated that the update of the state strategy was delayed due to conversations about whether the programs were possibly being transferred to another state agency. To date, that decision has not been finalized and the state strategy remains out of date. A March 28, 2012 conversation with NMDHSEM officials indicated that the state strategy is in the process of being updated.

FEMA will request the Cabinet Secretary, NMDHSEM develop updated strategy that reflects the requirements of local governments' involvement, inclusion of measurable goals and objectives, and inclusion of appropriate performance measures. These actions will be completed by NMDHSEM within 90 days of receipt of the final report via the grantee notification. Updates will be sent to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Department of Homeland Security and Emergency Management (DHSEM) to establish and implement internal controls and written policies and procedures surrounding the strategy, capabilities and needs assessments, and performance measurement to ensure that:

- The strategy is periodically updated to reflect current risks and capabilities;
- Documentation is retained on the identification of the primary threats and vulnerabilities;
- The strategy reflects the involvement of local governments;
- Requirements and guidance related to establishing or updating needs as capabilities are met are communicated to subrecipients; and
- Improvements in performance and the State's progress towards achieving program goals and objectives are measured and documented.

FEMA Response to Recommendation #2: FEMA concurs with this recommendation.

FEMA requested an updated, more detailed, and focused state strategy in March 2011, and state officials concurred. As indicated in Recommendation #1, NMDHSEM stated in their September 2011 CAP update that they have requested technical assistance from FEMA to develop their state



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strategy to include advancements in their capabilities, current goals, and objectives. Clearly stated strategic goals and objectives. will benefit the State to be able to assess their capabilities on an ongoing basis. Additionally, it will align with new requirements for states to provide a Threat and Hazard Identification and Risk Assessment (THIRA) and ultimately will tie their risks and associated impacts to each funding stream.

FEMA will request that the Cabinet Secretary, NMDHSEM develop strategic goals and specific objectives applicable to capabilities and express them within an updated state strategy. The State should identify means of measurement for each goal and objective, ensure they are reasonably achievable within the time period allocated for each grant award and identify specific time frames for completion and articulate end results.

The strategic goals and objectives should include:

- a.) Specific goals and objectives which directly relate to the State Homeland Security Strategy,
- b.) Identify how each goal and objective will be measured for success and progress towards completion,
- c.) Identify a clear time frame for achieving the goal and objective,
- d.) If the goal will span multiple years and longer term objectives, identify which grant programs might align to those goals and what plans are being developed to ensure the goal or objective can be reached, and
- e.) Identify the end result of each goal and objective (i.e. what capability will be enhanced, how, for how long, who will be impacted, how will they be impacted).

This outline of strategic goals and objectives should be submitted to the assigned FEMA program analyst within 90 days of receipt of the final report via the grantee notification.

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

OIG Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Department of Homeland Security and Emergency Management to establish and communicate to the subrecipients the requirement for conducting and submitting to the Department of Homeland Security and Emergency Management a needs assessment on an ongoing basis.

FEMA Response to Recommendation #3: FEMA concurs with this recommendation. The inclusion and input from local jurisdictions is critical to determining where to best utilize limited resources. FY12 Homeland Security Grant Program recipients will be required to submit a THIRA which will require the state to address these shortfalls starting at the local level. Also under



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the FY12 Funding Opportunity Notice, grantees are advised of the requirement to submit a bi-annual Standard Form Performance Progress Report (SF-PPR). Grantees will be required to report on progress towards implementing plans described in their application. Additionally, as part of the SF-PPR, grantees will be required to report on progress towards implementing the following performance measures:

- All grantees, as part of programmatic monitoring, will be required to describe how expenditures first support maintenance and sustainment of current NPG core capabilities. For additional information on maintenance and sustainment, please see *Appendix B – FY 2012 HSGP Program Specific Priorities*
- For SHSP and UASI, grantees that maintain an emergency operations plan (EOP) are required to submit a Plan Analysis Tool annually and are required to include bi-annual updates on percentage of completion of the Comprehensive Preparedness Guide (CPG) 101 v.2 compliance.
- For SHSP and UASI, grantees will report the number of people trained in a given capability to support a reported number of defined resource typed teams (e.g., 63 responders were trained in structural collapse to support 23 Type 2 USAR Teams)
- For SHSP and UASI, grantees will report the total number of a defined type of resource and capabilities built utilizing the resources of this grant
- For SHSP and UASI, grantees will report what equipment was purchased and what typed capability it supports
- For SHSP and UASI, fusion centers will report on the achievement of capabilities and compliance with measurement requirements within the Maturation and Enhancement of State and Major Urban Area Fusion Centers priority through the annual Fusion Center Assessment Program managed by DHS Office of Intelligence and Analysis (I&A) and reported to FEMA
- For SHSP and UASI, grantees will submit a certification indicating the number of personnel involved in the Nationwide Suspicious Activity Reporting (SAR) Initiative (NSI) as well as the number of personnel who have completed the required training
- For SHSP and UASI, grantees should establish a planning body and demonstrate that the membership and activities reflect the whole community

FEMA will request that the Cabinet Secretary, NMDHSEM develop a means of communicating with sub-grantees the new requirements pending under the THIRA and SF-PPR, and what their role will be in gathering the required information on an on-going basis. These new tools will assist the state in better determining the needs of their local jurisdictions as well as mapping statewide capabilities on an on-going basis.

FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the



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corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to revise its policies, procedures, and timelines to include sufficient time for review and approval of the required Biannual Strategy Implementation Reports (BSIR) and financial status reports.

FEMA Response to Recommendation #4: FEMA concurs with this recommendation.

FEMA addressed this same finding in a March 2011 follow-up letter to their September 2010 monitoring and the state concurred. As of March 2012, the state is current on all of their BSIR and financial reports. New Mexico DHSEM has assigned one staff member the responsibilities for managing the BSIR process and reporting. These functions are now managed at the state level. They now report to the staff whose responsibility it is to ensure the data is accurate and then the DHSEM staff person enters the information into BSIR. This has reduced errors and inaccuracies. Policies and procedures have been developed and implemented to ensure the timely submission of all required reports.

FEMA will request that the Cabinet Secretary, NMDHSEM ensure that newly developed policies and procedures ensure the timely submission of required programmatic and financial reports. These policies should include internal controls and sufficient time frames which allow the state to review and verify data submitted by their sub-recipients. Also included in the internal controls should be processes which allow for the cross check of data submitted for the BSIR, obligations to grantees, and expenditures reported in quarterly Financial Status Reports.

FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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



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OIG Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to submit accurate Biannual Strategy Implementation Reports and financial status reports in accordance with the 30 day requirements.

FEMA Response to Recommendation #5: FEMA concurs with this recommendation.

FEMA addressed this same finding in a March 2011 follow up letter to FEMA's September 2010 monitoring. The state concurred. New Mexico DHSEM has assigned one staff member the responsibilities for managing the BISR process and reporting. These functions are now managed at the state level. They now report to the staff whose responsibility it is to ensure the data is accurate and then the DHSEM staff person enters the information into BISR. This has reduced errors and inaccuracies. Additionally NMDHSEM has also addressed the inconsistencies and inaccuracies identified in their BSIR's.

FEMA will request that the Cabinet Secretary, NMDHSEM develop and provide FEMA documentation of procedures to ensure the timely and accurate submission of all required reports to include, but not limited to, the BSIR, SAPR, and quarterly financial status reports.

FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #6: We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to revise its subgrantee monitoring program to comply with the appropriate guidance and regulations.

FEMA Response to Recommendation#6: FEMA concurs with this recommendation.

Monitoring sub-grantees is critical to ensuring that projects are being executed as planned and that sub-grantees are within compliance of the terms of their grant agreements.

FEMA will request that the Cabinet Secretary, NMDHSEM establish policy and monitoring procedures that include the frequency of visits, methodology for selecting sub-grantees to visit, and a protocol for reviewing financial and performance related activities during the visits.



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The updated policy and monitoring procedures should include:

- a) A clear method for selecting sub-grantees to be visited,
- b) The number or frequency of monitoring visits each year for all FEMA Homeland Security Grant Programs,
- c) The protocols to be followed during the monitoring visits, and
- d) Process to review and conduct analysis of sub-recipient's financial, programmatic and administrative policies and procedures such as:
 1. accounting for receipts and expenditures,
 2. cash management, maintaining adequate financial records,
 3. means of allocating and tracking costs,
 4. contracting and procurement policies and records,
 5. payroll records and means of allocating staff costs,
 6. property/equipment management system(s),
 7. progress of project activities.

These actions will be completed within 90 days of receipt of the final report via the grantee notification and updates will be sent to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #7: We recommend that the Assistant Administrator, Grant Programs Directorate, require the NMDHSEM to ensure that its personnel have proper training on performance monitoring.

FEMA Response to Recommendation #7: FEMA concurs with this recommendation.

Monitoring of grantees is most effective when grants staff are properly trained in protocols and are aware of the most common challenges found in complying with the requirements under federal awards. As FEMA grant programs often change focus and requirements year over year, it is critical for NMDHSEM staff to have a full understanding of those requirements in order to effectively monitor their sub-grantees. Monitoring processes and policies should also define means of documenting passive monitoring activities including but not limited to regular phone conversations, observation of training activities, and media coverage of events and activities which highlight efforts of sub-grantees.

FEMA will request that the Cabinet Secretary, NMDHSEM establish a uniform set of monitoring procedures to facilitate consistency in the scope and methodology of the evaluation of sub-grantees.



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Additionally, all NMDHSEM programmatic staff, financial staff, and any field representatives should be trained on these protocols.

The protocols to be followed during the monitoring visits should review sub-recipient's financial, programmatic and administrative policies and procedures including:

1. Accounting for receipts and expenditures,
2. Cash management, maintaining adequate financial records,
3. Means of allocating and tracking costs,
4. Contracting and procurement policies and records,
5. Payroll records and means of allocating staff costs,
6. Property/equipment management system(s), and
7. Progress of project activities.

FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete these protocols and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #8: We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to assess whether sufficient personnel are assigned to perform monitoring and schedule and conduct on-site monitoring visits as appropriate.

FEMA Response to Recommendation #8: FEMA concurs with this recommendation.

FEMA will direct the Cabinet Secretary, NMDHSEM to ensure that there are sufficient qualified staff to programmatically and financially oversee, administer, and monitor all awards issued by FEMA. Qualified staff assigned to oversee the implementation of FEMA programs should, at a minimum, include subject matter experts with experience in emergency planning, emergency operations, first responder equipment, first responder/emergency management training, first responder/emergency management exercises, and interoperable communications. NMDHSEM staff and field representatives should be trained in proper active and passive monitoring procedures for ensuring compliance. The state may consider the use of field representatives to increase the oversight function and decrease the burden on NMDHSEM for on-site visits.



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FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #9: We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to implement policies and procedures that require the State Administrative Agency to prepare a schedule that properly identifies the management and administrative costs that will be charged to the State Homeland Security Program grants

FEMA Response to Recommendation #9: FEMA concurs with this recommendation.

While grantees are allowed to retain a percentage of the award (3% for FY07-FY09) for management and administration of their award, 2CFR Part 225 Appendix A (A)(3)(e) requires grantees to *maintain policies to ensure that fiscal and administrative requirements are sufficiently specific to ensure that: Funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or its subrecipients.* Based on this it is reasonable to expect State Administrative Agencies to ensure that management and administrative costs are clearly budgeted for at the beginning and throughout the lifecycle of the award.

FEMA will request that the Cabinet Secretary, NMDHSEM develop and implement policies and procedures to ensure that M&A costs are properly budgeted and planned for as well as accurately charged to funding for each grant award year. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #10: We recommend that the Assistant Administrator, Grant Programs Directorate, require the NMDHSEM to identify or determine the management and administrative expenses that will be charged to the FY 2009 State Homeland Security Program grant and refund any remaining balance that is not supported.



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FEMA Response to Recommendation #10: FEMA partially concurs with this recommendation.

Grantees are allowed to retain the percentage of the award (3% for FY07-09) for management and administration of their award. It is the responsibility of the grantee to ensure that all funds retained for M&A are expended within the guidelines. If the DHS OIG feels that there is sufficient evidence that NMDHSEM has expended funds which are not within the guideline or do not have sufficient supporting documentation, FEMA agrees that a thorough review of the use of FY09 M&A expenses is warranted. However, since the costs were not expended at the time of the audit, it does not seem reasonable to require NMDHSEM to provide an accounting of expenditures, post review. Alternatively, FEMA agrees that the NMDHSEM should provide sufficient documentation that policies, procedures, and internal controls have been developed and implemented to ensure that M&A costs are properly charged to funding for all grant award years.

FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #11: We recommend that the Assistant Administrator, Grant Programs Directorate, require the NMDHSEM to adhere to grant program guidance that requires the State Administrative Agency to obtain a memorandum of understanding for funds withheld by the State on behalf of local units of government and to maintain such documentation at the State Administrative Agency.

FEMA Response to Recommendation #11: FEMA concurs with this recommendation.

In order for states to retain funds on behalf of local units of governments an agreement must be in place which defines the terms of the use of those funds. FEMA addressed this same finding in a March 2011 follow up letter to FEMA's September 2010 monitoring. The state concurred. In an update to their CAP sent in September 2011, NMDHSEM indicated that they have established a process to obtain concurrence letters from local units of government for the use of FY2010 funds retained by the state.

FEMA will request that the Cabinet Secretary, NMDHSEM develop and implement policies and procedures to ensure that MOU's are obtained on funds withheld by the state and that they should obtain said agreements on any outstanding funds for FY07 – FY09 awards.



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FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

OIG Recommendation #12: We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to enforce procedures to ensure that all required funds are properly allocated to sub-grantees and that funds withheld by the State have been properly authorized by sub-grantees.

FEMA Response to Recommendation #12: FEMA concurs with this recommendation.

In order for states to retain funds on behalf of local units of governments an agreement must be in place which defines the terms of the use of those funds. Funds should not unilaterally be retained by the state, even for statewide programs, without the concurrence of local jurisdictions that will benefit from the activities being executed. FEMA addressed this same finding in a March 2011 follow-up letter to FEMA's September 2010 monitoring. The state concurred. In an update to their corrective action plan sent in September 2011, NMDHSEM indicated that they have established procedures to obtain concurrence letters from local units of government for the use of FY2010 funds retained by the state.

FEMA will request that the Cabinet Secretary, NMDHSEM develop and implement policies and procedures to ensure that MOU's are obtained on funds withheld by the state and that they should obtain said agreements on any outstanding funds for FY07 – FY09 awards.

FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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



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OIG Recommendation #13: We recommend that the Assistant Administrator, Grant Programs Directorate, require the New Mexico Department of Homeland Security and Emergency Management to establish and implement procedures to ensure that sub-grantees are only reimbursed for equipment or services that have been received.

FEMA Response to Recommendation #13: FEMA concurs with this recommendation.

FEMA will request that the Cabinet Secretary, NMDHSEM develop and implement policies and procedures to ensure that sub-grantees are complying with applicable Code of Federal Regulation requirements which ensure that any reimbursements requests for equipment or services have been delivered or received prior to full reimbursement.

FEMA will provide the grantee notification memorandum and final report to the grantee one month following receipt of the final report from the OIG. Within 120 days of receipt of the final report via the grantee notification memorandum, FEMA will require the NMDHSEM to complete the corrective actions noted above and send updates to the assigned FEMA Program Analyst every 90 days until the corrective actions are complete.

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

Again, we thank you for the opportunity to review your report. If you have further questions, please do not hesitate to call Gina Norton, FEMA Audit Liaison Office, 202-646-4287.



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Department of Homeland Security

Susana Martinez
Governor



Gregory A. Myers,
Cabinet Secretary Designate

DEPARTMENT OF HOMELAND SECURITY
AND EMERGENCY MANAGEMENT

April 26, 2012

Ms. Charbet M. Duckett, CPA, CGFM
Williams Adley
1030 15th Street, NW
Suite 350 West
Washington, DC 20005

Dear Ms. Duckett:

This is in response to the draft audit report of the Management of State Homeland Security Programs Grants awarded during fiscal years 2007 through 2009. Thank you for allowing us the opportunity to provide responses.

This is our written response to the recommendations presented in the draft report.

1. Strategic Planning Process—Corrective Action Identified

Corrective Action--NM Homeland Security Strategy Revision Project

Goal: Develop a realistic strategy to inform department-wide operations, to include staffing, acquisitions, and the development and management of programs based upon statutory requirements, federal policy directives, and current accreditation standards, which will consist of an accurate diagnosis of New Mexico's homeland security challenges, a clearly-stated strategy development guiding policy based upon the diagnosis, and coherent actions to support the accomplishment of the guiding policy.

Steps for the NM Homeland Security Strategy Revision Project:

- Conduct an assessment of the most recent homeland security strategy (version 2003)
 - Evaluate progress towards the 2003 strategic goals
 - Determine applicability/currency of unmet 2003 goals
- Assign responsibility, by position, within DHSEM to complete outstanding 2003 goals
- Develop 2012 New Mexico Homeland Security Strategy

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- Establish timeline for project completion
- Create format/template for new Strategy
- Follow the project goal
- Include applicable unfinished items from the 2003 strategy
- Utilize local, tribal, and state agency and organization input via Local HLS Strategic Working Group
- Ensure State Statutes, EMAP, NIMS, CPG, and HSPD/PPD requirements/guidance are addressed
- Officially close-out 2003 strategy, provide updated strategy to FEMA/DHS.
- Establish a strategy review cycle to assess progress towards actions in the new strategy and revise as needed.

The development of this strategy will be a collaborative process, involving local, tribal, and state agencies and organizations. As such, the following key points will be addressed as part of the strategy development guiding policy during the initial phase of the strategy development:

- A clear statement of what is to be done and how success will be measured.
- An identification of which agencies and organizations need to be active participants and which agencies and organizations must be kept abreast of the project's progress, as well as how situational awareness will be provided to all stakeholder agencies/organizations.
- Incorporate goals and objectives in the updated State Strategies that are specific, measurable, achievable, time-limited and results-oriented.

Estimated Completion Date: December 2012

2. Performance and Financial Reporting—Addressed/Resolved

The DHSEM has instated the following actions/procedures to ensure that timely and accurate Biannual Strategy Implementation Reports and Financial Status Reports to FEMA are submitted:

• **BSIR/ISIP:**

Beginning with the July 2011 Sub-recipients are no longer required to enter their own BSIR information. In an effort to streamline data gathering and submission the Department assigned the task to one individual within the Administrative Services Division/Grant Unit. At the close of the quarter prior to BSIR submission, the individual follows the following process:

- 1) Obtain cumulative financial report for each grant requiring a BSIR report.



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- 2) Compile all sub-recipient files for appropriate grants, and review quarterly financial data submitted by the sub-recipient.
- 3) Require grant staff contact any sub-recipients that have not submitted their reports.
- 4) Enter cumulative expenditure/obligation amounts for each jurisdiction into the BSIR.
- 5) Ensure state roll-up, in conjunction with sub-recipient entries matches cumulative federal financial report data.
- 6) Submit reports after validating all data reported.

• **Submission of Quarterly Financial Status Reports:**

The DHSEM has instituted policies and procedures to ensure accurate and timely submission of quarterly financial status reports by following the internal control measures for reporting/drawing (established in October of 2011). The procedures allow staff adequate time in which to prepare reports and allow Management time to review and approve before submission.

All Department expenditures are verified prior to reporting. Financial staff runs all applicable expenditure reports at the close of the NM Department of Finance and Administration financial period (month). This ensures that the highest level of accuracy is obtained in capturing expenses. An in-depth "month end" reconciling process takes place concurrently. Only when all amounts are validated are reports created.

The section outlined below identifies the actions required to ensure accuracy and timeliness in submitting the financial report:

Submission of Federal Reports:

1. *The submission of the interim Federal Financial Reports will be on a quarterly basis. The final Federal Financial Report shall be submitted at the completion of the award agreement. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31. For the final Federal Financial Report, the reporting period end date shall be the end date of the project or grant period.*
2. *Quarterly reports shall be submitted no later than 30 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.*

Completed: December 2010

3. Monitoring Subgrantee Performance

Program staff has concentrated on monitoring the planning, training and exercise activities while the equipment purchased were treated as financial transactions and



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monitored by grant staff. The Agency began correcting this deficiency in 2010 by mandating as part of the local awards that a percentage has to be allocated to training and exercising on equipment purchased under prior federal preparedness awards. The training and exercise has to be approved by the Agency training and exercise staff to ensure we are building capabilities and to ensure compliance with federal grant requirements.

As part of a new quarterly EMPG reporting process the Agency's Local Preparedness Coordinators now do on-site visits with the local Emergency Managers and the quarterly EMPG performance report is now a collaborative document. The Preparedness Bureau will incorporate the SHSGP local awards into this process.

Estimated Completion Date: July 2012

4. Management and Administrative Costs—Addressed/Resolved

The State does have a procedure that identifies Management and Administrative (M & A) costs that will be applied to salary and benefits for allowable staff. Those costs encompass the majority of the M & A funds. The residual balance is then used to support the administration of the award i.e. monitoring, training, travel and supplies.

The Department has identified the M & A expenses that will be charged to the FY 2009 State Homeland Security Program. Expenses are verified prior to reporting. Financial staff produces all applicable expenditure reports at the close of the NM Department of Finance and Administration financial period monthly. This ensures that the highest level of accuracy is obtained in capturing expenses. An in-depth "month end" reconciling process takes place concurrently. Only when all amounts are validated are reports created. This process has resulted in drawing only amounts that have been expended and avoids overdraws thereby avoiding the need to return funds.

Completed: June 2011



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5. Obligation of Funds to Local Units of Governments—Addressed/Resolved

In 2010 the Department obtained concurrence for funds that were withheld by the State on behalf of local units of government. Documentation is available for review by the appropriate federal agencies.

In 2011 the Department moved to an automatic allocation process. The process is as follows:

- **Automatic Allocations**

The Award Allocations Formula is as follows:

Base Allocation:

1 % base allocation to all NIMS-Compliant jurisdictions (including NIMS-compliant tribes/pueblos (Approx. 31% of the total)

Population Allocation:

50% of the funds remaining after the base allocations will be distributed based upon population. The 50% would be allocated as follows:

- 22% will be awarded to the single most populated jurisdiction.
- 10% will be awarded to the second most populated jurisdiction.
- 18% will be equally split among the next 3 most populated jurisdictions
- 10% will be equally split among the 10 least populated jurisdictions.
- 40% remaining will be equally split among the remaining jurisdictions

Risk, Planning and Competitive Allocation:

50% of the funds remaining after the base allocations will be distributed based upon a jurisdiction's risk profile.

- 10% to the jurisdiction with the State Capital
- 30% split equally among any jurisdiction experiencing a federal disaster within 3 years
- 30% divided into 5 competitive awards
- 30% split equally among jurisdictions with Mitigation Plans approved and on file with DHSEM/FEMA. This allocation rewards jurisdictions who have taken the initiative to develop and maintain a hazard mitigation program.



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Optional Competitive Capability Application

In FY 2012, local jurisdictions may apply for additional funding through the competitive capability application. Applicants interested in applying can submit projects in one of two identified Target Capabilities. They are:

- 1-EOC
- 2-Communications

This portion of the application requires a non-optional cost share of 25%. Applicants should identify and enter the cost share information on page 2 of the Optional Competitive Capability Application form of the SHSGP application packet. The maximum amount any jurisdiction can request through the Competitive Capability Project is \$41,794.80 and requires a 25% cost share (match) of \$10,448.70. This cost share (match) can be a hard (cash) or soft (in-kind). The applicant can request less than \$41,794.80, but must still provide matching funds for 25% of the amount requested. To meet cost share (matching) requirements, the sub-grantee contributions must be reasonable, allowable, allocable and necessary under the grant program and must comply with all Federal requirements and regulations.

Completed: November 23, 2010

6. Improper Payments for Services and Equipment—Addressed/Resolved

DHSEM has investigated the incident with Chavez County and the payment to the vendor for services related in installation of the Kiosks in the Police Department and several other law enforcement agencies/locations. After working with the Emergency Manager, it was understood that the vendor required payment up-front for the Kiosks themselves in order to drop ship them to the locations. However, the contractor had failed to up-hold the terms of the contract by not shipping the items. The sub-recipient, upon sending the payment to the vendor, requested a reimbursement from DHSEM. A copy of the Purchase order, Invoice and check were provided to DHSEM as backup documentation for the expense. As a corrective action measure, DHSEM staff worked with the sub-recipient to ensure that the contractor upheld the terms of the sale. After several conference calls with the Emergency Manager and Vendor, the Kiosks were shipped and installed at the selected sites.

DHSEM has implemented procedures for pre-approving purchases before they are made. Sub-recipients also must comply with providing appropriate documentation to reflect the payments made to vendors. Special conditions will



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be added to all sub-grant agreements to ensure that sub-recipients to do pay for contractual services until after they are rendered.

DHSEM maintains that the costs were allowable, allocable, and reasonable and should not qualify as questioned due to the fact that resolution was provided by the contractor.

Completed: August 2011

Please feel free to contact Deborah Romero at 505-487-0873 or by email at debbie.romero@state.nm.us if you have any questions.

Sincerely,


Greg Myers
Secretary Designee



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:

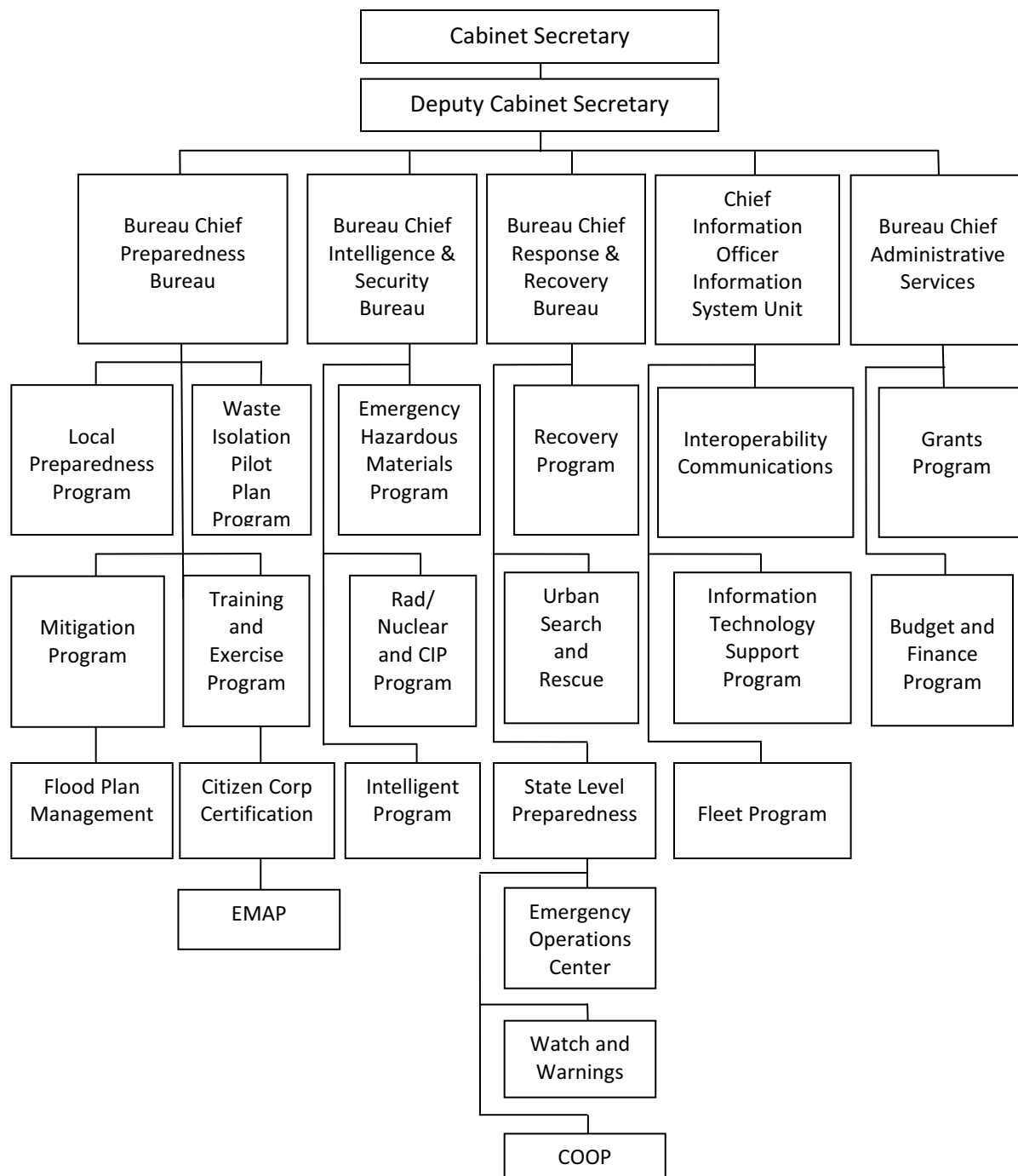
- **State Homeland Security Program** provides financial assistance directly to each of the states and territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address the identified 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:

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



Appendix D New Mexico Department of Homeland Security and Emergency Management Organization Chart



Source: New Mexico Department of Homeland Security and Emergency Management



Appendix E Potential Monetary Benefits

Classification of Monetary Benefits					
Finding	Rec. No.	Funds To Be Put to Better Use	Questioned Costs – Unsupported Costs	Questioned Costs – Other	Total
Improper payment for services and equipment not received	14			\$99,250	\$99,250
Total				\$99,250	\$99,250



Appendix F

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