



Department of Homeland Security Office of Inspector General

The State of Nevada's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008





Homeland Security

MAY 10 2011

Preface

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

The attached report presents the results of the audit of the State of Nevada's management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during Fiscal Years 2006 through 2008. We contracted with the independent public accounting firm Foxx & Company to perform the audit. The contract required that Foxx & Company perform its audit according to generally accepted government auditing standards. Foxx & Company's report identifies three reportable conditions where State management of the grant funds could be improved, resulting in six recommendations addressed to the Assistant Administrator, Grant Programs Directorate. Foxx & Company is responsible for the attached auditor's report dated January 7, 2011, and the conclusions expressed in the report.

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

for 
Anne L. Richards
Assistant Inspector General for Audits



January 7, 2011

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

Dear Ms. Richards:

Foxx & Company performed an audit of the State of Nevada's management of the Department of Homeland Security's State Homeland Security Program and Urban Areas Security Initiative grants for Fiscal Years 2006 through 2008. The audit was performed in accordance with our Task Order No. TPD-FIG-BPA-07-0007 dated September 29, 2009. This report presents the results of the audit and includes recommendations to help improve the State's management of the audited State Homeland Security Program and Urban Areas Security Initiative grants.

Our audit was conducted in accordance with applicable *Government Auditing Standards*, 2007 revision. The audit was a performance audit as defined by Chapter 1 of the *Standards* and included a review and report on program activities with a compliance element. Although the 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 Nevada's financial statements or the 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 call me at (513) 639-8843.

Sincerely,

Foxx & Company
Martin W. O'Neill
Partner

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Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
OIG	Office of Inspector General

OIG

*Department of Homeland Security
Office of Inspector General*

Executive Summary

Foxx & Company completed an audit of the State of Nevada's Management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during fiscal years 2006 through 2008. The audit objectives were to determine whether the State distributed and spent Homeland Security Grant Program funds strategically, effectively, and in compliance with laws, regulations, and guidance. The audit included a review of approximately \$49.2 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded by the Federal Emergency Management Agency to the State of Nevada.

Generally, the State did an efficient and effective job of administering program requirements in accordance with grant guidance and regulations. The State's plans linked funding to all-hazard capabilities and to goals that were established based on risk assessments. Also, the State established an effective system for identifying vulnerabilities and opportunities to improve the State's preparedness and response capabilities.

However, some improvements are needed in the State's establishment of measurable goals and objectives, identification of long-term capability sustainment options, and monitoring of subgrantee activities.

Our six recommendations call for the Federal Emergency Management Agency to require the State of Nevada to initiate improvements which, if implemented, should help strengthen program management, performance, and oversight.

Federal Emergency Management Agency and Nevada officials verbally concurred with our findings and recommendations. Nevada officials provided written comments, which are incorporated as appropriate, and included in their entirety in Appendix B.

Background

The Homeland Security Grant Program is a federal assistance grant program administered by the U.S. Department of Homeland Security (DHS), Grant Programs Directorate within the Federal Emergency Management Agency (FEMA). The current Grant Programs Directorate, hereafter referred to as FEMA, began with the Office of Domestic Preparedness, which was transferred from the Department of Justice to DHS in March 2003. The Office of Domestic Preparedness was subsequently consolidated into the Office of State and Local Government Coordination and Preparedness which, in part, became the Office of Grants and Training, and which subsequently became part of FEMA.

Although the grant program was transferred to DHS, applicable Department of Justice grant regulations and legacy systems still were used as needed to administer the program. For example, through fiscal year (FY) 2008 the Office of Justice Programs' Grants Management System was used to receive grantee applications and to administer the award and reporting processes. Also prior to the transfer, the State Administrative Agency entered payment data into the Office of Justice Programs' Phone Activated Paperless Request System, which was a drawdown payment system for grant funds. That payment system was replaced in April 2007 by FEMA's Payment and Reporting System, which allowed grantees to make payment requests and complete and transmit their quarterly Financial Status Reports online.

Homeland Security Grant Program

The Homeland Security Grant Program provides federal funding to help state and local agencies enhance their capabilities to prevent, deter, 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. Depending on the fiscal year, the program included some or all of the programs:

- **State Homeland Security Program** supports the implementation of State Homeland Security Strategies to address the identified planning, organization, equipment, training, and exercise needs to prevent, protect against, respond

to, and recover from acts of terrorism and other catastrophic events.

- **Urban Areas Security Initiative Program** funds address the unique planning, organization, equipment, training, and exercise needs of high-threat, high-density Urban Areas, and assists them in building an enhanced and sustainable capacity to prevent, protect against, respond to, and recover from acts of terrorism.
- **Law Enforcement Terrorism Prevention Program** provides resources to law enforcement and public safety communities (working with their private partners) to support critical terrorism prevention activities, including: establishing/enhancing fusion centers and collaborating with non-law enforcement partners, other government agencies, and the private sector.
- **Citizen Corps Program** mission is to bring community and government leaders together to coordinate the involvement of community members in emergency preparedness, planning, mitigation, response, and recovery.
- **Metropolitan Medical Response System Program** funds support designated jurisdictions to further enhance and sustain a regionally integrated, systematic mass casualty incident preparedness program that enables a response during the first crucial hours of an incident. The program prepares jurisdictions for response to all-hazards mass casualty incidents, including Chemical Biological Radiological Nuclear Explosive terrorism, epidemic disease outbreaks, natural disasters, and large-scale hazardous material incidents.

State Administrative Agency

The governors of each state appoint a State Administrative Agency to administer the Homeland Security Grant Programs. The State Administrative Agency is responsible for managing these grant programs in accordance with established federal guidelines. The State Administrative Agency is also responsible for allocating funds to local, regional, and other state government agencies.

In 1999, Nevada's Governor designated the Division of Emergency Management to be the State Administrative Agency for the Homeland Security Grant Programs. The Nevada Division of

Emergency Management administered all of the Homeland Security Grant Program grants included in our audit scope. The Division of Emergency Management's organizational structure is depicted in Appendix C.

The State of Nevada is not divided into Response Regions, as the State chose not to regionalize due to the topography and unique diversity of its jurisdictions. The Nevada Division of Emergency Management and the Clark County/Las Vegas Urban Areas Security Initiative area are the major Planning Commissions within the State of Nevada that determine grant funding priorities within the State. The Division of Emergency Management's Homeland Security Working Group coordinates with the Urban Areas Security Initiative working group to support their needs, synchronize strategies, and establish consistent priorities across Nevada.

Grant Funding

The State of Nevada received approximately \$58.8 million from the Homeland Security Grant Program during FYs 2006 through 2008. As part of this program, the State received \$49.2 million in State Homeland Security Program and Urban Areas Security Initiatives grants. During that timeframe, the State Administrative agency awarded subgrants to the following:

- 2006: 10 first responder subawards distributed throughout 2 counties, 1 city, 5 state agencies, 1 state association, and 1 urban area;
- 2007: 24 first responder subawards distributed throughout 12 counties, 4 cities, 5 state agencies, 2 regional commissions, and 1 urban area; and
- 2008: 12 first responder subawards distributed throughout 3 counties, 1 city, 6 state agencies, 1 state association, and 1 urban area.

Table 1 displays a breakdown of the State Homeland Security Program and Urban Areas Security Initiative grant funds by year.

Table 1

Nevada				
Homeland Security Grant Program Awards				
Funded Activity	FY 2006	FY 2007	FY 2008	Total
State Homeland Security Program	\$ 8,110,000	\$ 5,610,000	\$ 9,390,000	\$23,110,000
Urban Areas Security Initiatives	\$ 7,750,000	\$ 9,310,000	\$ 9,030,000	\$26,090,000
Law Enforcement Terrorism Prevention Program	\$ 4,180,000	\$ 4,000,000	\$ 0	\$ 8,180,000
Citizen Corps Program	\$ 237,000	\$ 179,000	\$ 183,000	\$ 599,000
Metropolitan Medical Response System Program	\$ 232,000	\$ 258,000	\$ 322,000	\$ 812,000
Total	\$20,509,000	\$19,357,000	\$18,925,000	\$58,791,000

Foxx & Company completed an audit of the State of Nevada’s management of DHS’ State Homeland Security Program and Urban Areas Security Initiative grants awarded during FYs 2006 through FY 2008. The objectives of the audit were to determine whether the State distributed and spent Homeland Security Grant Program funds strategically, effectively, and in compliance with laws, regulations, and guidance. Nine researchable questions provided by the DHS Office of Inspector General (OIG) established the framework for the audit. The researchable questions were related to the State Administrative Agency’s planning, management, and evaluations of grant activities. Appendix A provides additional details on the purpose, scope, and methodology of this audit, including the nine researchable questions.

Results of Audit

Generally, the State did an efficient and effective job of administering program requirements in accordance with grant guidance and regulations. The State’s plans linked funding to all-hazard capabilities and to goals that were established based on risk assessments. Also, the State established an effective system for identifying vulnerabilities and opportunities to improve the State’s preparedness and response capabilities.

However, some improvements are needed in the State's establishment of measurable goals and objectives, identification of long-term capability sustainment options, and monitoring of subgrantee activities.

Measurable Goals and Objectives

The Nevada State Administrative Agency cannot demonstrate improvement and accomplishments tied to federal grants because strategic goals and objectives did not provide an adequate basis for measuring improvements in the State's preparedness and response capabilities. The Agency had not developed measurable goals and objectives consistent with federal requirements and did not have an effective systematic method for the collection of performance-related data. As a result, the State did not have a documented evaluation of the effect that grant funds had on the capability of first responders.

Code of Federal Regulations Title 44 § 13.40 (a), *Monitoring and reporting program performance*, requires that grantees must monitor grant and subgrant supported activities to assure that performance goals are being achieved. In addition, Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal, dated July 22, 2005, 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. Therefore, an objective should be:

- Specific, detailed, particular, and focused – helping to identify what is to be achieved and accomplished;
- Measurable — quantifiable, providing a standard for comparison, and identifying a specific achievable result;
- Achievable — 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.

The State's goals, objectives, and implementing steps were broad-based and did not provide for tracking and objectively measuring the impact of funds expended for equipment, training, and exercises. The following is an example of the State's FY 2006-2008 goals, objectives, and implementation steps.

- Goal: Equip and train Nevada's emergency first responders and support agencies.

-
- Objective: Establish equipment needs and continue to equip emergency first responders as is permissible through available federal, state, local, and tribal funding.

 - Implementation Steps:
 - Establish equipment needs to detect, accurately identify and report radiological or nuclear materials,
 - Conduct thorough review of subrecipient applications for compliance with federal grant guidance and identified needs within each state agency and local jurisdiction,
 - Conduct assessment in conjunction with evaluation of cumulative year-to-date equipment allocations,
 - Authorize award for funding to subrecipient in support of approved application,
 - Develop statewide policies for standardization of equipment utilized by all emergency first responders to provide for ease in sharing of resources and mutual aid assistance, and
 - Establish working groups to perform equipment needs assessments and periodic reevaluations.

Starting with the 2007 State Homeland Security Strategy, the Nevada State Administrative Agency changed its Evaluation Plan section of the State Strategy to include a requirement that the State would submit quarterly progress reports to the Nevada Homeland Security Commission in order to monitor progress relative to the strategy and ensure compliance with federal reporting requirements. As a part of the signed certified assurances accompanying the grant award, the State required the subgrantees to submit a quarterly progress report. Using these quarterly progress reports, the State prepared a combined statewide report for submission to the Commission.

We reviewed subgrantees' quarterly progress reports and found the reports lacking in definitive measurements. While the State had made an attempt to develop a progress measurement tool with the requirement for quarterly progress reports from subgrantees, the tool was not meeting the requirements of what constitutes an objective as defined in DHS guidance.

State officials acknowledged that performance measures must be carefully developed, specifically tied to the State's strategy, goals, and objectives, and be consistent with resource availability and allocation. Without measurable goals and objectives and a mechanism to collect objective, results-oriented data from local jurisdictions and first responders, the State did not have a basis to evaluate the effect of grant expenditures on its preparedness and response capabilities. Also, the State was unable to

determine progress toward goals and objectives when making funding and management decisions.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Nevada Division of Emergency Management to:

Recommendation #1: Develop strategic goals and objectives applicable to first responder capabilities that are specific, measurable, achievable, results-oriented, and time limited;

Recommendation #2: Incorporate the goals and objectives into a statewide system for measuring local jurisdiction first responder progress toward achieving the goals and objectives; and

Recommendation #3: Use the progress achieved as a basis for making decisions regarding future first responder grants.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the findings and recommendations and elected not to provide written comments.

The State provided written comments and concurred with the finding and the recommendations. The State Administrative Agency stated that at the end of FY 2008, the Division of Emergency Management developed and implemented a process that resulted in a statewide assessment of target capabilities. The purpose of the assessment was to create a comprehensive picture of current all-hazards preparedness for the State of Nevada, including the Las Vegas Urban Area. The process was conducted prior to the FY 2009 and 2010 grant cycles and will continue to be used in subsequent years. Nevada officials said that all project managers are required to submit a project plan based upon the DHS approved investment justification for each approved project.

The officials also said that project managers, grant managers, and fiscal agents are required to submit quarterly financial reports and programmatic summaries. The programmatic summaries must include: percentage of project completion, tasks accomplishments, financial status and accountability, and any challenges that would potentially result in project managers being unable to complete the project within the grant performance period.

We agree that progress has been made since the 2006, 2007, and 2008 grant years. The State has made a concerted effort to create and maintain a comprehensive picture of Nevada's all-hazards preparedness in terms of target capabilities. If properly implemented, the actions identified in the State's response will resolve the condition identified during the audit. However, the Assistant Administrator, Grant Programs Directorate, needs to ensure that the State's implementation of the process results in appropriate measurements of progress and that the progress achieved is reflected in the State's requests for future first responder grants.

Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to outline corrective actions and a plan for ensuring that the State's implementation of the assessment process is being implemented as intended. These recommendations remain open and unresolved.

Long-Term Sustainment of Capabilities

The State of Nevada had not prepared contingency plans that address funding shortfalls if grant funds are reduced or curtailed all together in subsequent years. Although the Sustainability Section of the Investment Justifications from the State's major subgrantees indicated that Nevada would accept financial responsibility for post-grant funding, the Sustainability Section offered little substantive support as to how the investment would address long-term costs—either from an equipment or salary perspective. This creates an inherent risk to the State's capability to prepare for and respond to catastrophic occurrences and to protect its interest in sizable assets acquired.

The DHS Grant Program Guidance and Application Kits as well as the Investment Justification Reference Guides for fiscal years 2006, 2007, and 2008 state that grant proposals must clearly describe how projects will be sustained when the awarded grant funds are expended. Among other things, sustainability plans must address long-term costs such as personnel, equipment maintenance, repairs, replacement, and software licensing. Sustainability plans are not to place reliance upon future grant awards.

The DHS Grant Guidance Kits and Investment Justification Guides stipulate that grantees are to describe the long-term approach to sustaining the capabilities created or enhanced by the investment, or explain why the investment will not be sustained. DHS notes that the applicant should describe plans for maintaining the capabilities developed by the

investment, including any additional sources of funding to be used, or future plans for sustaining the investment, if any. DHS further advises the grantees to describe how implementing the investment will continue to fill capability gaps beyond the grant's performance period. For sustainment investments, the grantee is to describe how successful maintenance of the capabilities has been achieved and provide plans indicating how capabilities will be sustained in the long-term.

Nevada's investments in its intelligence collection and analysis Fusion Centers, as well as other terrorism combating activities, were so large and the processes so imbedded in the local law enforcement community that these activities may be considered too important to fail should federal grant funds be reduced or eliminated. The Las Vegas Metro Police Department, the Washoe County Sheriff, the Elko County Sheriff, the state bomb squads, the three intelligence gathering Fusion Centers, and the associated critical infrastructure protection/Silver Shield programs were either in the process of or have purchased very high-cost equipment items. Moreover, the salaries and associated personnel costs necessary to keep these programs operating could have impact on the quality of the services delivered.

The Investment Justifications we reviewed for Nevada did not provide significant details as to how the grantee intended to finance the project beyond the DHS funding period. For example, in the FY 2007 grant application for the Las Vegas Fusion Center program, the Sustainability Justification included, among other things, that:

- "...a feasibility study is currently underway in the Nevada Legislature, with the intention of providing sustainment funding of the Fusion program. The costs of building a structure and the associated costs would be borne by the state, while the various agencies would contribute personnel." In June 2010, Nevada Division of Emergency Management officials told us that the Nevada Legislature had not completed this feasibility study.
- Improvised Explosive Device/Bomb Squads project managers are expected to: "...identify opportunities to integrate and leverage funding sources to provide and continue...Nevada bomb squads." However, neither the State nor the subgrantees could provide documentation supporting that these opportunities had been identified during the audit.

On November 20, 2009, DHS issued an Information Bulletin stating the agency will fund maintenance contracts, warranties, upgrades, and user fees under all active and future grant awards. While the bulletin satisfies

some out-year grantee funding concerns, it does not cover the significant outlays that grantees will be expected to fund should DHS reduce future grant awards for replacement or sustainment purposes.

Nevada has invested heavily in procuring very expensive and elaborate equipment together with supportive infrastructure for ongoing programs including the intelligence gathering and dissemination Fusion Centers, Bomb Squads, critical infrastructure protection/Silver Shield, and Improvised Explosive Devices/Weapons of Mass Destruction programs. In this regard, we noted that a budget shortfall of \$2 billion or more was being publicized for the State of Nevada while at the same time the State and Clark County, Nevada's most populated county, were furloughing numerous city, county, and State employees. As a result, the sustainment of capabilities and the completion of multi-year projects may be in jeopardy if future federal funding is substantially reduced or not available. If this occurs, grantees and subgrantees would have to provide support to retain acquired preparedness and response capabilities. If the required funds exceeded the financial ability of the grantee and subgrantees, the acquired capabilities could be reduced or eliminated.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Nevada Division of Emergency Management to:

Recommendation #4: Identify ongoing and proposed projects that will need additional funding beyond the grant period; estimate the timeframe and the amount of money needed to complete ongoing and proposed projects; and provide options for sustaining the capabilities being acquired in the absence of federal funds.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the findings and recommendations and elected to not provide written comments.

The State provided written comments and concurred with the finding and the recommendation. The State Administrative Agency recognizes the significance of sustainment. Due to the current economic situation the State and its municipalities are facing, the challenge to achieve sustainability independent of federal funding is a major concern. As the economy improves, the State will evaluate a shared multi-jurisdictional contribution method of sustainment. We agree that the current economic

dilemma poses a real challenge to states and local municipalities. However, the condition reported from the audit will remain open until appropriate options are identified concerning project completions and long-term sustainment of capabilities if future federal funding is substantially reduced or not available.

Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to provide corrective actions for the recommendations and a plan to implement the actions. This recommendation remains open and unresolved.

Effective Grant Monitoring

The Nevada State Administrative Agency could enhance the effectiveness of its subgrantee monitoring by following its newly established site monitoring procedures. When the FY 2006, 2007, and 2008 Homeland Security Grant Program awards were made the Agency was not conducting periodic site visits to observe the progress made by the subgrantees and did not have grant management and performance monitoring policies and procedures in place. Although the Agency hired a compliance officer to perform site visits in January 2009, few had been completed at the time of our audit. In the absence of site visits, the Agency was not able to be fully aware of the extent that its subgrantees adhered to federal requirements and grant guidelines or achieved DHS and Agency programmatic goals and objectives. The incomplete implementation of an effective periodic, on-site, subgrantee monitoring program prevented the Agency from obtaining first-hand knowledge of specific subgrantee administrative problems and issues.

Code of Federal Regulations Title 44 § 13.40 (a), *Monitoring and reporting program performance*, establishes requirements for monitoring grant program performance. The regulations require grantees to (1) provide day-to-day management of all grant and subgrant supported activities and (2) assure that subgrantees comply with applicable federal requirements and achieve program performance goals. The regulations also specify that the grantees' monitoring programs cover each program, function, or activity, and require subgrantees to adhere to the same performance monitoring and reporting standards as required of grantees.

Office of Management and Budget Circular A-133, Part 3-M also includes grantee monitoring requirements. 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. In addition, all state and local governments that expend \$500,000 or more of federal awards must obtain a Single Audit. Single audits include the physical inspection of inventory items and the follow-up of actions taken as a result of findings from previous audits.

The Nevada Division of Emergency Management hired a Compliance Officer to conduct grant monitoring after the State legislature approved funding for this position in January 2009. The primary monitoring activities performed by the State prior to January 2009 were desk audits conducted during quarterly financial status report reviews, periodic program reports, interactions with subgrantee representatives during periodic working group meetings, and occasional visits or undocumented telephone calls with the subgrantees.

Since coming on-board, the Compliance Officer:

- Developed formal policies and procedures for monitoring grant recipients based upon Code of Federal Regulations Title 44 § 13.40,
- Created a 7-page compliance protocol document to be used when making subgrantee reviews, and
- Proposed a schedule for on-site visits during the period July 1, 2009 through June 30, 2010.

A total of 35 subgrantees were identified for monitoring visits by the Compliance Officer. The proposed schedule assumed each on-site review would take one week. The schedule included 20 subgrantee visits during the period July 1, 2009 through June 30, 2010. Nine visits were scheduled during the first 6 months, but only eight had reports completed.

We reviewed the reports from the eight monitoring visits and found that six were for Emergency Management Performance Grants. The remaining two visits were for:

- A FY 2006 \$120,000 State Homeland Security Program grant awarded to a Nevada State Agency that had been closed with \$56,774 de-obligated. The “visit” turned out to be a desk audit and the report did not identify any observations or nonconformance situations.
- Two small State Homeland Security Program grants to a local emergency planning commission totaling \$15,150.

The creation of the Compliance Officer position and the policies and procedures were important accomplishments in the State's efforts to comply with federal monitoring requirements, and overcome the State's earlier inadequate monitoring of subgrantee activities. However, based upon our review of the monitoring that was completed during the first 6 months, the State's monitoring commitment could be greatly improved. High-value grants should have been a priority and visits to subgrantees completed. Also, we question whether one individual can adequately meet the State's monitoring requirements. In this regard, the State could consider other means to monitor the subgrantees such as reviewing Single Audits, requiring additional procedures to be added to annual audit scopes, or requesting periodic program progress.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Nevada Division of Emergency Management to:

Recommendation #5: Fully implement the policies and procedures for on-site monitoring of subgrantees, with the largest grant recipients designated the highest priority when scheduling visits.

Recommendation #6: Ensure adequate resources are provided to the monitoring efforts to complete scheduled site visits or obtain subgrantee monitoring information through other sources of visual verification such as date stamped video, photographs, or internet based videoconferencing.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the findings and recommendations and elected to not provide written comments.

The State provided written comments and concurred with the finding and the recommendation. The State acknowledged the benefits of on-site review and verification as a preferable method of monitoring. The State Administrative Agency has worked within the constraints of limited resources and State officials felt they had sufficient subgrantee status information from multiple sources and processes to provide them with adequate monitoring knowledge. However, the State officials said that when resources are available the State will continue to strive for effective

implementation of an on-site monitoring program or a modified method to achieve similar results.

The State also said that it monitored subgrantees and had performance monitoring policies and procedures in place when the FY 2006 through FY 2008 grant awards were made. In this regard, we noted that a FEMA monitoring review in June 2008 reported a lack of subgrantee monitoring for the FY 2006 grant by the Nevada Division of Emergency Management. In addition, a FEMA monitoring review in 2009 of the Clark County Urban Areas Security Initiative grant identified that no subgrantee monitoring policies and procedures existed for the grants awarded for fiscal years 2004 through 2008.

We believe that if the State effectively implements its proposed ongoing monitoring including performing on-site visits, the proposed actions identified in the State's response will resolve the condition identified during the audit.

Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to provide corrective actions for the recommendations and a plan to implement the actions. These recommendations remain open and unresolved.

Appendix A

Purpose, Scope, and Methodology

The purpose of the audit was to determine whether the State of Nevada distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The goal of the audit was to identify problems and solutions that can help the State of Nevada better prepare for and respond to threats, acts of terrorism, and other hazards. The audit further enabled us to answer the following nine researchable questions:

- Were measurable goals developed from plans?
- Do funded plans link all-hazards capabilities to goals?
- Were funds and resources distributed based on goals?
- Does the State accurately measure risk?
- Does the State measure response capabilities?
- Can the State demonstrate improved performance?
- Were grants administered compliantly?
- Did the State monitor grant programs?
- What innovative practices can be used by other states?

The scope of the audit included the State Homeland Security Program and Urban Areas Security Initiative grant awards for Fiscal Years 2006, 2007, and 2008 as described in the Background section of this report.

The audit methodology included work at FEMA Headquarters, State of Nevada Division of Emergency Management office, the Clark County/Las Vegas urban area, and various subgrantee locations. To achieve our audit objective we analyzed data, reviewed documentation, and interviewed the key state and local officials directly involved in the management and administration of the State of Nevada's Homeland Security Grant Programs. We conducted 21 site visits and held discussions with appropriate officials from 5 of the 17 counties representing all emergency management regions within the State, and 5 of the 7 State agencies awarded State Homeland Security Program and Urban Areas Security Initiative grants in order to determine if program grant funds were expended according to grant requirements and State-established priorities. One State agency was merged into another agency and one received a FY 2008 grant award where no funds were spent at the time of our audit.

Appendix A

Purpose, Scope, and Methodology

We conducted site visits to the following 21 subgrantee organizations:

State Agencies

- Nevada Department of Agriculture
- Nevada Department of Information Technology
- Nevada Department of Public Safety – Investigations Division
- Nevada Department of Public Safety – Office of Homeland Security/Division of Emergency Management
- Nevada Department of Transportation

Counties

- Douglas County Local Emergency Planning Commission
- Elko County Local Emergency Planning Commission
- Lyon County Local Emergency Planning Commission
- Washoe County Local Emergency Planning Commission
- Washoe County Sheriff

Urban Area

- City of Las Vegas
- City of North Las Vegas
- Las Vegas Metropolitan Police Department
- Clark County Emergency Management Local Emergency Planning Commission
- Clark County Coroner
- Clark County Information Technology
- Clark County Southern Nevada Area Communications Council

First Responders

- Carson City Local Emergency Planning Commission
- Nevada Hospital Association

Regional Activities

- Regional Transportation Commission – Northern Nevada
- Regional Transportation Commission – Southern Nevada

At each location, we interviewed responsible officials, reviewed documentation supporting State and subgrantee management of the awarded grant funds (including expenditures for equipment, training and exercises), and physically inspected some of the equipment procured with the grant funds.

Appendix A

Purpose, Scope, and Methodology

We conducted the audit between December 2009 and May 2010, in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the United States (Yellow Book-2007 Revision). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 Standards, and included a review and report of program activities with a compliance element. Foxx & Company 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, we were neither required to review, nor express an opinion on, the costs claimed for the grant programs included in the scope of the audit. Had we 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 our 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 Nevada.

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 Nevada officials.

Appendix B Management Comments to the Draft Report

Jim Gibbons
Governor



Jearid Hafin
Deputy

Frank Simeone
Chief

Division of Emergency Management
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September 27, 2010

Mr. Dale P. Finney
Program Analyst, Western Division
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RE: Office of Inspector General Audit Response

Dear Mr. Finney:

On behalf of the Nevada Department of Public Safety, Division of Emergency Management (DEM), this letter is intended to serve as response to the recommendations made by the Department of Homeland Security (DHS), Office of Inspector General relative to their audit of the State of Nevada's management of the State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) programs that were awarded during Federal Fiscal Year 2006 (FFY06) through Federal Fiscal Year 2008 (FFY08).

The DEM would first like to express our sincere appreciation for the efforts of all representatives of the Department of Homeland Security, its Office of Inspector General and Foxx & Company for their dedication in assisting Nevada with its efforts to improve processes and procedures for the effective management of the aforementioned federal grant programs. It has truly been a pleasure working with all parties involved.

Recommendation # 1: Develop strategic goals and objectives applicable to first responder capabilities that are specific, measurable, achievable, results-oriented, and time limited;

Response:

The scope of work for the OIG audit included FFY06 through FFY08. The DEM concurs with this finding and respectfully submits the following explanation as well as intended and/or already implemented corrective action.

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The DEM would submit that the FFY06 grant was not received until the end of FFY07 and likewise with subsequent years. This, in combination with the fact that, beginning with FFY06, the programs shifted to a statewide approach, resulted in a level of unfamiliarity and new challenges (i.e., government-to-government relations, project management by a single jurisdiction, etc.) relative to program/project implementation. Therefore, projects were, in some cases, delayed until such challenges could be addressed. Due to these delays, the DEM did not have the ability to begin an accurate and productive measurement or assessment of projects until an adequate level of progress was achieved on each project. This was compounded by the fact that no single project was fully funded in a single grant cycle. This practice was implemented due to the necessity of ensuring that funding applied for and awarded was done with the knowledge that the approved projects and respective milestones would only be approved with consideration of the funding level, prescribed performance period and the ability to complete the established milestones within that time period.

At the end of FFY08 (which was actually the beginning of the FFY08 grant cycle funding), with two years of project funding in progress, the DEM, in partnership with the Urban Area (Clark County), developed and implemented a process that resulted in a statewide assessment of target capabilities. This process, now implemented, was conducted prior to the FFY09 and FFY10 grant cycles and will continue to be conducted prior to each subsequent future grant cycle. Further, this was done in conjunction with requiring all projects to identify how they are related to and achieve the goals and objectives established within the State Homeland Security Strategy, and the Urban Area Strategy (as applicable).

This assessment results in a current snapshot depicting the current all-hazards first responder and capabilities preparedness levels across Nevada, including the Las Vegas Urban Area. Preparedness levels are measured in terms of the 37 Target Capabilities List (TCL) and related activities as established in each of the Target Capabilities. This data collection occurs through a series of assessment interviews with subject matter experts (SMEs) familiar with the particular capability and related discipline(s) being assessed. However, it should be noted that there are many variables, which are symptomatic of the need for revolving preparedness activities that directly impact the measurement of a capability at any given time. These variables include, but are not limited to: Employee new hires, retirees, promotions, terminations, organizational changes, etc.

The purpose of the assessment was to create a comprehensive picture of current all-hazards preparedness for the State of Nevada. The assessment was used in FFY09 and will continue to be used by the State in the management of these programs. This assessment is conducted under the joint authority of the State Administrative Agency (the DEM) and the Urban Area Point of Contact, with review and approval of the Nevada Commission on Homeland Security (NCHS). Further, this process has been provided for in Nevada's State Preparedness Report (SPR), as is required annually by the DHS.

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Finally, Nevada also requires all project managers to submit a project plan based upon the DHS approved investment justification (IJ) for each approved project. This information captures the milestones, tasks and timelines necessary to complete each project. The milestones and tasks are measurable and result oriented with time driven deadlines, which are closely monitored by the DEM and are presented to the NCHS on a quarterly basis.

Status: Fully Implemented

Recommendation # 2: Incorporate the goals and objectives into a statewide system for measuring local jurisdiction first responder progress toward achieving the goals and objectives; and

Response:

Please refer to the DEM's response to Recommendation #1. The DEM concurs with this finding.

In addition, the DEM requires the project managers, grant managers and fiscal agents to submit quarterly financial reports and quarterly programmatic summaries, which include a clear demonstration of project progress. The programmatic summaries must include: percentage of project completion, tasks accomplishments, financial status and accountability, and any challenges that would potentially result in project managers being unable to complete the project within the grant performance period.

Status: Fully Implemented

Recommendation # 3: Use the progress achieved as a basis for making decisions regarding future first responder grants.

Response:

The DEM concurs with this finding and offers the following:

As it would relate to the State establishing a basis for making decisions regarding future first responder grants, the DEM utilizes many tools and processes. In explanation, the DEM works closely with and provides decision-making tools to the Nevada Commission on Homeland Security prior to the beginning of each grant cycle. These tools include, but are not limited to, the State Homeland Security Strategy, Urban Area Strategy, statewide Target Capability Assessment, NIMS Compliance Tool (NIMSCAST), SPR, historical financial activity by project, historical project completion/progress reports, project manager presentations/explanations, vulnerability assessments, federal and state financial and program requirements/mandates, etc.

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While some of these tools may not appear to be directly related to “progress results,” to be used as a basis for making decisions regarding future first responder grants, the DEM, through experience, has observed that working knowledge of all components are critical for the decision-makers when evaluating project performance and progress, and is further necessary for accountability purposes as it would relate to project managers, project completion and fiscal integrity.

Status: Fully Implemented

Recommendation # 4: Identify ongoing and proposed projects that will need additional funding beyond the grant period; estimate the timeframe and the amount of money needed to complete ongoing and proposed projects; and provide options for sustaining the capabilities being acquired in the absence of federal funds.

Response:

As previously stated, most projects in Nevada have been done over the course of multiple grant cycles due to ensuring the ability of projects to achieve timely spending of granted funds and completion of milestones. Many of the projects are multi-year as a result. These projects are reviewed and considered every year in relation to each grant cycle. This review is conducted by the Homeland Security Working Group (HSWG) and the Finance Committee of the Nevada Commission on Homeland Security and the full Nevada Commission on Homeland Security.

The DEM would respectfully submit, however, that due to the current state of the economy, many projects and established capabilities remain reliant upon the support of federal funds to provide for the maintenance of some aspects of those capabilities achieved as is provided for in Department of Homeland Security’s Information Bulletin #336 (Issued November 20, 2009). Further, while all stakeholders have consistently been researching and exploring options for sustainment, that are inclusive of multi-level jurisdiction participation, the current economy is not conducive to achievement and implementation at this time.

The State of Nevada is currently experiencing a \$3 billion deficit with its political subdivisions experiencing similar financial challenges. Notably, Nevada is ranked as having the highest foreclosure rate and highest unemployment rate in the country. It is with much concern, that we clearly understand that, in the absence of federal funding as well as the current economic climate, many of our projects and established capabilities would be significantly scaled back or completely eliminated. However, in the event of a much improved economy, the State will again evaluate a shared multi-jurisdictional contribution method for sustainment.

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Finally, the DEM concurs with this finding with understanding of the challenges noted above and will actively strive to achieve sustainability independent of federal funding as soon as is feasible.

Status: Partially Implemented – Pending significant improvement in status of economy

Recommendation # 5: Fully implement the policies and procedures for on-site monitoring of subgrantees, with the largest grant recipients designated the highest priority when scheduling visits, and

Response:

The DEM, as explained during the course of the audit, hired a Compliance Officer in January, 2009. Since that time, the Compliance Officer developed the DEM's policies and procedures for compliance monitoring and began a pilot program for implementation. This began with smaller subgrants, administered by the DEM, to test the policies and procedures prior to full implementation that would involve larger, more complex subgrants. Since the time of the audit, the DEM's Compliance Officer promoted to another agency and the position is currently under recruitment.

The DEM concurs with this finding and acknowledges the benefits of on-site review and verification as a preferable method of monitoring. However, with constraints of limited resources, the DEM would respectfully submit the following:

The finding, resulting in this recommendation, stated that "the Nevada SAA did not adequately monitor the activities of subgrantees. The agency did not conduct periodic site visits to observe the progress made by subgrantees and did not have grant management and performance monitoring policies and procedures in place when the FFY06, FFY07 and FFY08 Homeland Security Grant Program awards were made. Accordingly, the agency was not aware of the extent that its subgrantees adhered to federal requirements and grant guidelines or achieved DHS and agency programmatic goals and objectives. The lack of a periodic, on-site, subgrantee monitoring program prevented the agency from obtaining first-hand knowledge of specific subgrantee administrative problems and issues." Subsequently referenced as regulatory and administrative requirements were 44 CFR 15.40(a) and OMB A-133, Part 3-M.

First, the DEM would submit that it did "adequately monitor" its subgrantees and did have "grant management and performance monitoring policies and procedures in place when the FFY06, FFY07 and FFY08 Homeland Security Grant Program awards were made." The DEM, during this time period, utilized and continues to utilize today the following methods, while striving toward implementation of on-site monitoring visits:

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1. Quarterly Financial Reports – Reviewed, audited and verified for program compliance prior to processing of reimbursement payments
2. Quarterly Progress Reports – Review and verified for implementation and status of progress
3. Review of annual jurisdictional audit reports – Resulting in follow-up and monitoring of corrective action
4. Establishment of federal, state (program) and financial assurances – Required to be signed by each subgrantee as a condition for receipt of their award
5. Nevada Commission on Homeland Security Quarterly Reports and/or Presentations – Providing for public transparency and accountability
6. Target Capability Assessments – Utilized for the purpose of measuring achievement of goals, objectives and timelines, as well as progress on achieving capabilities
7. Continued and regular interaction with subgrantees through verbal and electronic communication relative to additional grant management and performance requirements (i.e., EIP, IISEEP, Training-related approval requirements, Construction approval requirements, Out-of-Country approval requirements, etc.) as well as technical assistance in the management of subgrantee awards.

Also, beginning with the FY09 grant cycle, the DEM, with approval of the Nevada Commission on Homeland Security implemented a policy identified as Directive 1.1 for the purposes of improving management of project change requests and establishing guidelines to address requests that inherently result in a change of intent from the originally approved project.

Finally, the DEM would submit that while both provisions require monitoring, they do not specifically mandate “on-site visits” as the required means of accomplishing adequate monitoring. Specifically, Part 3-M states that grantees are responsible for monitoring subgrantee use of federal awards through reporting, site visits, regular contact, or other means. The emphasis is placed on the “or” in this language allowing for flexibility in the approach utilized by grantees as it would relate to the monitoring of subgrantees, up to and including use of “other means.” The DEM regularly utilizes reporting, regular contact and other means to monitor subgrantees with implementation of site visits in progress whenever possible. However, the DEM would like emphasize its acknowledgement of the benefits derived from on-site monitoring when such is attainable through available resources and will continue to strive for effective implementation of an on-site monitoring program or a modified method to achieve similar results.

Status: Fully Implemented within established mandates

Recommendation # 6: Ensure adequate resources are provided to the monitoring efforts to complete scheduled site visits or obtain sub-grantee monitoring information through other sources of visual verification such as date stamped video, photographs, Skype, etc.

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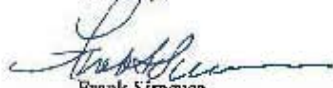
Response:

The DEM concurs with this finding and is committed to ensuring that resources, within the constraints of available resources, are provided to the efforts of subgrant monitoring. Further, the DEM will explore various options to implement this recommendation which may include electronic, date-stamped photographs and/or video, Skype, video teleconference, scanned correspondence, etc.

Status: Partially Implemented – Full Implementation expected within 6 months

In closing, the DEM would again like to express our gratitude for the collective efforts of all parties in assisting the State of Nevada in its efforts to improve and enhance grant management and monitoring practices that help to ensure effective and efficient program implementation while sustaining appropriate transparency and subgrantee accountability. It's been a real pleasure working with the representatives of Foxx & Company and I would further like to acknowledge the consistent level of professionalism that they demonstrated and maintained throughout this process.

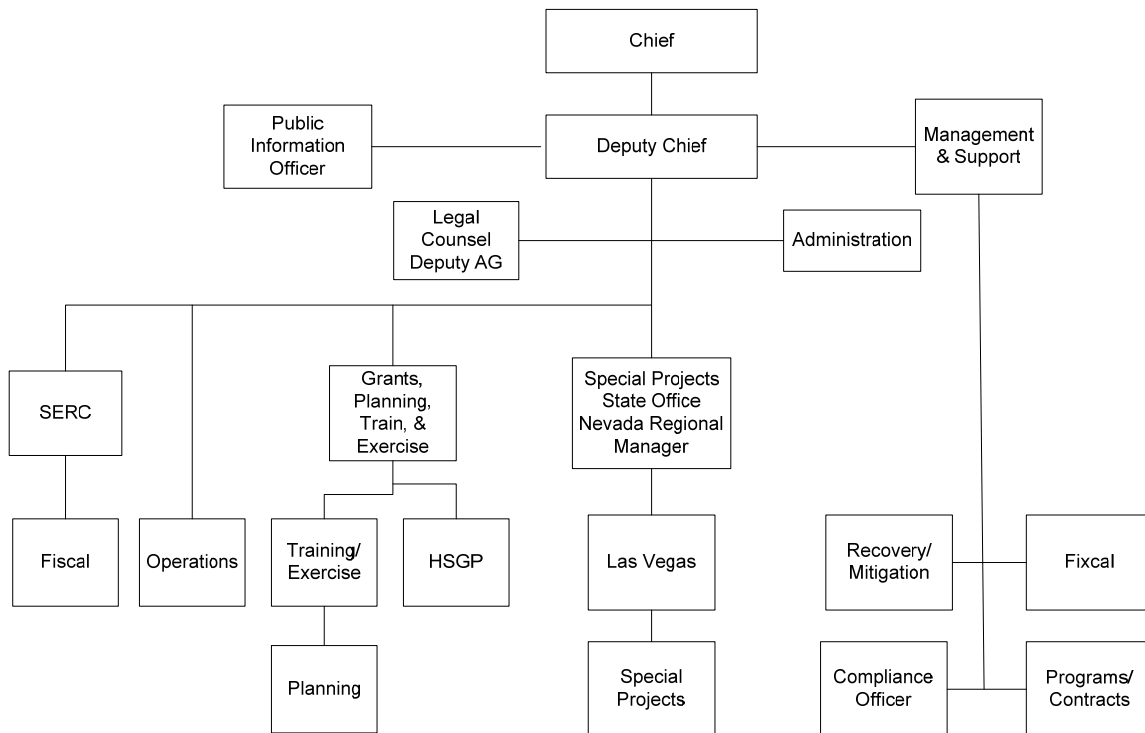
Cordially,



Frank Siracusa
Chief

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September 2, 2009

Appendix D
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