

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

The State of Arkansas' Management of
State Homeland Security Program Grants Awarded
During Fiscal Years 2008 Through 2010






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Department of Homeland Security

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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 Arkansas' Management of State Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010*

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

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

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

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

Attachment



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Abbreviations

ADEM	Arkansas Department of Emergency Management
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
MOA	memorandum of agreement
OIG	Office of Inspector General
SAA	State Administrative Agency
SHSP	State Homeland Security Program



Executive Summary

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

The objectives of the audit were to determine whether the State of Arkansas distributed and spent State Homeland Security Program grant funds effectively and efficiently, and in compliance with applicable Federal laws and regulations. We also addressed the extent to which grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The audit included a review of approximately \$19 million in State Homeland Security Program grants awarded to the State during fiscal years 2008 through 2010.

Generally, the State of Arkansas distributed and spent the State Homeland Security Program grant awards in compliance with applicable laws and regulations. However, the following improvements are needed:

- The State's strategies should include measurable objectives.
- The Federal Emergency Management Agency (FEMA) should issue guidance for developing adequate performance measures to assess overall State capabilities and preparedness.
- The State Administrative Agency should obligate grant funds to subgrantees more timely.
- The State Administrative Agency should better monitor subgrantees to ensure compliance with requirements pertaining to procurement, inventory, and accountability.

These issues exist because FEMA and the State Administrative Agency, Arkansas Department of Emergency Management have not provided sufficient guidance and oversight for the grant process. Our five recommendations call for FEMA to initiate improvements that, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with four of the five recommendations.



Background

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

HSGP guidance requires the Governor of each State and U.S. Territory to designate a State Administrative Agency (SAA) to apply for and administer grant funding awarded under HSGP. The SAA is the only entity eligible to apply for HSGP funds. FEMA requires that the SAA be responsible for obligating grant funds to local units of government and other designated recipients within 45 days after receipt of funds. The Governor of Arkansas appointed the Arkansas Department of Emergency Management (ADEM) as the SAA. ADEM is not only the SAA but also the emergency management agency for the State of Arkansas.

During FYs 2008, 2009, and 2010, the State of Arkansas was awarded approximately \$19.3 million in State Homeland Security Program (SHSP) funds. Arkansas does not have an urban area designated by FEMA. During this period, ADEM subawarded SHSP funds to 77 local jurisdictions and 5 State agencies.

Public Law 110-53, as amended, requires DHS OIG to audit individual States' management of SHSP and Urban Areas Security Initiative grants. This report responds to the reporting requirement for the State of Arkansas. Appendix A provides details on the objective, scope, and methodology of this audit.



Results of Audit

Improvements Are Needed To Enhance the State of Arkansas' Grant Management Practices

Generally, the State of Arkansas distributed and spent the SHSP grant awards in compliance with applicable laws and regulations. However, the following improvements are needed:

- The State's strategies should include measurable objectives.
- FEMA should issue guidance for developing adequate performance measures to assess overall State capabilities and preparedness.
- ADEM should obligate grant funds to subgrantees more promptly.
- ADEM should better monitor subgrantees to ensure compliance with requirements pertaining to procurement, inventory, and accountability.

Homeland Security Strategies

The State's Homeland Security Strategy did not always contain measurable objectives. According to the *Department of Homeland Security State and Urban Areas Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005, an objective sets a tangible and measurable target level of performance over time against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. For each goal, there should be at least one objective or performance measure against which to track progress. The guidance also mandates that an objective should be—

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



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- Time-limited—having a target date to identify when the objective will be achieved.

The State's FYs 2008 through 2010 Homeland Security Strategy had 18 goals and 85 objectives. The goals did not include measurable objectives to demonstrate quantifiable improvement and accomplishments to reduce the State's vulnerability to terrorism and natural disasters. The State's goals and objectives were not always updated. There were very limited changes or updates to the goals or objectives for any of the grant years we reviewed.

According to a FEMA official, FEMA reviewed the State strategy to ensure compliance with the *Department of Homeland Security State and Urban Areas Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, which includes measurability, specificity, and timeliness. However, FEMA could not provide documentation of the review.

The guidance requires that the State's strategy contain measurable goals to assist in tracking progress. None of the 18 goals for FYs 2008 through 2010 contained a measurable performance tracking method. Table 1 lists examples of shortcomings in the State's strategy objectives.



Table 1: Shortcomings in the State’s Strategy Objectives

Goal	Objective	Shortcomings
FY 2008 Goal #1 (Prevention): Develop a statewide, interoperable, voice and data communication network for State and local first responders.	1.4 Utilize resources available through local, State, and Federal entities which will provide information from across the State that can be shared through law enforcement channels for determination of credible intelligence. Estimated completion date is February 2009.	The objective is not— <ul style="list-style-type: none"> • Specific • Measureable • Results-oriented
FY 2008 Goal #4 (Recovery): Ensure that each jurisdiction has appropriate means for recovery from a man caused and/or natural disaster event using lessons learned from others so that there is a continued progression of recovery efforts.	4.1 Ensure that all jurisdictions, State and local, have as a part of their emergency operations plans all-hazard recovery that includes man caused and/or natural disasters. ADEM as the SAA will be responsible for progression of objectives 4.1–4.3, with a completion date of October 2007.	The objective is not— <ul style="list-style-type: none"> • Specific • Measureable • Results-oriented
FY 2009 Goal #1 (Prevention): Develop a statewide, interoperable, voice and data communication network for State and local first responders.	1.1 Phase 1: Supported by both the Law Enforcement Terrorism Prevention Program and the State Homeland Security Program, establish, upgrade, and/or enhance interoperable communications statewide through the Arkansas Wireless Information Network. This showed a completion date of December 2007.	The objective is not— <ul style="list-style-type: none"> • Specific • Measureable • Time limited

Source: DHS OIG and ADEM, State Homeland Security Strategy.

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

Performance Measures

ADEM does not have sufficient performance measures to use as a basis for determining progress toward the goals and objectives in the State strategy. According to 44 Code of Federal Regulations (CFR) 13.40, Monitoring and Reporting Program Performance, grantees must monitor grant- and subgrant-supported activities to ensure that performance goals are being achieved.



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Based on the activities presented to our team, there is no way to evaluate the progress of the State's emergency preparedness and response capabilities as a result of grant funding. The State develops goals in the strategy to determine what it will accomplish to be better prepared for manmade and natural disasters. The objective within the strategy explains how the State plans to accomplish the goals. The Homeland Security National Preparedness Guidelines explain that for each goal, there should be at least one objective or performance measure to track progress in achieving the goal.

In the absence of guidance from FEMA, ADEM officials said that they measure performance by conducting exercises and generating after-action reports. Based on the results of these exercises and reports, ADEM officials assert that they know how prepared they are to respond to emergencies. Although the after-action reports provide lessons learned and areas for improvement, the results are not quantifiable.

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

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

Without adequate performance measures, ADEM does not have a sufficient basis to evaluate progress in emergency preparedness and response capabilities as a result of grant expenditures. ADEM is unable to adequately determine progress toward its goals and objectives.

¹ The Arkansas Capabilities Assessment Tool project was ADEM's process for assessing current levels of specific target capabilities.



Timely Obligation of Grant Funds

ADEM did not obligate SHSP funds within 45 days as stipulated in the *FEMA Homeland Security Grant Program Guidance*. This guidance requires ADEM to obligate passthrough grant funds within 45 days of FEMA's award date and includes the following requirements:

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

ADEM did not obligate funds timely to subgrantees for acquiring goods and services. We reviewed 16 subgrantees for FYs 2008 through 2010, and in all instances grant funds were not obligated to the subgrantees timely.² For example, funds were not made available to one subgrantee until 1,031 days after the required period. Appendix F illustrates the calculation of the number of days elapsed between the required obligation date and the actual date grant funds were obligated and made available to the subgrantees.

We attribute the delays in funding obligation to ADEM policies regarding the release of funds to subgrantees. Subgrantees must spend the entire prior year's grant funds before they can spend grant funds for the next fiscal year. This prevents subgrantees from planning projects extending over multiple award periods and starting other projects with the next year's funding. Subgrantees must also have the following year's budget approved before they can spend funds. By delaying funding, ADEM reduces subgrantees' procurement timelines and their ability to obtain the best price for goods and services.

Procurement Practices

The State and subgrantees have not ensured that Federal, State, and local regulations were followed for procurements of equipment and services with

² The 16 subgrantees include only local jurisdictions. The two State agencies excluded from the analysis were not subject to the same policies for availability of funds.



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HSGP funds. We identified 14 of 18 subgrantees that did not adhere to Federal, State, and local procurement requirements by failing to—

- Obtain an adequate number of qualified quotes or formal bids;
- Conduct a cost analysis; or
- Justify sole source procurements.

Table 2 lists the subgrantees with noncompliant procurement transactions and the dollar values, which total more than \$1 million.

Table 2: Number of Noncompliant Procurement Transactions and Dollar Values

Subgrantee	Number of Procurement Transactions Reviewed	Number of Procurement Transactions Questioned	Total Dollar Value of Questioned Procurement Transactions	Federal, State, or Local Requirements Violated
Arkansas State Police	10	7	\$458,244	<ul style="list-style-type: none"> • Rate Quotes • Cost Analysis • Sole Source Justification
City of Little Rock	10	8	\$231,848	<ul style="list-style-type: none"> • Formal Bidding • Rate Quotes • Cost Analysis
Union County	9	6	\$203,098	<ul style="list-style-type: none"> • Formal Bidding • Rate Quotes
Washington County	8	3	\$57,313	<ul style="list-style-type: none"> • Rate Quotes
Faulkner County	9	7	\$41,913	<ul style="list-style-type: none"> • Formal Bidding • Rate Quotes
Greene County	7	7	\$48,362	<ul style="list-style-type: none"> • Rate Quotes
Lawrence County	9	8	\$30,183	<ul style="list-style-type: none"> • Rate Quotes
Garland County	4	4	\$38,252	<ul style="list-style-type: none"> • Rate Quotes
Crittenden County	12	1	\$28,026	<ul style="list-style-type: none"> • Rate Quotes
Benton County	6	2	\$24,841	<ul style="list-style-type: none"> • Rate Quotes
Logan County	6	4	\$15,097	<ul style="list-style-type: none"> • Rate Quotes
Pulaski County	11	1	\$14,900	<ul style="list-style-type: none"> • Rate Quotes
Saline County	6	2	\$13,420	<ul style="list-style-type: none"> • Rate Quotes
Sebastian County	7	3	\$1,400	<ul style="list-style-type: none"> • Rate Quotes
Totals	114	63	\$1,206,897	

Source: DHS OIG.

According to 44 CFR Section 13.36, Procurement Standards, subgrantees will use their own procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law. This regulation provides uniform administrative requirements for grants



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and cooperative agreements awarded to State and local governments. Federal procurement regulations governing subgrantees require the following:

- All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of Section 13.36. 44 CFR 13.36(c)(1).
- Small purchase procedures are relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. 44 CFR 13.36(d)(1).
- Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals, and in one of the following circumstances: 44 CFR 13.36(d)(4)(i).
 - the item is available only from a single source;
 - the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - the awarding agency authorizes noncompetitive proposals; or
 - after solicitation of a number of sources, competition is determined inadequate.
- A cost analysis (i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits) is required. A cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, unless price reasonableness can be established by methods described in 44 CFR 13.36(f)(1). 44 CFR 13.36(d)(4)(ii), (f)(1).

We identified sole source requests processed without proper justifications. One subgrantee awarded sole source contracts using FY 2008 grant funds for five of seven procurement transactions, totaling approximately \$100,000. There is no documentation in the procurement file supporting the subgrantee's research of other vendors capable of performing the tasks. Also, none of the letters of justification were signed by an agency official.



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According to 44 CFR 13.36(b)(1), subgrantees will use their own procurement procedures as long as they conform to applicable Federal law and regulations. State of Arkansas Regulations R1:19-11-232 and R2:19-11-232 provide the requirements for requesting a sole source designation. An additional policy directive establishes guidance for agencies requesting approval of sole source purchases. Letters of justification are to be forwarded on agency letterhead addressed to the director of state procurement. The agency director, chief financial officer, deputy director, or administrator must review and sign each sole source justification letter. Sole source justification must be processed through the agency purchasing agent to the Office of State Procurement. Specific information should include detailed answers to the following questions:

- Why is this service or commodity needed?
- What method(s) were used to determine that a lack of responsible competition exists for this service or commodity?
- How was it determined that this service, provider, or commodity has exclusive processes or properties?
- Can requirements be modified so that the services or commodity can be competitively bid? If not, why?
- Are there patent, copyright, or proprietary rights that make the required service or commodity unavailable from other sources?
- What would the agency do if the service or commodity were no longer available?
- What program considerations make the use of a sole source critical to the successful completion of the task(s)?

The noncompetitive procurements can be attributed to ADEM's and the subgrantees' limited knowledge of procurement requirements. Although memorandums of agreement (MOAs) between ADEM and its subgrantees require compliance with 44 CFR Part 13, the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, the MOAs do not specifically mention Section 13.36, Procurement. Compliance with Federal procurement regulations is not emphasized during ADEM's mandatory annual grant program overview conferences.

According to an ADEM official, resources are limited for conducting onsite monitoring and uncovering subgrantee issues with following Federal procurement standards. ADEM has two grant program coordinators and a branch manager who are responsible for administering SHSP, which includes reviewing and approving budgets and payment requests for 77 local jurisdictions.



Without full and open competition, cost analysis, or sole source justification, the grantee cannot be assured that the cost of the equipment or services is reasonable. Accordingly, the justification must include a cost analysis showing that a noncompetitive procurement is appropriate. This analysis will determine the reasonableness of the proposed price.

Grant Inventory Requirements

ADEM did not always meet grant inventory requirements. Federal regulation 44 CFR 13.32(d), Management Requirements, establishes procedures for subgrantees to manage equipment (including replacement equipment), whether acquired in whole or in part with grant funds, and includes the following minimum requirements:

- Property records must be maintained and include the property's description, identification number, source of the property, and the title holder, acquisition date, cost and percentage of Federal funds used in the cost, location, use and condition, and ultimate disposition. 44 CFR 13.32(d)(1).
- A physical inventory of the property must be taken and the results reconciled with the property records at least every 2 years. 44 CFR 13.32(d)(2).
- A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. 44 CFR 13.32(d)(3).
- Adequate maintenance procedures must be developed to keep the property in good condition. 44 CFR 13.32(d)(4).

ADEM's inventory records did not always include serial numbers or other identifying numbers, accurate locations of equipment, and the Federal funds percentage. ADEM requires subgrantees to conduct semiannual inventory reviews, which include reporting inventory details to ADEM's inventory website. This requirement is included in the subgrantee MOA with ADEM.

ADEM inventory records did not show the Federal funds percentage for all purchases of the 17³ subgrantees we reviewed. An ADEM official believes that the inventory listing was meant to track the items purchased with the grant funds and did not find it necessary to have a percentage of Federal participation column in the inventory.

³ Only 17 subgrantees acquired and maintained equipment within our audit scope.



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In some instances inventory was not tracked or stored properly. Only 9 of the 17 subgrantees reviewed included all required serial or other identifying numbers in their inventory listing. ADEM records also showed two instances where equipment purchased was assigned to one location, but the physical location was elsewhere.

Subgrantees did not always mark equipment purchased with HSGP funds. The FEMA grant agreement requires grant recipients, when practicable, to prominently mark any equipment purchased with grant funding with the statement, "Purchased with funds provided by the U.S. Department of Homeland Security." This is to ensure that equipment purchased is easily identified and its intended use can be verified. None of the equipment we reviewed included such markings. This caused confusion when we attempted to validate the existence of a piece of equipment costing more than \$100,000.

ADEM relies on the subgrantees to provide updated and complete information for the inventory listing. ADEM's division director of administration said that most subgrantees mark the larger equipment purchased with grant funds with tags and believes this satisfies the intent of the Federal requirement.

Because of the limited oversight, subgrantees did not comply with ADEM's inventory reporting requirements, even though they are made aware of these requirements in the MOA with ADEM. ADEM ensures that the subgrantees are aware of their requirement to report inventory twice a year, but has not conducted any onsite visits to verify proper labeling of equipment. As a result, ADEM cannot be assured that assets procured with grant funds are adequately safeguarded to prevent loss, damage, or theft, and used as intended. This could result in an emergency situation in which ADEM may not always have knowledge of the location or ready access to vital emergency preparedness equipment.

Subgrantee Program Monitoring

ADEM's monitoring efforts did not ensure subgrantee compliance with Federal laws and regulations. Office of Management and Budget Circular A-133, Compliance Supplement, Part 3-M, requires grantees to monitor subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means. Federal regulation 44 CFR 13.40, Monitoring and Reporting Program Performance, requires grantees to (1) provide day-to-day management of all grant- and subgrant-supported activities and (2) ensure that subgrantees comply with applicable Federal requirements and achieve program performance goals.



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Some grant funds were being used for other than the intended purposes. According to 44 CFR 13.32(c), equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. We identified a subgrantee that purchased a vehicle intended for use by the bomb response team, yet the truck was marked and being used by the special weapons and tactics unit (see figure 1).

Figure 1: Photos of Vehicle Intended for Bomb Squad



Source: DHS OIG.

ADEM monitors subgrantees through desk reviews of subgrantee budgets, payments, an inventory database, and after-action reports. ADEM also has area coordinators assigned to each region to assist in monitoring the region's subgrantees if needed. However, these efforts do not always ensure subgrantee compliance with Federal laws and requirements. In addition, it was only when we asked for copies of any reviews that ADEM discovered that no reviews of subgrantees were conducted during the FYs 2008 through 2010 grant years.

ADEM's desk monitoring involves fielding inquiries and reimbursing subgrantees for submitted expenses. The process allows ADEM to track subgrantee expenditures to ensure proper use of grant funds. ADEM grant managers review receipts and expenditures to ensure that they are included in approved budgets and that projects are complete and meet approved target capabilities. However, the reimbursement process tracks financial data only and does not account for other monitoring requirements, including inventory of assets and verification of intended use.

According to the director of administration for ADEM, ADEM did not monitor any of the subgrantees we reviewed for performance for the fiscal years included in our review. Although ADEM maintains an inventory database that tracks equipment purchases, it did not conduct physical verification of subgrantee inventory. Without proper oversight, abuse of Federal funding may occur, because ADEM cannot ensure that the subgrantees are using grant funds as intended.



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Recommendations

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

Recommendation #1:

Require the director of the Arkansas Department of Emergency Management to revise its Homeland Security State Strategy to include specific, measurable, and results-oriented objectives in compliance with the most recent DHS guidance.

Recommendation #2:

Issue guidance for developing adequate performance measures to assess all of the State's capabilities and preparedness.

Recommendation #3:

Require the director of the Arkansas Department of Emergency Management to remove the requirement for expending prior grant years' funds from the memorandums of agreement so that funds are available to subgrantees in a timely manner.

Recommendation #4:

Require the director of the Arkansas Department of Emergency Management to—

- Correct deficiencies identified pertaining to inventory records and property tags.
- Emphasize during annual grant workshops the need to follow 44 CFR Sections 13.36 and 13.32 (Federal procurement and property inventory requirements), highlighting deficiencies identified during this audit.

Recommendation #5:

Require the director of the Arkansas Department of Emergency Management to increase onsite monitoring to ensure subgrantee compliance with procurement, inventory, and accountability requirements.



Management Comments and OIG Analysis

FEMA agreed with four of the five recommendations. FEMA acknowledged the need to improve the process. FEMA will use the findings and recommendations in the report to strengthen the effectiveness and efficiency of the programs' execution and measurement.

FEMA's and the State's Response to Recommendation #1: FEMA concurred with the recommendation. During their programmatic monitoring visit conducted in September 2011, updates to the strategy were identified and are pending submission. These revised goals and objectives should be specific, measurable, achievable, results oriented, and time limited, and able to serve the State well in its homeland security efforts going forward. FEMA asked the State to submit its revised Homeland Security Strategy into the Grants Reporting Tool within 90 days of the Corrective Action Plan.

ADEM indicated that it has already implemented an annual review of the State Homeland Security Strategy and will continue to list goals and objectives that support projects that can be measured based on ADEM's baseline and measurements until directed otherwise by FEMA.

OIG Analysis: FEMA's planned corrective actions, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until we have reviewed the revised Strategic Plan.

FEMA's and the State's Response to Recommendation #2: FEMA concurred with the recommendation. FEMA is coordinating with DHS stakeholders in the National Preparedness Directorate and the National Preparedness Assessment Division to develop metrics for grant program performance. FEMA expects these metrics to be incorporated into the FY 2012 grant programs, and modified annually for future programs to reflect current policies and new DHS priorities.

ADEM responded that until a comprehensive performance measurement is put into place nationwide, it will continue to measure capability based on its assessment tool and its established baseline.

OIG Analysis: FEMA's plan to develop metrics for grant program performance, once implemented, should resolve the recommendation. This recommendation will remain open and unresolved until we have reviewed the metrics.

FEMA's and the State's Response to Recommendation #3: FEMA did not concur with the recommendation. FEMA found the SAA to be compliant with its



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requirement to obligate at least 80 percent of the funds awarded under the SHSP to local units of government within 45 days of receipt of funds.

ADEM advised that in order to manage the grant program for the State of Arkansas and provide timely information concerning its expenditures to Congress, it intends to continue its established practice. The State recognizes this approach as the best practice for ensuring adequate accounting and jurisdiction satisfaction for the grant program.

OIG Analysis: We do not agree with FEMA that the SAA is compliant with the requirement to obligate at least 80 percent of the funds to the local units within 45 days of receipt. According to grant guidance, the 45-day obligation must be unconditional (i.e., no contingencies for availability of funds) on the part of the awarding entity. Since the SAA requires subgrantees to spend their entire prior year's grant funds before it makes grant funds available for the next fiscal year, it did not obligate funds within the 45-day timeframe. Therefore, this recommendation will remain open and unresolved until FEMA provides an action plan and evidence that it is consistently ensuring that funds are available timely to subgrantees.

FEMA's and the State's Response to Recommendation #4: FEMA concurred with the recommendation. FEMA responded that the SAA is responsible for ensuring that all property acquired with grant funds is inventoried and maintained according to the standards in 44 CFR Sections 13.36 and 13.32. FEMA asked ADEM to provide documentation detailing how it will correct deficiencies and communicate the requirements with subgrantees more effectively. FEMA asked that this documentation be submitted within 90 days.

ADEM agreed and added that subgrantees will be more closely monitored. The State also will ensure that inventory is more clearly marked and procurement procedures better defined during desk and onsite monitoring visits. With the substantial decrease in funding beginning in FY 2012, the State will be changing its entire award process and will look to suggestions as it puts the new system into place.

OIG Analysis: FEMA's corrective action should resolve the recommendation. However, this recommendation will remain open and unresolved until we have reviewed documentation of the SAA correcting deficiencies and communicating the requirements to its subgrantees.

FEMA's and the State's Response to Recommendation #5: FEMA concurred with the recommendation. FEMA indicated that it is the SAA's responsibility to



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monitor all subaward activities to ensure compliance with Federal and State laws, regulations, and guidance. Responsibilities include accounting for receipts and expenditures, managing cash, maintaining adequate financial records, and reporting and refunding expenditures disallowed by audits, monitoring, or other assessments and reviews. FEMA asked the SAA to provide documentation detailing how it will implement a more comprehensive subgrantee monitoring program for more effective oversight. FEMA asked that this documentation be submitted within 90 days.

In its response, ADEM advised that protocols for monitoring as well as a regular schedule have already been put into place.

OIG Analysis: FEMA's corrective action should resolve the recommendation. This recommendation will remain open and unresolved until we have reviewed documentation of the SAA's implementation of a more comprehensive subgrantee monitoring program for more effective oversight of its subgrantees.



Appendix A

Objectives, Scope, and Methodology

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

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

HSGP and its interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, only SHSP funding, equipment, and supported programs were reviewed for compliance. The scope of the audit included the SHSP grant awards for FYs 2008, 2009, and 2010. We reviewed the State’s plans to improve preparedness and all-hazards response, the goals set within those plans, the measurement of progress toward the goals, and the assessments of performance improvement that result from this activity (see table 3).

Funded Activity	FY 2008	FY 2009	FY 2010	Total
State Homeland Security Program	\$ 6,170,000	\$ 6,524,500	\$ 6,613,200	\$19,307,700
Citizen Corps Program	\$190,973	\$190,294	\$162,925	\$544,192
Metropolitan Medical Response System Program	\$ 321,221	\$321,221	\$317,419	\$959,861
Total	<u>\$6,682,194</u>	<u>\$7,036,015</u>	<u>\$7,093,544</u>	<u>\$20,811,753</u>

Source: DHS OIG.

We visited the designated SAA, ADEM, and the following 18 subgrantees⁴ that had been awarded funding in FYs 2008, 2009, and 2010.

- Arkansas Department of Emergency Management (State agency)
- Arkansas State Police (State agency)
- City of Little Rock Office of Emergency Management

⁴ The 18 subgrantees were selected from 77 local jurisdictions and five State agencies.



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Department of Homeland Security

- Benton County
- Craighead County
- Crittenden County
- Faulkner County
- Garland County
- Greene County
- Jackson County
- Lawrence County
- Logan County
- Mississippi County
- Pulaski County
- Saline County
- Sebastian County
- Union County
- Washington County

At each location, we interviewed responsible officials, reviewed documentation supporting State and subgrantee management of grant funds, and inspected selected equipment procured with grant funds. We also judgmentally selected transactions to determine whether funds were expended according to grant requirements and Federal, State, and local regulations. In addition, for 16 of the subgrantees we reviewed the timely obligation of grant funds, and for 17 of the subgrantees we reviewed inventory records. Our selection was based on the following criteria:

- The top two State agencies, because they received 90 percent of the SHSP funds allocated to State agencies for the 3 years;
- The five local jurisdictions in the mid-Arkansas area, because they averaged more than \$100,000 in SHSP funds for the 3 years; and
- The top two local jurisdictions receiving SHSP funds for the 3 years in the other areas of the State, to ensure coverage throughout the State.

We conducted this performance audit between October 2011 and April 2012 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
FEMA Management Comments to the Draft Report

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



FEMA

JUL 30 2012

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

FROM: *per* David J. Kaufman *Kevin Cox*
Director
Office of Policy and Program Analysis

SUBJECT: Comments to OIG Draft Report, *The State of Arkansas' Management of State Homeland Security Grants Awarded During Fiscal Years 2008 through 2010*

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

OIG Recommendation #1: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the director of the Arkansas Department of Emergency Management to revise its Homeland Security State Strategy to include specific, measurable, and results oriented objectives in compliance with the most recent DHS guidance.

FEMA Response to Recommendation #1: FEMA concurs with this recommendation. FEMA approved the State's Homeland Security Strategy revision in March 2011. During the programmatic monitoring visit conducted by FEMA in September 2011, updates to the Strategy were identified; these changes are currently pending submission to FEMA. It is also FEMA's intent that these revised goals and objectives are specific, measureable, achievable, results-oriented, and time limited, and will serve the State well in its homeland security efforts going forward. FEMA requests that the State submit its revised Homeland Security Strategy into the Grants Reporting Tool within 90 days of this Corrective Action Plan.

OIG Recommendation #2: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Director of the Arkansas



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Department of Homeland Security

Department of Emergency Management to issue guidance for developing adequate performance measures to assess all of the State's capabilities and preparedness.

FEMA Response to Recommendation #2: FEMA concurs with the recommendation. The 2011 State Preparedness Report (SPR) Survey Tool is a significant departure from past versions of the tool as it aligns to Presidential Policy Directive 8 and requires each State Administrative Agency (SAA) to assess preparedness levels against 31 Core Capabilities. The past version of the SPR Survey Tool was predicated on 37 Target Capabilities and not Core Capabilities. The SAA and its state partners completed the assessments on behalf of its 77 counties.

In addition to the SAA completing and submitting an annual SPR to FEMA as required under the Homeland Security Grant Program, the SAA has also developed a statewide Homeland Security Strategy that will help shape the State of Arkansas' future homeland security and preparedness priorities, ultimately ensuring that the state can be both prepared and resilient in the face of a threat, hazard or terrorist event.

FEMA is coordinating with DHS stakeholders in the National Preparedness Directorate (NPD) and the National Preparedness Assessment Division (NPAD) for the development of metrics for grant program performance. These metrics are anticipated to be incorporated into the FY 2012 grant programs, and modified annually for future programs to reflect current policies and new DHS priorities.

Based on the SAA's completion of the SPR and Homeland Security Strategy, coupled with FEMA's current performance measurement initiatives, FEMA believes this recommendation has been fully addressed, and therefore requests the recommendation be considered resolved and closed.

OIG Recommendation #3: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the director of the Arkansas Department of Emergency Management to remove the requirement for expending prior grant years' funds from the memoranda of agreement so that funds are available to subgrantees in a timely manner.

FEMA Response to Recommendation #3: FEMA does not concur with this recommendation. FEMA has found the SAA to be compliant with its requirement to obligate at least 80% of the funds awarded under the State Homeland Security Grant Program to local units of government within 45 days of receipt of funds. FEMA has enclosed the Initial Strategy Implementation Plan (ISIP) reports from FEMA's Grants Reporting Tool demonstrating Arkansas' obligation of funding to local units of government within the 45 day requirement (see dates for submission and approved) for 2008, 2009 and 2010. These enclosures demonstrate that the SAA obligated more than their required 80% of funds to local governments.

FEMA recognizes this to be appropriate grants management practice and requests this recommendation to be resolved and closed.



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OIG Recommendation #4: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the Director of the Arkansas Department of Emergency Management to:

- Correct deficiencies identified pertaining to inventory records and property tags.
- Emphasize during annual grant workshops the need to follow CFR Title 44 Section 13.36 and 13.32 (Federal procurement and property inventory requirements), highlighting deficiencies identified during this audit.

FEMA Response to Recommendation #4: FEMA concurs with the recommendation. As the primary grantee, it is the SAA's responsibility to ensure all property acquired with grant funds is inventoried and maintained to the standards identified in CFR Title 44 Section 13.36 and 13.32. FEMA requests the SAA provide documentation detailing how the SAA will correct these deficiencies and communicate the requirements with sub grantees more effectively. FEMA requests this documentation be submitted to the FEMA Grant Programs Directorate Program Analyst within 90 days.

OIG Recommendation #5: We recommend that the Federal Emergency Management Agency Assistant Administrator, Grant Programs Directorate require the director of the Arkansas Department of Emergency Management to increase onsite monitoring to ensure subgrantee compliance with procurement, inventory, and accountability requirements.

FEMA Response to Recommendation #5: FEMA concurs with the recommendation. As the primary grantee, it is the SAA's responsibility to monitor all sub-award activities to ensure compliance with federal and state laws, regulations, and guidance. Responsibilities include the accounting of receipts and expenditures, cash management, maintaining of adequate financial records, reporting and refunding expenditures disallowed by audits, monitoring or other assessments and reviews. FEMA requests the SAA provide documentation detailing how the SAA will implement a more comprehensive sub grantee monitoring program for more effective oversight. FEMA requests this documentation be submitted to the FEMA Grant Programs Directorate Program Analyst within 90 days.

Again, we thank you for the opportunity to provide our comments concerning your draft report. Please feel free to contact our audit liaison, Gina Norton at 202-646-4287, with additional questions or concerns.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C
State of Arkansas Management Comments to the Draft Report



MIKE BEEBE
GOVERNOR

STATE OF ARKANSAS
DEPARTMENT OF EMERGENCY MANAGEMENT



DAVID MAXWELL
DIRECTOR

July 31, 2012

Ms. Anne L. Richards
Assistant Inspector General for Audits
DHS Office of Inspector General
245 Murray Drive, SW, Building 410
Washington, DC 20528

Re: State of Arkansas' Management of State Homeland Security Program Grants Awarded
During Fiscal Years 2008-2010 – Arkansas' written comments to the Draft Report

Dear Ms. Richards:

Below please find comments concerning the OIG audit report for the State of Arkansas State Homeland Security Grant Program.

Improvements Are Needed to Enhance the State of Arkansas' Grant Management Practices

Homeland Security Strategies

During the writing process of the Homeland Security Strategies, which was reviewed during the audit, the State submitted goals and objectives that met the guidelines provided by Homeland Security. Although the strategies were written for the State to have a working document with which to move forward on projects, a major goal for us and many States was to also write a strategy that followed the Homeland Security Grant Program guidelines and would allow for the expenditure of the grant funds. The strategies were written per the guidance as was interpreted by our working groups, then provided to Homeland Security, as required, for their approval before any grant funding could be expended. The report says that, "FEMA reviewed the State strategy to ensure compliance... However, FEMA could not provide documentation to support that review." The following response was provided by FEMA in response to the question about FEMA's review of our state strategy. "The 2008 Strategy was "ported" from a previous system into FEMA's Grants Reporting Tool (GRT) in 2007. This means that the document was originally submitted by the state and approved, and then was transitioned into the GRT in 2007; according to GRT records, no changes were made until November 2009. Each year, FEMA rolls the current version of every strategy into the next year. So it's possible that your 2007, 2008 and 2009 strategies are all exactly the same even though they have different dates. It is up to individual grantees to update their strategies as deemed necessary; as priorities change and as goals and objectives are accomplished and new ones are identified. FEMA reviews strategy

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Department of Homeland Security

Ms. Anne L. Richards

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July 31, 2012

submissions against the criteria in the 2005 document referenced in your email below, for measurability, specificity, quantifiable and time-oriented. Unfortunately, I have no reports to provide for this request.

The questions pertaining to the state strategy were very unexpected during this audit since each state was required to use a template, based on the guidelines provided to us and then the strategy was subsequently approved by FEMA before awards were even made.

In reference to the shortcomings on page 5:

Objective 1.4 is meant to show that the state will use resources available (whether that is funding, equipment, manpower, etc) to share information for use by the law enforcement community in the area of interoperable communications. And also allows for the use of the Law Enforcement Terrorism Prevention Program funds in order to support this goal (since grant funds can only be used in support of projects identified in the Homeland Security Strategy). This objective is specific since it can be tested by determining what resources were used; it is measurable and results oriented if interoperable communications is possible after the purchase of equipment which is tested through the use of exercises and/or real world events to determine if we have met the goal and if indeed information can be shared across law enforcement channels. This objective as with all others does provide an estimated completion date.

Objective 4.1 is specific in that all jurisdictions must have as a part of their emergency operations plans provisions for all-hazard recovery; measurable as plans can be reviewed to determine if recovery is a part of the plans and results-oriented when tested either through exercise or real world events where recovery is necessary. A completion date was identified as October 2007.

Objective 1.1 is specific in that a statewide interoperable communications system is being established/upgraded/enhanced with the use of the Law Enforcement Terrorism Prevention Program and State Homeland Security Grant Program funds; it is measurable when we reach the completion deadline and through exercise and/or real world events are able to communicate across the state and with multiple jurisdictions on one statewide system; and time limited in that a completion date of December 2007 was identified. This date was originally set for the establishment of the system with upgrades and enhancements set to follow after that. Since annual strategy reviews were not a requirement of the grant program, this strategy was not always updated on an annual basis which did leave some timelines in the original strategy that had already been met. With limited staff to manage the grant programs and ensure that funding was awarded and expended accurately priorities had to be established which became; those that allowed the funding to continue. We agree that annual updates would be the most appropriate but if it was not required it was not completed with our limited staff.



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Department of Homeland Security

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Performance Measures

Performance Measures/Performance Metrics are things that should have been established early in the grant programs (1999) so that a baseline could have been set and the entire Nation could have moved forward in a single fashion toward similar goals. Without a baseline set at the beginning of any grant program it is very difficult to come in 13 years later and try to determine what the baseline should have been and even more difficult or near impossible to go back that far and determine what you had or could do at that given time. Now, Arkansas, as with all other states have had to learn how to look at their goals and objectives and determine how, as individual states, that we each measure where we are today. For Arkansas this has consistently been shown with exercises and the improvement plans as to what worked well and what didn't, then apply the purchase of equipment and training and exercise again to determine if response has increased. This is a measure of performance and without initially established guidelines and baseline data, it is impossible to determine adequacy.

Since we did see a need for performance measures, although not initially required by the grant program, Arkansas utilized grant funding to conduct our own Capabilities Assessment Tool which was done at the local level so that a baseline could be established for our programs. We are currently in the process of a tool that will address the States capabilities that will then be rolled up into one for an overall picture.

Timely Obligation of Grant Funds

The audit report states the following:

- There must be some action to establish a firm commitment on the part of the awarding entity.
- There must be documentary evidence of the commitment
- The award terms must be communicated to the official grantee.
 - Within the 45 day time frame ADEM provides a letter to the senior official of each eligible entity that includes the amount of funding being obligated to their jurisdiction, the time frame for expenditure of the grant funds, along with the special conditions of the award i.e. following the OMB circulars, etc. (these items are copied and pasted directly from the award documents of the SAA into the sub grantee letter). A copy of the letter is sent to the Grant Program Coordinator in each jurisdiction as well as maintained in a separate grant file for each jurisdiction in the SAA office.
- The action must be unconditional on the part of the awarding entity.
 - Each year an application is submitted for an HSGP award and each period of performance runs for three years. At any given time the SAA may have 4 to 5 open grant periods for the HSGP. In addition, for several years the LETPP had to be kept separately making it 8 to 10 accounts for basically the same program/different years. One of the mandates that have always come with the grant program is accountability: accountability for the equipment; accountability for the sub grantees; accountability for the funding, etc. After starting to receive these grants in 1999 and working for several years with the jurisdictions; each year applying for and awarding yet another grant with different guidelines and a new end date, it became very cumbersome and confusing for not only the state as the SAA but for the jurisdictions to keep straight what equipment could or could



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Ms. Anne L. Richards

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not be bought with a specific grant year and to ensure that there was no comingling of funds. Add to this the push that was coming from Congress in the form of data calls for SAA's to determine why grant funds were not being expended expeditiously. To meet this challenge Arkansas put into place a system where awards were made for each grant year so that jurisdictions had visibility of all funds available to them however, to assist with accounting and effective grants administration, the first grant received must be expended before the next grant would be released for expenditure. This allowed the local jurisdictions to plan for upcoming projects but also allowed them to focus on a project and complete it before trying to move on to another. It kept the funding streams separate and therefore enabled them to account for all their funds and make everything less confusing which also increased the expenditure rate. Since implementing the system our monitoring visits with the local jurisdictions have found fewer accounting errors and their satisfaction with the program has increased. Monitoring visits from Region VI as well as FEMA/DHS from DC have shown this to be a best practice in accounting for funds and projects and we have been able to provide a clearer picture of where we are in each of grant programs at any given time. The report states that ADEM did not make funds available to the sub grantees when in fact the expenditure rate of the sub grantee was the determining factor in when they expended/utilized their next award. This system does not prevent planning but enhances it, when jurisdictions know what is coming and must move on their current projects to get to the next one. Jurisdictions must also provide timely budgets for approval so that they can begin to expend. Again, this puts more accountability at the jurisdiction level to ensure that the items they want to purchase are allowable under the grant program before funds are expended.

Procurement Practices

This is an area that can and is addressed during monitoring visits. As stated in the report as well as in other States, on site monitoring with limited staff is difficult at best. The minimal amount of M&A available funding has made it extremely difficult to staff enough to administer the daily operations of the program to ensure that funds are expended properly and be on site to ensure that the jurisdictions procurement practices are being followed. Each year the SAA requires that at least one person (usually the POC) from each jurisdiction participate in a grant workshop where all of these types of requirements are outlined. Many times the rate quotes are obtained by the jurisdictions through online processes but are not printed and documented for file. We understand that more in-depth monitoring is key to finding these types of issues and as of the time of this audit have already implemented a monitoring protocol and schedule.

Grant Inventory Requirements

With limited funding, Arkansas has not purchased an expensive inventory control system but rather uses a web based system where jurisdictions are required to update their inventory at least semi-annually. In the report there is noted that our records showed equipment assigned to one location however upon site visit the equipment was in another location. With the inventory required semi-annually it is possible that equipment may be located in a different location since it



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is used for response. Since very little of the equipment purchased with this grant is meant to be stationary we did not find this to be outside of daily use of the equipment.

The report states that sub grantees did not always mark equipment purchased with HSGP funds with a sticker indicating HSGP funds. In the grant guidance this is not listed as a requirement however it is something that all sub grantees are advised that, "when practicable" items should be marked with the statement "Purchased with funds provided by the US Department of Homeland Security". For all other items the jurisdiction tag system should be used in which their records will indicate that the equipment was purchased with an HSGP grant.

Sub grantee Program Monitoring

As stated in the report as well as in other States, on site monitoring with limited staff is difficult at best. The minimal amount of M&A available funding has made it extremely difficult to staff enough to administer the daily operations of the program to ensure that funds are expended properly and be on site to ensure the appropriate practices of the jurisdictions. Each year the SAA requires that at least one person (usually the POC) from each jurisdiction participate in a grant workshop where all of these types of requirements are outlined. The report mentions a particular instance where a vehicle was purchased for the use by the bomb team, yet the truck was marked SWAT. In talking with the jurisdiction this vehicle contained bomb team equipment and was used every time the bomb team was called out. In addition, the jurisdiction advised that at any time the vehicle was deployed, a bomb technician was on board to render scene safety as deemed necessary. The vehicle has since been labeled "Bomb Squad". (See photo)



In the report is the statement "...it was only when we asked for copies of any reviews that ADEM discovered that no reviews of sub grantees were conducted during the FY2008 through 2010 grant years." With our system of expending one grant before another could be expended, we were in the final stages of expending FY2008 when this audit occurred with many jurisdictions just starting to expend FY2009 and very little funds had been expended for FY2010. Monitoring visits had been conducted in the months prior to the auditors visit but the FY2008, 2009 and 2010 funds had not been a part of those particular monitoring visits so the reports were not reviewed. Again, we understand that more in-depth monitoring is key to finding issues and as of the time of this audit have already implemented a monitoring protocol and schedule.



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Ms. Anne L. Richards

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State of Arkansas Responses to the Recommendations

Recommendation #1:

ADEM as the SAA has already implemented an annual review of the State Homeland Security Strategy and will continue to list goals and objectives that support projects within our state that can be measured based on our baseline with our measurements until directed otherwise by FEMA/DHS.

Recommendation #2:

Until such time as a comprehensive performance measurement is put into place nationwide Arkansas will continue to measure capability based on our assessment tool and the baseline we have established.

Recommendation #3:

In order to properly manage the grant program for the State of Arkansas and provide timely information concerning our expenditures to Congress we intend to continue our practice already established as it is the best practice for ensuring adequate accounting and jurisdiction satisfaction for the grant program.

Recommendation #4:

Sub grantees will be more closely monitored and inventory more clearly marked as well as procurement procedures better defined during desk and on site monitoring visits. With the substantial decrease in funding beginning in FY12 we will be changing our entire award process and will look to these suggestions as we put the new system into place.

Recommendation #5:

Protocols for monitoring as well as a regular schedule have already been put into place.

Please do not hesitate to contact us with any questions or concerns regarding the information provided in this document.

Sincerely,

David Maxwell
Director and State Homeland Security Advisor

DM:to



Appendix D

Description of Homeland Security Grant Program

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

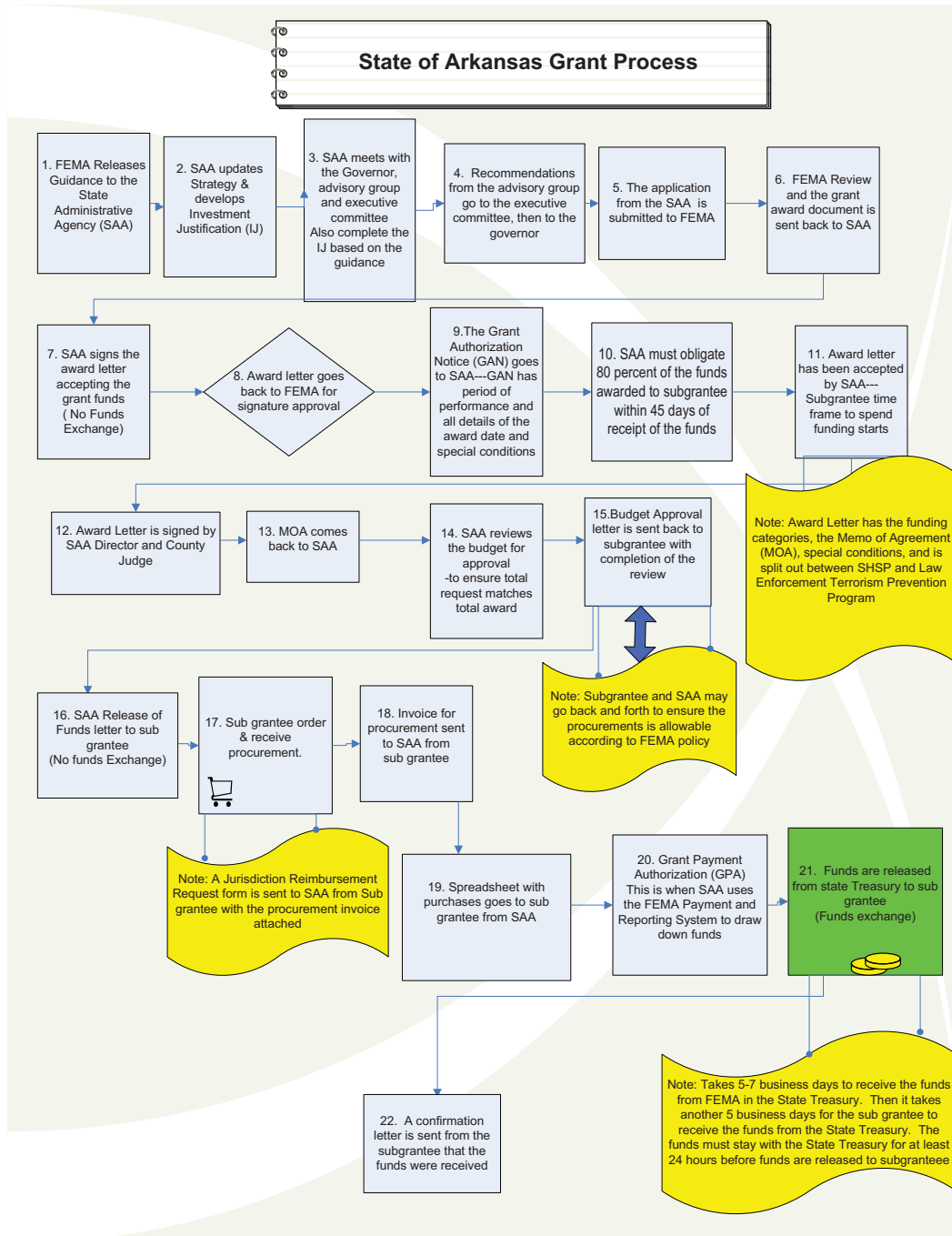
- **The State Homeland Security Program** provides financial assistance directly to each of the States and U.S. Territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address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

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

- Metropolitan Medical Response System
- Citizen Corps Program
- Operation Stonegarden (beginning FY 2010)



Appendix E Description of State of Arkansas' Homeland Security Grant Program Process⁵



⁵ Source: DHS OIG.



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Department of Homeland Security

Appendix F Number of Days Elapsed Between Required Obligation and Availability

Subgrantee	Date FEMA Awarded Funds to State	Funds Required To Be Obligated Within 45 Days	Actual Date Funds Were Obligated	Number of Days Late
Benton County	9/3/2008	10/18/2008	1/24/2011	828
	8/21/2009	10/5/2009	7/12/2011	645
	9/17/2010	11/1/2010	12/12/2011	406
City of Little Rock	9/3/2008	10/18/2008	2/5/2010	475
	8/21/2009	10/5/2009	7/27/2011	660
	9/17/2010	11/1/2010	12/12/2011	406
Craighead County	9/3/2008	10/18/2008	8/27/2010	678
	8/21/2009	10/5/2009	10/20/2011	745
	9/17/2010	11/1/2010	12/12/2011	406
Crittenden County	9/3/2008	10/18/2008	12/3/2010	776
	8/21/2009	10/5/2009	7/14/2011	647
	9/17/2010	11/1/2010	12/12/2011	406
Faulkner County	9/3/2008	10/18/2008	3/16/2009	149
	8/21/2009	10/5/2009	8/22/2011	686
	9/17/2010	11/1/2010	12/12/2011	406
Garland County	9/3/2008	10/18/2008	9/1/2010	683
	8/21/2009	10/5/2009	11/23/2011	779
	9/17/2010	11/1/2010	12/12/2011	406
Greene County	9/3/2008	10/18/2008	8/19/2010	670
	8/21/2009	10/5/2009	11/17/2011	773
	9/17/2010	11/1/2010	12/12/2011	406
Jackson County	9/3/2008	10/18/2008	8/15/2011	1031
	8/21/2009	10/5/2009	12/8/2011	794
	9/17/2010	11/1/2010	12/12/2011	406
Lawrence County	9/3/2008	10/18/2008	11/10/2010	753
	8/21/2009	10/5/2009	9/13/2011	708
	9/17/2010	11/1/2010	12/12/2011	406
Logan County	9/3/2008	10/18/2008	3/4/2009	137
	8/21/2009	10/5/2009	8/27/2010	326
	9/17/2010	11/1/2010	12/12/2011	406
Mississippi County	9/3/2008	10/18/2008	3/17/2011	880
	8/21/2009	10/5/2009	9/21/2011	716
	9/17/2010	11/1/2010	12/12/2011	406
Pulaski County	9/3/2008	10/18/2008	4/8/2010	537
	8/21/2009	10/5/2009	2/14/2011	497
	9/17/2010	11/1/2010	12/12/2011	406
Saline County	9/3/2008	10/18/2008	3/12/2010	510
	8/21/2009	10/5/2009	11/18/2010	409
	9/17/2010	11/1/2010	12/12/2011	406
Sebastian County	9/3/2008	10/18/2008	7/14/2009	269
	8/21/2009	10/5/2009	8/4/2010	303
	9/17/2010	11/1/2010	12/12/2011	406
Washington County	9/3/2008	10/18/2008	6/7/2010	597
	8/21/2009	10/5/2009	7/14/2011	647
	9/17/2010	11/1/2010	12/12/2011	406
Union County	9/3/2008	10/18/2008	6/9/2010	599
	8/21/2009	10/5/2009	3/8/2011	519
	9/17/2010	11/1/2010	12/12/2011	406

Source: DHS OIG.

*Note: FY 2010 was calculated as of December 12, 2011, the date of the OIG file review.



Appendix G

Major Contributors to This Report

Patrick O'Malley, Director
Cheryl Jones, Audit Manager
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Melissa Motley, Program Analyst
Brian Smythe, Program Analyst
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Appendix H

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