

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Audit of State Homeland Security Grants
Awarded to the American Samoa
Government**



OIG-07-42

May 2007

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

MAY 02 2007

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, effectiveness, and efficiency within the department.

This report presents the results of the audit of homeland security grants awarded to the American Samoa Government (ASG) during fiscal years 2002, 2003, and 2004. It assesses ASG's homeland security strategic plans, and grant spending and management practices and controls. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that 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.

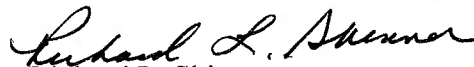

Richard L. Skinner
Inspector General

Table of Contents/Abbreviations

Executive Summary	1
Introduction	2
Results of Audit	4
ASG Did Not Adequately Develop and Implement its Strategic Plans.....	4
ASG’s Grant Program Expenditures Did Not Comply with Grant Guidelines	6
ASG Grants Management Practices and Controls Continue to be Problematic	18
August 2006 Preparedness Officer’s Update and Auditor Comments	22
Recommendations.....	25

Appendices

Appendix A:	Objective, Scope, and Methodology.....	27
Appendix B	Funding Activities and Expenditures.....	28
Appendix C:	Summary of Questionable Costs.....	29
Appendix D	Previous Federal Audits.....	31
Appendix E:	Major Contributors to this Report.....	33
Appendix F:	Report Distribution	34

Abbreviations

ASG	American Samoa Government
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
DOI	Department of Interior
FY	Fiscal Year
GAO	Government Accountability Office
HSGP	FY 2004 Homeland Security Grant Program
NWS	National Weather Service
ODP	Office for Domestic Preparedness
OIG	Office of Inspector General
OMB	Office of Management and Budget
SDPP	FY 2002 State Domestic Preparedness Program
SHSGP	FY 2003 State Homeland Security Grant Program (also SHSGP-I and SHSGP-II)
TOHS	Territorial Office of Homeland Security

Executive Summary

We audited American Samoa Government's (ASG's) management of state homeland security grants (first responder grants) awarded by the Office for Domestic Preparedness during fiscal years (FY) 2002, 2003, and 2004. Our audit objective was to determine whether ASG developed and implemented an appropriate homeland security strategic plan and grants management practices and controls. See Appendix A for additional details on the audit's objective, scope, and methodology and Appendix B for funding activities and expenditures.

ASG's strategic plans were fundamentally flawed inasmuch as they failed to sufficiently identify deficiencies in immediate equipment and training needs and overall capabilities of ASG's first responders or sufficiently identify ways to solve the homeland security vulnerabilities identified in the plans. In addition, we identified systemic deficiencies in ASG and Territorial Office of Homeland Security (TOHS) grants management practices and controls similar to the audit findings reported by the U.S. Government Accountability Office, the Department of Interior Office of Inspector General, and by independent auditors conducting audits under Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We questioned over \$1.7 million in costs expended and claimed against the grants as of December 31, 2004, from our examination of \$2.3 million in costs, and we recommended that the Office for Domestic Preparedness review and report on the eligibility of the questionable expenditures we identified. We are also including in this report, four recommendations for the Office of Grants and Training to consider in improving its oversight of the ASG's management of first responder grants.

This final report includes a synopsis of the verbal and written responses provided by ODP and TOHS together with our comments and analysis of those responses.

Introduction

In 1998, the Department of Justice, pursuant to Public Law 105-119, established Office for Domestic Preparedness (ODP)¹ and made it responsible for developing and administering a domestic preparedness program that provided financial assistance to states, U.S. territories, and local governments for domestic preparedness training and equipment. Public entities such as police, fire, and emergency medical personnel, commonly referred to as “first responders”, generally receive this assistance through the state or territory.

Since the program’s inception in 1998 and its transfer to DHS in 2003, ODP has awarded first responder grants to purchase specialized equipment and to develop and conduct training courses and exercises so as to enhance first responders’ capabilities to prevent and respond to incidents of terrorism involving weapons of mass destruction including chemical, biological, radiological, nuclear, or explosive weapons. The FY 2002 through FY 2004 first responder grant programs, the purposes of which are described below, provided financial assistance to each state, U.S. territory, and the District of Columbia.

- **FY 2002 State Domestic Preparedness Program (SDPP)**: (1) Purchase specialized equipment to enhance the capability of grant recipients to respond to incidents of terrorism involving the use of weapons of mass destruction; (2) purchase equipment designed to protect critical infrastructure from terrorist attacks; (3) cover costs related to the design, development, conduct, and evaluation of exercises related to weapons of mass destruction; and (4) provide funding for administrative costs associated with the implementation of the domestic preparedness strategies.
- **FY 2003 State Homeland Security Grant Program - Part I (SHSGP-I)**: (1) Purchase specialized equipment to enhance the capability of grant recipients to respond to incidents of terrorism involving the use of chemical, biological, radiological, nuclear, or explosive weapons; (2) protect critical infrastructure and prevent terrorist incidents; (3) cover costs related to the design, development, conduct, and evaluation for chemical, biological, radiological, nuclear, or explosive weapons exercises; (4) provide funding for the design, development, and conduct of chemical, biological, radiological, nuclear, or explosive weapons training programs; and 5) provide funding for costs associated with updating and implementing grantees’ homeland security strategies.

¹ ODP is now the Office of Grants and Training within the DHS Preparedness Directorate. For the purposes of this report, we are using ODP in discussing first responder grant programs.

-
- **FY 2003 State Homeland Security Grant Program - Part II (SHSGP-II)**: (1) Provide supplemental funding for the program activities described above for SHSGP-I, and (2) provide funding to mitigate the cost of enhanced security at critical infrastructure facilities during the period of hostilities in Iraq and future periods of heightened threat.
 - **FY 2004 Homeland Security Grant Program (HSGP)**: Provide funding for specialized equipment, training, exercises, and planning costs associated with updating and implementing each state's homeland security strategy.

As a condition to receiving grants funds, ODP required grantees to develop homeland security strategic plans that reflected: 1) risks and threats; 2) equipment, training, exercises, and other program needs for first responders; 3) goals and objectives to enhance capabilities; and 4) an evaluation plan to measure the accomplishment of the goals and objectives. In November 2001, ASG provided ODP its 1999 Two Year Domestic Preparedness Strategy as its guide for prioritizing homeland security spending during FYs 2002 and 2003. Based on the 3-year strategic required by ODP after the events of September 11, 2001, ASG provided ODP a FY 2003 plan in 2005.

From 1998 to May 2002, ASG's Office of Territorial and International Criminal Intelligence and Drug Enforcement managed the ODP grant programs. On May 27, 2002, the Governor issued Executive Order 001-2002 establishing the Territorial Office of Homeland Security (TOHS). TOHS' responsibilities included: 1) reviewing and assessing all homeland security needs of the territory, 2) implementing the American Samoa homeland security strategy, and 3) coordinating the territory's efforts in updating the strategy. Additionally, the Governor designated TOHS as the State Administrative Agency for ODP grant administration and oversight.

ODP awarded ASG \$12,012,000 in homeland security grants for FYs 2002 through 2004. Appendix B reflects ASG's budget by fund category for grant awards made by ODP and the funds expended and claimed by category through December 31, 2004.

Results of Audit

ASG Did Not Adequately Develop and Implement Its Strategic Plans

The homeland security strategies forwarded by the Office of Territorial and International Criminal Intelligence and Drug Enforcement to ODP in November 2001 [*Two Year Domestic Preparedness Strategy (Terrorism)*] and updated by TOHS and forwarded to ODP in September 2005 [*State Homeland Security Strategy American Samoa (2003): American Samoa 2003 Assessment*] were fundamentally flawed inasmuch as they failed to identify shortcomings in immediate equipment and training needs and overall capabilities of ASG's first responders. Consequently, these shortcomings resulted in use of grant funds to acquire equipment that remained in storage or could not be used adequately in response to a terrorist event.

Grant application guidance established by ODP in FYs 1999, 2000, and 2002 included a provision for prospective grantees to use a needs assessment and strategic plan as a means of securing grant funding. According to the guidance:

The Needs Assessment and Statewide Strategy should provide a comprehensive blueprint for the coordination and enhancement of response efforts to weapons of mass destruction terrorism incidents, as well as for the utilization of Federal, State, and local resources within the State. All information requested for the completion of the Needs Assessment is designed for use in the development of the Statewide Strategy.

In light of the terrorist attacks on New York City and the Pentagon on September 11, 2001, ODP required applicants to develop a 3-year homeland security strategic plan that reflected (1) risks and threats; (2) equipment, training, exercises, and other program needs for first responders; (3) goals and objectives to enhance capabilities; and (4) an evaluation plan to measure the accomplishment of the goals and objectives. However, in the updated FY 2003 strategic plan submitted by TOHS to ODP, TOHS stated the updated FY 2003 plan was based on the FY 1999 plan¹ submitted by the Office of Territorial and International Criminal Intelligence and Drug Enforcement.

We reviewed the FY 1999 and the updated FY 2003 strategic plans and determined that TOHS provided ODP a strategic plan that neither sufficiently identified deficiencies in immediate equipment and training needs and overall

¹ The FY 1999 plan is the same plan submitted by the Office of Territorial and International Criminal Intelligence and Drug Enforcement to ODP in Year 2001 [i.e., *Two Year Domestic Preparedness Strategy (Terrorism)*].

capabilities of ASG's first responders nor sufficiently identified ways to solve the homeland security vulnerabilities identified in the plans. For example, the TOHS identified strategic weaknesses in general terms in its, FY 2003 strategic plan:

Territories must meet minimum standards of preparedness if they are to effectively address the focus of ODP programs. This strategy is designed to bridge this gap, however, it is important to recognize that American Samoa must address the replacement of antiquated basic emergency response equipment and update training to effectively benefit from the latest in emergency response technology and best practices.

Consequently, without a well-defined methodology for identifying and filling critical gaps in its first responder capabilities, ASG procured equipment that did not meet immediate needs of the first responders in American Samoa or ensure ASG's response to a terrorist event would be effective. For example, ASG's 1999 and 2003 strategic plans identified various first responder teams needed by the Territory but only the hazardous material team, search and rescue team, and decontamination team had been established. Other teams, such as special weapons and tactics, bomb squad, technical rescue, heavy rescue, metropolitan medical response system, public health, civil support, and terrorism early warning teams had not been established.

While it may not be feasible to establish formal teams covering all of the disciplines noted above, ASG should strive for a basic cadre of trained first responders with critical capabilities needed to mitigate acts of terrorism. In the mean time, ASG's strategic plan should be a "road map" to enhancing homeland security capabilities over time rather than a "wish list" of nice to have equipment and capabilities. The plan should identify attainable goals and objectives based on immediate risks and vulnerabilities and should have a methodology to evaluate the accomplishment of specific goals and objectives. Further, ASG should develop a methodology to assess its achievement of homeland security goals and objectives. The plan should be a "living document" that is updated regularly to identify new goals and objectives as the basic homeland security capabilities are achieved.

TOHS comments. TOHS commented that the original strategy identified some of the basic needs known at the time, such as providing basic training to first responders, identifying equipment, and providing higher-level training when the fundamental training was mastered. TOHS officials also recognized that fundamental capabilities such as having an accredited police academy, a fire fighter certification program, and a technical school to teach first responder the basics are not currently in place within the Territory. As such,

TOHS believes that ASG response agencies need to understand homeland security theories before developing standard operating procedures and training to use newly acquired equipment.

TOHS also commented that it appreciated our recommendations to improve plans and strategies, and that it has already moved to improve its fundamental capabilities in several programmatic areas. TOHS said that it has progressively and systematically followed its strategy and will continue to update its strategic plan as capabilities are achieved. TOHS commented that its FY 2005 homeland security strategy update and its FY 2006 grant application show the Territory's commitment to improving its homeland security posture.

ODP comments. ODP concurred with the finding and commented that while TOHS has an approved strategy, it remains non-compliant in many areas and lacks basic emergency operations plans. As cited in 2005 and 2006 monitoring reports, TOHS has used grant funding for projects other than planning and has no plans to demonstrate homeland security improvements resulting from its use of the grant funds. Additionally, the lack of baseline training continues to plague the Territory resulting in the storage of technically advanced equipment because of a lack of trained first responders. ODP commented that homeland security grant program funds cannot be used to meet baseline-training standards unless a waiver is requested and approved and that no such waiver has been granted.

OIG comments and analysis. ODP's comments reinforce our finding and recommendation that TOHS needs to (a) continue identifying deficiencies in immediate equipment and training needs and overall capabilities of ASG's first responders and (b) develop a comprehensive State Homeland Security Strategy and Implementation Plan that clearly articulates measurable homeland security goals, objectives, and implementation milestones -- both of which will require extensive ODP involvement.

ASG's Grant Program Expenditures Did Not Comply with Grant Guidelines

We reviewed the propriety of ASG's grant expenditures relating to FYs 2002 through 2004 first responder grants and found questionable expenditures totaling over \$1.7 million (see Appendix C for details). We categorized ASG's questionable costs as ineligible, unallowable, or unsupported, as follows:

Ineligible Costs

We identified \$585,803 of ineligible expenditures claimed by ASG against the grants we reviewed. Specifically, we question \$572,676 for equipment and \$13,127 for planning and administration costs because: a) the claimed amounts did not meet the eligibility criteria stipulated in the grant guidance provided by ODP, or b) the costs were not eligible based on the basic cost principles outlined in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Title 2, Code of Federal Regulations, Part 225.

Based on ODP grant guidance and OMB Circular A-87, the systems and equipment purchases identified below were subject to the following criteria:

- According to FY 2002 grant guidance, equipment such as general-use computers and related equipment were ineligible under the program. In addition, the guidance required that interoperable communication equipment and systems provide connectivity and interoperability between local and interagency organizations to coordinate weapons of mass destruction response operations and that such computer systems be linked with integrated software packages designed specifically for chemical and/or biological agent detection and communication purposes.
- FY 2002 and FY 2003 Parts I and II grant guidance specified that grant funded equipment and systems be consistent with the goals and objectives outlined in the domestic preparedness strategy.
- OMB Circular A-87 requires that costs charged to federal grants be allocable to federal awards and conform to any limitations set forth in the terms and conditions of the federal awards.

Details regarding the ineligible grant expenditures and our rationale for questioning them are provided below:

- **Equipment.** Ineligible equipment spending included \$288,655 for an immigration computer system, \$250,000 for an all-hazards early warning broadcast system, and \$34,021 for emergency operations center equipment and an audio networking system.

Immigration computer system. TOHS contracted with a local electronics vendor to upgrade an ASG immigration computer system and posted the \$250,000 cost of this upgrade to the FY2002 SDPP grant.² As a part of this system, the vendor also installed a \$38,655 fiber optic/intra-network at the Tafuna Airport that TOHS charged to the FY 2003 SHSGP-I grant.

² ASG initially posted \$250,000 for the Immigration Office computer system to the FY 2003 Part II grant but later credited this amount via a journal entry and posted the \$250,000 to the FY 2002 grant.

While the fiber optic/intra-network was included in the ASG's budget detail worksheet³ and approved by ODP for FY 2003, it is included here because it was part of the immigration computer system.

We question this expenditure because the system is a general-use system used to identify individuals entering and departing American Samoa. Further, it does not provide interagency coordination regarding weapons of mass destruction response operations or provide chemical and/or biological agent detection capability. In addition, this immigration identification capability was not identified as a goal or objective in ASG's homeland security strategy submitted to ODP in fiscal year 2001.

Early warning broadcast system. TOHS provided \$250,000 of FY 2004 funding to the U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service (NWS) to acquire an all-hazards early warning broadcast system. The purpose of the system was to enhance the emergency communication capability of American Samoa when a terrorist or natural disaster occurred. During the audit, we confirmed with ODP that this system was not in ASG's FY 2004 initial strategy implementation plan.

The Memorandum of Agreement between the NWS and ASG purports to treat the funding from ASG as a gift under the agency's gift acceptance authority, 15 U.S.C. § 1522. However, other parts of the agreement and other documents such as a receiving report and a bill for collection belie the nature of the transaction. The agreement provides that "ASG is responsible for providing the NWS/PR [Pacific Region] with the required advanced funding . . . to purchase and install the NWR system specified. . . ." Moreover, according to Department of Commerce Administrative Order 203-9, the relied upon gift acceptance authority may only be used if the donation constitutes "a bona fide gift or bequest rather than a payment in exchange for goods or services (e.g., the donor has not expressly or impliedly requested some particular Department action which directly benefits the donor in return for the gift or bequest (i.e., a quid pro quo)). . . ." The grant funding was unavailable to make a gift to NWS; nor was it available to purchase goods and services from another Federal agency, absent specific statutory authority to do so.

Emergency operations center equipment and audio networking system. TOHS purchased six digital plasma monitors and the audio networking system for its emergency operations center and charged \$25,800 for the monitors to the FY 2003 SHSGP-II grant and \$8,221 for the audio networking system to the FY 2002 SDPP grant. We question these

³ ODP required budget detail worksheets to identify and describe the equipment to be purchased and the disciplines, i.e., first responder agency, that required the equipment.

expenditures because the equipment and system (1) appeared to be for general emergency operations center use, (2) were not identified by ASG as high priority goals and objectives in its homeland security strategy, and (3) did not provide connectivity and interoperability to coordinate weapons of mass destruction response operations or provide chemical and/or biological agent detection capability between local and interagency organizations.

- **Planning and Administration.** ASG charged \$4,000 for executive leather chairs; \$2,345 for a water purification system; \$1,390 for deluxe package cell phones, and \$1,986 for printing under the FY 2002 grant, and \$3,406 for gasoline used by TOHS vehicles under the FY 2003 SHSGP-I grant. Ineligible planning and administration charges totaled \$13,127. We classified these items as ineligible because the items were not included in the ASG's budget detail worksheets/spending budgets approved by ODP as required under the ODP grant guides for FY 2002 SDPP and FY 2003 SHSGP-I.

Unallowable Costs

We identified \$975,315 in unallowable costs claimed by ASG against the grants we reviewed. Specifically, we question \$833,575 for equipment, \$30,803 for training, \$12,539 for exercises, and \$98,398 for planning and administration because the expenditures did not meet the allowability criteria in ODP's grant guidance or the basic cost guidelines in OMB Circular A-87. Unallowable costs are described below:

- **Equipment.** Unallowable equipment costs totaled \$833,575: \$410,120 charged to the FY 2003 SHSGP-I grant and \$423,455 charged to the FY 2003 SHSGP-II grant.

FY 2003 SHSGP-I. ASG claimed \$328,670 for vehicles and \$81,450 for equipment approved under the FY 2002 SDPP grant. (Total - \$410,120).

- **Vehicles purchased.** ASG's budget detail worksheet, approved by ODP, provided a budget of \$396,000 to purchase eight chemical, biological, radiological, nuclear, or explosive weapons incident response vehicles (five cargo/passenger vans and three cargo trucks). However, a TOHS purchase order supported an order for 10 vehicles (7 vans and 3 crew cab trucks). While grant charges totaled only

-
- \$360,670 (\$164,405 invoiced by a car dealer and a \$196,265 unsupported journal entry to the accounting records⁴),
- (1) ASG receiving reports indicated receipt of only five vehicles,⁵
 - (2) only one was outfitted as a chemical, biological, radiological, nuclear, or explosive weapons incident response vehicle, and (3) other vehicles identified as weapons of mass destruction/chemical, biological, radiological, nuclear, or explosive weapons vehicles were used as general use vehicles and as storage for personal protective equipment.

Grant guidance for FY 2003 SHSGP-I allowed only for the purchase of vehicles that were outfitted as chemical, biological, radiological, nuclear, or explosive weapons incident response vehicles. Because we could only identify one fully outfitted chemical, biological, radiological, nuclear, or explosive weapons incident response vehicle, we question \$328,670 of the \$360,670 posted to ASG's accounting records (\$360,670 less \$32,000 for one chemical, biological, radiological, nuclear, or explosive weapons incident response van).

- Equipment associated with SDPP. ASG expended \$81,450 against the FY 2003 SHSGP-I grant for equipment approved by ODP under the FY 2002 SDPP grant. ASG expended the FY 2003 grant funds because it had exhausted its FY 2002 funds on ineligible acquisitions such as the immigration computer system. The Office of Justice Programs financial guide governed the use of grant funds and prohibited the commingling of funds on either a program-by-program or project-by-project basis. Further, the guide indicated that funds specifically budgeted and/or received for one project may not be used to support another project.

FY 2003 Part-II. ASG charged this grant \$423,455, including \$345,736 for vehicle purchases and \$77,719 for fire department operational equipment.

- Vehicles purchased. TOHS received ODP approval, purchased, and received eight additional vehicles at a cost of \$345,736. While grant guidance authorized vehicle purchases, OMB Circular A-87 and the Office of Justice Programs financial guide both refer to the "reasonableness" of the purchase and compliance with terms and

⁴ TOHS and the Office of the Treasurer could not provide an explanation or supporting documentation for the journal entry and TOHS did not notify ODP about the deviation from the approved ODP budget, the favorable budget variance of \$35,330 (\$396,000 - \$360,670), or how ASG reprogrammed and spent the residual budget amount.

⁵ Receiving reports #118 and #121 show that ASG received only five vehicles --two 2004 E-Series commercial vans and three 2004 E-150 series 7 seat vans. We could not locate the receiving report for the other five vehicles ordered nor did we physically inventory TOHS' vehicle fleet.

conditions of the federal award as the criteria to determine whether a cost is allowable. We question the reasonableness of these purchases, and thus the allowability of the costs, since 17 of the 18 vehicles purchased in FY 2003 (FY 2003 SHSGP-I and II) were for general use vehicles rather than the incident response vehicles needed to respond to and recover from a terrorist event involving the use of weapons of mass destruction and chemical, biological, radiological, nuclear, or explosive weapons.

- Fire department operating supplies and equipment. TOHS charged \$77,719 of the ASG fire department's operating supplies and equipment to the grant. Specifically, TOHS purchased 640 units of F-500 fire suppression agent at a cost of \$60,640, and mobile foam unit hand trailers, nozzles, and other fire fighting equipment at a cost of \$17,079. We question these expenditures because the items purchased were general use operating supplies and equipment that should have been a part of the fire department's operating budget.
- **Training.** Unallowable training expenditures totaled \$30,803 -- \$21,108 charged to the FY 2003 SHSGP-I grant and \$9,695 charged to FY 2003 SHSGP-II grant.

FY 2003 SHSGP-I. We question \$21,108 in travel-related costs associated with the workshops and training identified below:

- \$3,154 for ASG's Deputy Police Commissioner to attend a Fire Grants Program meeting and to meet with the Los Angeles Police Department.
- \$2,276 for a TOHS official to attend a Fire Grants workshop and meetings with the ODP in Honolulu.
- \$15,678 for TOHS officials to attend a meeting and technical assistance in Hawaii on homeland security assessments and strategy development, and to attend a workshop/exhibition on training and exercise in Washington, DC.

The budget detail worksheet submitted by ASG and approved by ODP allowed a training/travel budget of \$10,500 to develop training standards and protocols for emergency responders including meetings with local, federal, and regional officials. While ASG officials appeared to have met with local and federal officials, we question the above expenditures because: (a) the expenditures are not tied directly to the approved budget detail worksheet, (b) some of the expenditures are associated with a

different federal grant program, and (c) the ASG Treasury did not have the travel expense reports to substantiate the \$21,108 in charges to the grant.

FY 2003 SHSGP-II. For reasons similar to those mentioned above, we question \$9,695 as unallowable in training/travel expenditures, including:

- a) \$5,228 in travel costs for an ASG official who traveled to Washington, DC on a travel order approved for the Governor's Legal Counsel,
 - b) \$2,385 in conference room rental costs at a local hotel to debrief ASG officials on a federally declared disaster, Cyclone Heta,
 - c) \$1,356 in a duplicate charge to the training budget, and
 - d) \$726 in a travel-related advance to an ASG employee for expenses at a city other than where training took place (Las Vegas, NV versus Keystone, CO).
- **Exercises.** We question \$12,539 in exercise-related costs because ASG budgeted, and ODP approved, \$9,500 in FY 2002 exercise funding for the following purposes:
 - a) \$4,300 in travel and related costs for one western Samoan and one regional representative to attend a tabletop exercise scheduled in American Samoa in November 2003, and
 - b) \$5,200 for a three member Emergency Response Exercise Design Team to attend exercise design courses in Hawaii in July 2003.

Rather than expending the FY 2002 SDPP funds for the purposes above, ASG charged \$12,539 for three TOHS officials to participate in a chemical tabletop exercise in the Commonwealth of Northern Mariana Islands. We question the \$12,539 as an unallowable expenditure because the travel spending was not approved by ODP and the ASG Treasury did not have expense reports to substantiate the costs.⁶

- **Planning and Administration.** Unallowable planning and administration expenditures charged to the grants totaled \$98,398. We classified these expenditures as unallowable because they did not comply with ODP grant guidance.

⁶ Sections 3.1 to 3.3 of ASG's Travel and Transportation Policy Manual require all travel expense reports to be approved by the authorized signatory agent for the applicable department. The Manual also requires that Travel Expense Voucher forms be used to report travel expenses to the Treasury Travel Office for processing and filing within 30 days after completion of the travel.

FY 2003 SHSGP-I – We questioned \$8,351 in administrative travel costs that were not listed on the budget detail worksheet approved by ODP.

FY 2003 SHSGP-II - \$65,333 in expenditures including:

- a) \$44,291 for the purchase of general-use, emergency management software to be used in the emergency operations center,
- b) \$9,730 in the consulting costs of a TOHS engineer for services related to the ASG's Emergency Operations Center,
- c) \$4,950 for the purchase of two air conditioners,
- d) \$3,187 in travel costs to Florida to procure fire trucks,
- e) \$847 for expenses relating to the Emergency Operations Center grand opening ceremony,
- f) \$804 for a payment of a delinquent phone bill,
- g) \$790 for installing computer software, and
- h) \$734 for procuring steel rods, flat bars, and pipes.

FY 2004 HSGP - \$24,714 in expenditures including \$4,275 for technical consulting services related to the maintenance of the TOHS website, and \$20,439 for National Environmental Policy Act review services related to the emergency operations center.

Unsupported Costs

We identified \$151,999 in costs expended against the grants that were not adequately supported to ensure that the expenditures were proper. We questioned these expenditures because: a) the documentation to support the spending did not meet the criteria stipulated in the grant guidance provided by ODP, and b) the spending did not meet the basic cost guidelines of OMB Circular A-87. Unsupported expenditures charged to the ODP grant programs are described below:

- **Equipment** - ASG made \$77,728 in advance payments against the FY 2003 SHSGP-II grant to two vendors for procurement of equipment and services. However, accounting records and vendor payment files did not sufficiently document that ASG received the equipment and/the services had been performed.

-
- **Training** – ASG’s unsupported training expenditures totaled \$43,501; \$6,654 associated with the FY 2003 SHSGP-I grant; \$30,819 associated with FY 2003 SHSGP-II grant; and \$6,028 associated with the FY 2004 HSGP grant.
 - **Exercises** – Due to a lack of supporting documentation, we could not verify that \$3,316 in FY 2002 SDPP costs, \$10,588 in FY 2003 SHSGP-II costs, and \$1,423 in FY 2004 HSGP costs were proper.
 - **Planning and Administration** – ASG did not support \$9,981 in expenditures charged to the FY 2002 SDPP grant and \$5,462 charged to the FY 2003 SHSGP-II grant.

TOHS comments. TOHS acknowledged the costs we questioned but believes that with sufficient time and copies of the specific documents we obtained during the audit, it could justify all disbursements of homeland security grant funds.

ODP comments. ODP concurred with the majority of costs we questioned in the report, but said that some fall within a “gray area” of eligibility and allowability. At the exit conference, ODP provided clarifications and submitted written explanations as to why some of the costs could be considered eligible or allowable and indicated that it would require additional information and time to fully document and respond to other questioned costs. ODP commented that although ASG can justify some of the purchases, in some cases, ASG charged these purchases to the wrong grant award year during which such purchases were not authorized. ODP also provided comments on the specific items questioned in the report as follows:

- **Ineligible Costs - Equipment**

Immigration computer system & fiber optic/intra-network (\$288,655).

While ODP concurred that these costs were unallowable under FY 2002 grant guidance and agreed that this expenditure should be questioned, it commented that the lack of immigration and customs computerized system capability made this purchase a necessity for ASG. However, ODP added that although ASG included this system as a goal in its homeland security strategy and in other documentation and reports it submitted to ODP, it is incumbent that the grantee align procurements in the strategy with eligible costs under the grant.

Early warning broadcast system (\$250,000). ODP concurred with the questioned cost and said that grantees are prohibited from using federal grant funds to pay for goods and services provided by a different federal agency.

Emergency operations center equipment (\$25,800). ODP said that this equipment acquisition could be considered eligible because the equipment was procured for ASG's emergency operations center and was used during several recent disasters.

Audio networking system (\$8,221). ODP concurred with the questioned cost and indicated that the purchase of an audio system was not an approved expenditure under FY 2002 grant guidance.

- **Ineligible Costs – Planning and Administration**

Of the \$13,127 in costs we questioned, ODP concurred that \$3,406 expended for gasoline was not eligible under the grant, but that a case could be made as to the eligibility of the remaining \$9,721 in expenditures.

- **Unallowable Costs - Equipment**

FY 2003 SHSGP-I & FY 2002 SDPP (\$410,120). ODP concurred that the expenditure of \$328,670 for general use vehicles was not allowable under FY 2003 SHSGP-I guidance. ODP also agreed that \$81,450 for equipment budgeted under the FY 2002 SDPP grant but charged to FY 2003 SHSGP-I grant was unallowable.

FY 2003 SHSGP-II (\$423,455). ODP indicated that vehicle purchases totaling \$345,736 were approved by ODP and waivers can be found in ODP's grant files.

For vehicles purchased with the FY 2003 SHSGP-I and SHSGP-II funds, ODP stated that the purchase of general use vehicles using the FY 2003 SHSGP-I funds was not allowable because vehicles purchases were limited to incident response involving the use of weapons of mass destruction and chemical, biological, radiological, nuclear, or explosive weapons. Nonetheless, ODP said that it is in the process of obtaining additional documentation and information from ASG in order to (1) reconcile a \$164,000 invoice variance; (2) determine the circumstances surrounding a \$196,265 unsupported journal entry; and (3) determine the actual number of vehicles received by ASG.

Regarding the \$77,719 expended for the fire department's operating supplies, ODP indicated that while this appeared to be supplanting of funds, the supplies supported a new mission area that enhanced local chemical, biological, radiological, nuclear, or explosive weapons and hazardous material capabilities.

- **Unallowable Costs – Training**

FY 2003 SHSGP-I (\$21,108). ODP said that the training expenditures we questioned were allowable in that ASG can choose who should attend various meetings and workshops and that the cost of travel to and from American Samoa is extraordinarily high but allowable.

FY 2003 SHSGP-II (\$9,695). ODP indicated that it needs to review the documents surrounding the \$5,228 in travel costs for an ASG official who traveled to Washington, DC on a travel order approved for the Governor's Legal Counsel because the conference did not take place until October 2005. Additionally, ODP: (1) concurred that the \$2,385 for rental of a conference room associated with Cyclone Heta was not allowable, (2) agreed that the \$1,356 we questioned appeared to be a duplicate charge but required additional review, (3) is considering recouping the \$726 in funds for expenses apparently incurred at a city other than where training took place.

- **Unallowable Costs – Exercises**

FY 2002 SDPP (\$12,539). ODP said that the travel related costs questioned for the exercises discussed in the report appear to be allowable, but questioned the need for three TOHS officials to participate in same chemical tabletop exercise.

- **Unallowable Costs – Planning and Administration**

FY 2003 SHSGP-I (\$8,351). ODP indicated that it needed to review additional documentation to determine the purpose of the administrative travel.

FY 2003 SHSGP-II (\$65,333). Of the eight items questioned in the report, ODP concluded that six items totaling \$63,752 were allowable and the remaining two items totaling \$1,581 were not allowable [items e) and h)].

FY 2004 HSGP (\$24,714). OPD concluded that these costs appeared excessive but were otherwise allowable.

- **Unsupported Costs**

Of the \$151,999 in costs we questioned, ODP said that \$77,728 in advance payments to two equipment vendors are the subject of ongoing litigation

between ASG and the vendors and that the Office of Grants Operations will review the remaining \$74,271 in questioned costs.

OIG comments and analysis. ODP's comments reflect careful consideration of both our draft audit report and the written input provided by TOHS before our December 2006 exit conference. We offer the following additional comments regarding the questioned cost categories addressed in ODP's comments/conclusion:

- **Ineligible Costs** - We accept ODP's comments regarding the eligibility (\$35,521) and ineligibility (\$261,627) of equipment and planning and administration costs we questioned in the finding (\$585,803). However, for the remaining \$288,655 (immigration computer system and fiber optic/intra-network), ODP should determine whether the system is eligible under FY 2002 SDPP grant guidance that specifically prohibited the use of grant funds to procure a "general use" computerized system.
- **Unallowable Equipment Costs** - We accept ODP's comments regarding the allowability and unallowability of the equipment costs we questioned in the finding. However, in those "gray areas" where allowability is still in question, ODP should provide justification as to why those specific costs are allowable under applicable grant guidance and OMB criteria.
- **Unallowable Training Costs** – We agree with ODP's comments with the exception of those regarding two training workshops on the Fire Grants Program. Without additional information from ODP, we continue to believe that these workshops would have been more appropriately funded by the Assistance to Firefighter Grant Program. Further, ODP should follow up on those items in the finding that require additional information and documentation for it to make an allowability determination.
- **Unallowable Exercise Costs** - Based on ODP's comments and clarifications provided during the exit conference, we agree with ODP's determination that the \$12,539 is an allowable cost.
- **Unallowable Planning and Administration Costs** - Based on ODP's written response and clarifications provided during the exit conference, we concur with ODP's determination that \$88,466 of the costs we questioned is allowable and \$1,581 is not. As for the remaining \$8,351 in questioned costs, ODP should obtain and review the additional documentation needed to determine the purpose of the administrative travel.

-
- **Unsupported Costs** – We accept ODP’s comments regarding the costs we questioned. However, ODP should follow up on those items that require additional information and documentation to ensure that the costs claimed were adequately supported.

ASG’s Grants Management Practices and Controls Continue to be Problematic

As reported by other federal agencies, including the Department of Interior (DOI) OIG and the Government Accountability Office (GAO), and confirmed during this audit, ASG’s grants management system continues to be deficient and does not adequately ensure that federal first responder grant funds are expended according to federal grants management regulations and requirements. Specifically, ASG’s practices and controls do not ensure: 1) successful implementation of strategic plans and achievement of grant goals and objectives; 2) appropriate expenditure of grants funds; and 3) effective management of ODP grants resources and the promotion of programmatic and fiscal accountability.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, was issued pursuant to the Single Audit Act of 1984 (SAA), as amended. It requires grant recipients to: 1) maintain internal control over federal programs; 2) comply with laws, regulations, and the provisions of contracts or grant agreements; 3) prepare appropriate financial statements, including schedule of expenditures of federal awards; 4) ensure that the required audits are properly performed and submitted when due; and 5) follow up and take corrective actions on audit findings. Title 28, Code of Federal Regulations (CFR), Part 66 – *Uniform Administrative Requirements for Grants and Cooperative Agreements to States and Local Governments*, and the Office of Justice Programs Financial Guide require grantees and sub-grantees to comply with ODP grant requirements and standards specified in the guides.⁷

As summarized in Appendix D, previous federal audits of ASG have reported that 1) ASG’s system of financial accounting and reporting was inadequate, 2) significant failures occurred in the operation of computer systems, 3) the internal control structure had significant weaknesses related to general accounting and grant administration, and 4) there was a lack of appropriate management oversight, including a lack of review and approval of financial

⁷ 28 CFR §66.20: Standards for financial management systems and OJP Financial Guide – Part II, Chapter 3 (Standards for Financial Management Systems).

28 CFR §66.36 – Procurement and OJP Financial Guide – Part III, Chapter 10 (Procurement Under Awards of Federal Assistance).

28 CFR §66.32 – Equipment; and OJP Financial Guide – Part III, Chapter 6 (Property and Equipment).

transactions. Our audit confirmed the following ongoing weaknesses in ASG's adherence to the federal requirements pertinent to first responder grants.

Maintaining internal control over federal programs. ASG did not maintain appropriate internal controls over first responder grants as required by OMB Circular A-133 and the Office of Justice Programs Financial Guide. In particular, ASG did not properly manage or record grant expenditures. TOHS officials informed us that the ASG Treasury centrally maintained all grant related accounting systems and financial records for first responder grants awarded in FYs 2002, 2003, and 2004. We requested and reviewed the first responder grant expenditure reports and source documentation maintained by the Treasury and provided to us. Treasury summarized first responder expenditures by expenditure classification, i.e., personnel, travel, equipment, supplies, etc.; however, Treasury did not classify costs by funding sources and/or budget spending account, i.e., exercises, training fund, and planning and administration, as required by the Office of Justice Programs Financial Guide. We concluded that the historical costs and financial records generated by Treasury's systems did not adequately account for first responder grant expenditures against ODP approved budget submissions for each of the fiscal years reviewed. We reviewed the propriety of grant expenditures by manually examining Treasury supporting documentation for individual expenditure transactions.

Performing and submitting required audits in a timely manner. ASG did not comply with the SAA requirement of OMB Circular A-133 because it did not perform and submit the required audit reports in a timely manner.⁸ OMB Circular A-133 requires federal grantees that expend more than \$500,000 of federal grant funds in a fiscal year to have a SAA audit performed of all major programs and to report the findings to the Federal Audit Clearinghouse. ASG did not submit the required FYs 2002, 2003, and 2004 SAA audits to the Federal Audit Clearinghouse until February 28, 2005, August 16, 2005, and March 14, 2006, respectively. The FY 2005 SAA audit was submitted to the Federal Audit Clearinghouse on time (June 30, 2006).

The delinquency of the SAA audits and the resolution and implementation of recommendations contained in these reports contributed to the existence of long-standing ASG financial management deficiencies. DOI OIG, as late as September 2005, reported ASG was designated a high-risk grantee status due to these long-standing deficiencies. Further, the four SAA audits identified above resulted in qualified opinions related to financial management deficiencies, reportable material control weaknesses, and questionable costs

⁸ The SAA audit report for ASG is due 9 months after the end of ASG fiscal year/ period audited (September 30th).

claimed. In addition, the reports indicate that ASG does not qualify as a low risk applicant under § __.530 of OMB Circular A-133.⁹

Informing ODP of material changes to the homeland security strategic plans and grant program spending. According to 28 CFR, Part 66, and the Office of Justice Programs Financial Guide, grant recipients are required to submit all material changes to state strategic plans to ODP. Despite this requirement, TOHS did not report to ODP its non-use of the Territory Preparedness Task Force established by the Governor on September 27, 2001 (Executive Order 004-2001).

In FY 2001, and in support of ODP requirements for all grant recipients to develop needs assessment and a statewide strategic plan, the Governor established the Territory Preparedness Task Force to:

- Conduct a comprehensive review and analysis of Territory preparedness,
- Complete a Territory-wide threat and needs assessment,
- Provide a federal funds allocation strategy,
- Liaise with federal agencies for technical and funding assistance, and
- Ensure compliance with federal domestic preparedness directives.

Task force membership consisted of key public and private officials, including the Commissioner for the Department of Public Safety, the Director for the Territorial Emergency Management Coordinating Office, the Directors for the Departments of Public Health and Port Administration, and others.

While the purpose of the task force was clearly articulated in the *Two year Domestic Preparedness Strategy (Terrorism)* submitted by the Office of Territorial and International Criminal Intelligence and Drug Enforcement to ODP in 2001, the roles and responsibilities of the task force were omitted from the *State Homeland Security Strategy American Samoa (2003): American Samoa 2003 Assessment*, submitted by TOHS to ODP in 2005.

⁹ An auditee that 1) has single audits performed on an annual basis; 2) receives an unqualified opinion on the financial statements and the schedule of expenditures of Federal awards; 3) has no deficiencies in internal control identified as material weaknesses under the requirements of government auditing standards; and 4) had no audit findings in either of the preceding 2 years related to material internal control weaknesses, noncompliance with the provisions of laws, regulations, contracts, or grant agreements, or questioned costs that exceed 5 % of the total federal awards expended during the year qualifies as a low-risk auditee and is eligible for reduced audit coverage under OMB Circular A-133.

We attributed the change in ASG's domestic preparedness planning methodology to the establishment of TOHS on May 27, 2002 (Executive Order 001-2002). The task force does not meet regularly or have any direct input to the domestic preparedness functions performed by TOHS. Because of the diverse task force membership and the members' knowledge of critical infrastructure and associated risks and vulnerabilities, the task force's exclusion from the current homeland security strategy is a substantial deviation to ODP's conceptual framework for developing and implementing preparedness plans within the Territory. Further, the changes in the ASG's first responder grant administrative planning and oversight contributed to the systemic internal control issues associated with the administration of the first responder grants.

Submitting required reports to ODP. ASG has not complied with the financial and programmatic reporting requirements identified in 28 CFR § 66.40 (b)(1) and in the Office of Justice Programs Financial Guide. ODP's Preparedness Officer reported on April 25, 2005, that ASG had not provided financial and programmatic reports to ODP in a timely manner. ODP noted that ASG failed to submit 19 financial status reports or categorical assistance progress reports. The timely submission of these reports is required as a condition to receiving the grants and a key internal control component that assists ODP in its monitoring of grantee performance. Had reports been submitted as required and additional ODP oversight provided, ODP may have been able to identify the following conditions noted during this audit:

- ODP limited the FY 2002 SDPP grant award and budget to \$715,000. While ASG only drew down \$714,671, it expended \$740,116 as of December 31, 2004, indicating weaknesses in budgetary controls and program monitoring. Similarly, as of December 31, 2004, ASG expended only \$919,507 of the \$1,482,000 FY 2003 SHSGP-I grant and only \$1,225,356 of the \$3,926,000 FY 2003 SHSGP-II grant. These unspent funds could impact achievement of ASG's homeland security goals.
- ASG accounting records supporting expenditures attributable to each grant program varied significantly from the ODP-approved budget by fund category.¹⁰ The two charts in Appendix B of this report show these variances, i.e., funding categories budgeted by ASG and approved by ODP versus actual expenditures reflected in ASG's accounting records. Those variances highlight the need for improvement in accounting controls and ODP oversight. Of particular concern to us was TOHS's failure to categorize spending according to ODP approved funding categories.

¹⁰ Fund categories include equipment, training, exercises, planning and administration, and critical infrastructure protection.

-
- ASG's incomplete accounting and spending records related to the critical infrastructure protection funds awarded under the FY 2003 SHSGP-II grant.
 - ASG control over and use of the first responder equipment purchased with ODP funds.

August 2006 Preparedness Officer's Update and Auditor Comments

Preparedness Officer's Update

Since the completion of our fieldwork, we have stayed in regular contact with ODP's Preparedness Officer to monitor ASG's progress in improving grant accountability. In mid August 2006, the Preparedness Officer informed us that much has been accomplished to properly align American Samoa's homeland security spending with its needs. The Preparedness Officer offered the following information to demonstrate the tangible results yielded to date:

1. The Preparedness Officer completed programmatic monitoring in February 2006 wherein: (a) program expenditures were matched to the goals and objectives indicated in the 2005 update to the FY 2003 strategic plan and (b) a random inventory of equipment acquisitions was conducted with 100 % accountability for the equipment items sampled.
2. The Office of Grant Operations completed financial monitoring in April 2006 and noted minimal discrepancies that already have been corrected. However, subsequent to our exit conference, the Office of Grant Operations informed us that the Preparedness Officer's statement was erroneous. The purpose of the financial monitoring visit was to review TOHS records and provide direct on site assistance, guidance, recommendations, and training based on findings identified during the visit. During the visit, the Office of Grant Operations continued to follow up on the issues identified by the Preparedness Officer and on issues related to TOHS financial reporting, and questioned and undocumented expenditure items. That office continued to monitor outcomes, but elected to hold up issuing its report until the OIG finalized this audit. This decision was made because the financial monitoring report would include direction for repayment of unauthorized and disallowed expenditures identified in our report, as well as additional costs identified by the Office of Grants Operations.
3. The Preparedness Officer indicated that in lieu of the high-risk designation proposed in January 2006, (a) all TOHS expenditures would require ODP program office approval prior to draw down, and (b) all planned travel

would be halted and only accomplished after pre-approval by the program office.

4. To accommodate TOHS' expenditure and draw down of grant funds, the Preparedness Officer and TOHS have implemented an expenditure batch approval process wherein a spreadsheet of expenditures is submitted bi-weekly to the program office for review. The Preparedness Officer uses the spreadsheet to ensure all expenditures are related to specific goals and objectives, authorized equipment list, or responder knowledge base.
5. The Preparedness Officer indicated that the Office of Grant Operations provided on-site financial technical assistance in November 2005. In addition, biannual strategy implementation reporting technical assistance was provided in November and December 2005.
6. The Preparedness Officer now conducts weekly conference calls to discuss current events and assess needs and to bring the emergency management and homeland security elements of ASG together to foster a unified approach to expending grant funds.

Auditor Comments

While the above ODP actions are noteworthy, ASG continues to experience systemic internal control deficiencies that inhibit financial accountability over homeland security grant funds. Similar to the FY 2003 SAA audit report for ASG, the single audits for the fiscal periods ended September 30, 2004, and September 30, 2005, reported that ASG's system of financial accounting and reporting is inadequate. The reports indicated that:

- ASG audited financial reports show significant failures in the internal control structure related to general accounting and grants administration and that identified controls may not prevent or detect misstatement of accounting information. For example, the auditors could not verify the accuracy of the "Due To/From Other Funds – Pooled Cash" account due to an inability to rely on the internal control system.
- Appropriate management oversight and review and approval of transactions appeared to be lacking. In that regard, ASG had difficulty locating documentation, and thus could not provide the auditors adequate evidentiary matter in support of various recorded transactions. In addition, the lack of documentation supporting some accounting records resulted in adjustments to various accounts.

The DOI's Office of Insular Affairs indicated in its letter to the Governor in June 2005 that ASG's high-risk designation will not be lifted until ASG has 2 consecutive years of timely, "clean" SAA audit reports.

In addition to ASG-wide financial accountability and grants management deficiencies, the "program specific" audit of TOHS, covering the period October 1, 1999, to April 30, 2006, indicates that TOHS' system of financial accounting and reporting is inadequate with significant failure in the operation of internal control structures needed for proper general accounting and grants administration. The report specifically addresses the following material deficiencies related to compliance and internal control over compliance:

- Allowable and unallowable activities,
- Financial reporting,
- Cash management,
- Allowable costs and cost principles,
- Administrative requirements,
- Standards for financial management systems,
- Claims for advances and reimbursements,
- Equipment and real property, and
- Retention and access requirements for records.

TOHS comments. TOHS acknowledged the finding on behalf of ASG and noted that the recent program specific audit of TOHS also reported that ASG's financial system managed by the ASG Treasury, lacked adequate grant management control and practices. TOHS indicated that because of the deficiencies in ASG's government-wide system, it had difficulty obtaining accurate, timely, and reliable reports, but both TOHS and Treasury have made progress in resolving these deficiencies.

ODP comments. ODP commented that the lack of oversight and accounting practices at TOHS has been resolved and that all grant expenditures now require program office approval. TOHS has installed and is now using new software that tracks expenditures to specific goals and initiatives for each particular grant year. In addition, ODP commented that internal controls are now in place and the SAA audit for FY 2005 audit has been conducted and submitted. The Preparedness Officer commented that ODP is providing, and

will continue to provide extensive oversight and technical assistance to TOHS.

ODP acknowledged a duplication of managerial effort within ASG and commented that homeland security roles and responsibilities are vaguely defined and have resulted in extensive personnel costs with little yield or tangible results demonstrated from these personnel efforts.

ODP also commented that TOHS has not completed a needs assessment although it has been recommended repeatedly by ODP. ODP indicated it did not know if ASG established or used the Territory Preparedness Task Force, although grant guidance FYs 2002 and 2003 required the formation of working/task groups to collectively manage the State Homeland Security Grant Programs. ODP stated that ASG has failed to comply with this initiative – instead it has chosen to work solely under the TOHS umbrella. The ODP agreed with the development of the ASG Task Force and that the task force submits monthly status reports or allows ODP to participate remotely via teleconferences.

Finally, ODP commented that with no pass-through funding requirement, there is a plethora of mismanagement as cited in our report. While ODP agrees that a high-risk grantee designation may be imminent, there does not appear to be any tangible benefit from a high-risk designation in light of the greater oversight currently being given to TOHS by the Office of Grants and Training.

OIG comments and analysis. We acknowledge the collective effort and progress made by both TOHS and ODP in resolving the grants management and accountability issues identified in this finding. Nonetheless, this finding will remain open for follow up action until we receive supporting documentation from ODP as to the effectiveness of the corrective actions taken and planned.

Recommendations

We recommended that the Acting Assistant Secretary, Office of Grants and Training:

1. Actively partner with TOHS to: (a) identify deficiencies in immediate equipment and training needs and overall capabilities of ASG's first responders; and (b) develop a comprehensive State Homeland Security Strategy and Implementation Plan that clearly articulates measurable homeland security goals, objectives, and implementation milestones that will ensure consistent improvement of ASG's ability to respond to and recover from acts of terrorism.

-
2. Review and report on the eligibility of the \$1.7 million in homeland security grant expenditures questioned in this report and disallow those costs determined to be ineligible, unallowable, or unsupported.
 3. Direct TOHS to establish practices and controls that allow it to account for grant expenditures by homeland security goal and objective and provide TOHS with technical assistance to create a financial and grant accountability system that (a) identifies expenditures applicable to the appropriate grant year, (b) documents actual expenditures by fund category based on ODP/Office of Grants and Training-approved budgets, and (c) maintains the documentation required to appropriately support all grant expenditures.
 4. In light of the “high-risk” grantee designation imposed on ASG by DOI and the results of the “program specific” audit of TOHS, (a) make greater use of existing authorities, up to and including designating TOHS as a “high-risk” grantee, until TOHS strengthens management controls and practices; (b) monitor TOHS progress in improving grant accountability and ensure that it provides all first responder grant reporting documentation required by the grant award; and (c) initiate appropriate and timely sanctions should TOHS fail to meet agreed-to programmatic and financial reform goals and milestones.
 5. Require that TOHS and the Territorial Emergency Management Coordinating Office¹¹ partner with the Territory Preparedness Task Force established by the Governor on September 27, 2001, to develop and administer the state strategic plan.

¹¹ The Territorial Emergency Management Coordinating Office was established in the Office of the Governor and is under the supervision and control of the Governor. This office is responsible for preparing and maintaining a current territorial disaster assistance plan.

The **objective** of the audit was to determine whether the American Samoa Government (ASG), (1) developed and implemented an appropriate homeland security strategic plan, and (2) applied sound grants management practices and controls. The goal of the audit was to identify conditions that could inhibit ASG from achieving the goals of the grants and recommend solutions to help ASG better prepare for and respond to acts of terrorism

The **scope** of the audit included the following four grant programs. These programs are described in the Background section of this report.

- FY 2002 State Domestic Preparedness Program
- FY 2003 State Homeland Security Grant program - Part I
- FY 2003 State Homeland Security Grant program – Part II
- FY 2004 Homeland Security Grant Program

We reviewed ASG's development and implementation of homeland security strategic plans submitted to ODP in November 2001 and September 2005 and ASG's grant management practices and controls related to the use of ODP grant funds. Also, of the \$3.2 million in costs expended and claimed against the grants as of December 31, 2004, we reviewed grant expenditures of \$2.3 million.

The audit **methodology** included work at ODP Headquarters, ASG's Office of the Treasurer, the Territorial Office of Homeland Security (TOHS), and various first responder locations. Our audit considered ODP and ASG policies and procedures, as well as the applicable federal requirements. We reviewed documentation received from ODP, as well as from the ASG Treasurer, Attorney General, Office of Territorial and International Criminal Intelligence and Drug Enforcement, and TOHS. Also, we reviewed and discussed with responsible officials ASG's homeland security strategy and its achievement of homeland security goals and objectives. We also reviewed all applicable documentation supporting ASG's management of grant funds. We reviewed reports from prior audits and worked closely with ODP and ASG officials.

The audit was performed between March 2005 and August 2006 and was conducted according to *Government Auditing Standards* as prescribed by the Comptroller General of the United States. Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. Accordingly, we do not express an opinion on ASG's financial statements or the funds claimed in the financial status reports submitted to ODP.

Appendix B
Funding Activities and Expenditures

Funding Activities Budgeted by ASG and Approved by ODP

ODP-Approved Budget by Fund Category:	FY 2002 SDPP	FY 2003 SHSGP Part I	FY 2003 SHSGP Part II	FY 2004 HSGP	Totals
<i>Equipment</i>	\$571,000	\$1,040,000	\$1,900,000	\$3,609,060	\$ 7,120,060
<i>Exercise</i>	34,000	260,000	200,000	255,000	749,000
<i>Training</i>	0	78,000	650,000	1,050,340	1,778,340
<i>Planning & Administration</i>	110,000	104,000	653,000	861,600	1,728,600
<i>Critical Infra-structure Protection</i>	0	0	523,000	0	523,000
<i>Other *</i>	113,000	0	0	0	\$113,000
Totals	\$828,000	\$1,482,000	\$3,926,000	\$5,776,000	\$12,012,000
* ODP awarded \$828,000 but initially approved a budget spending plan of only \$715,000 pending ASG updates to its budget spending plan and budget detail worksheets.					

Funds Expended and claimed by ASG*

Categories of Expended Funds	FY 2002 SDPP	FY 2003 SHSGP Part I	FY 2003 SHSGP Part II	FY 2004 HSGP	Totals
<i>Equipment</i>	\$550,681	\$646,842	\$ 752,052	\$250,000	\$2,199,575
<i>Exercise</i>	17,050	\$ 0	24,277	1,423	42,750
<i>Training</i>	\$0	30,262	84,346	15,812	130,420
<i>Planning. & Administration.</i>	22,542	16,149	77,781	24,714	141,186
<i>Personnel</i>	116,036	161,069	168,837	\$0	445,942
<i>Other **</i>	\$33,807	\$ 65,185	\$118,063	\$ 21,274	238,329
Totals	\$740,116	\$919,507	\$1,225,356	\$313,223	\$3,198,202
* Amounts rounded to whole dollars.					
** Uncategorized grant expenditures reflected in ASG's "Transaction Listing".					

Appendix C
Summary of Questionable Costs

Summary of ASG Expenditures Reviewed and Questionable Costs (Spending)

Grant Program	ASG Expenditures	Expenditures Reviewed	Ineligible Costs	Unallowable Costs	Unsupported Costs	Costs Questioned
FY 2002	\$740,116	\$577,388	\$267,942	\$12,539	\$13,297	\$293,778
FY 2003 Part -I	919,507	643,210	42,061	439,579	6,654	488,294
FY 2003 Part-II	1,225,356	835,783	25,800	498,483	124,597	648,880
FY 2004	313,223	291,949	250,000	24,714	7,451	282,165
Total	\$3,198,202	\$2,348,330	\$585,803	\$975,315	\$151,999	\$1,713,117

Summary of ASG Expenditures Reviewed by ODP Grant Award and Budget Spending

Grant Program	Equipment	Exercise	Training	Planning and Administration.	Critical Infrastructure Protection	Total
FY 2002	\$537,796	\$17,050	\$0	\$22,542	\$0	\$577,388
FY 2003 Part -I	596,799	0	30,262	16,149	0	643,210
FY 2003 Part-II	649,379	24,277	84,346	77,781	0	835,783
FY 2004	250,000	1,423	15,812	24,714	0	291,949
Total	\$2,033,974	\$42,750	\$130,420	\$141,186	\$0	\$2,348,330

1. Recap of ASG's Ineligible Spending

Grant Program	Equipment	Exercise	Training	Planning and Administration.	Critical Infrastructure Protection	Total
FY 2002	\$258,221	\$0	\$0	\$9,721	\$0	\$267,942
FY 2003 Part -I	38,655	0	0	3,406	0	42,061
FY 2003 Part-II	25,800	0	0	0	0	25,800
FY 2004	250,000	0	0	0	0	250,000
Total	\$572,676	\$0	\$0	\$13,127	\$0	\$585,803

Appendix C
Summary of Questionable Costs

2. Recap of ASG's Unallowable Spending

Grant Program	Equipment	Exercise	Training	Planning and Administration	Critical Infrastructure Protection	Total
FY 2002		\$12,539	\$0	\$0	\$0	\$12,539
FY 2003 Part -I	410,120	0	21,108	8,351	0	439,579
FY 2003 Part-II	423,455	0	9,695	65,333	0	498,483
FY 2004	0	0	0	24,714	0	24,714
Total	\$833,575	\$12,539	\$30,803	\$98,398	\$0	\$975,315

3. Recap of ASG's Unsupported Spending

Grant Program	Equipment	Exercise	Training	Planning and Administration	Critical Infrastructure Protection	Total
FY 2002	\$0	\$3,316	\$0	\$9,981	\$0	\$13,297
FY 2003 Part -I	0	0	6,654	0	0	6,654
FY 2003 Part-II	77,728	10,588	30,819	5,462	0	124,597
FY 2004	0	1,423	6,028	0	0	7,451
Total	\$77,728	\$15,327	\$43,501	\$15,443	\$0	\$151,999
Combined Total	\$1,483,979	\$27,866	\$74,304	\$126,968	\$0	\$1,713,117

DOI OIG Report 2002-I-0017, March 2002, *Management Challenges for Insular Area Governments, An Opportunity for Improvement.* This report assessed the management challenges for insular area governments, including ASG. The report attributed ASG's long-standing financial management deficiencies to the lack of adequate audit resolution and implementation of audit recommendations. The report also indicated that ASG's 1996 Single Audit found that: 1) ASG's system of financial accounting and reporting was inadequate, 2) there were significant failures in the operation of computer systems, 3) there were significant weaknesses in the internal control structure related to general accounting and grant administration, and 4) there was a lack of appropriate management oversight, including a lack of review and approval of financial transactions.

The report recommended that ASG improve financial management to meet the requirements of generally accepted accounting principles, the Insular Areas Act of 1982, the Single Audit Act of 1984 as amended in 1996, Federal grant management requirements, and appropriate local laws and regulations. Specific recommendations included (a) upgrading existing financial management systems, (b) ensuring that grant managers receive ongoing training on how to effectively administer federal grants, (c) controlling procurement and travel expenditures and providing ASG operating entities with the resources needed to carry out operational responsibilities, and (d) improving general program operations by providing operating entities qualified and adequately trained staff, establishing an effective property accounting system, and establishing a comprehensive audit follow-up system.

GAO Report 05-41, December 17, 2004, *American Samoa: Accountability for Key Federal Grants Needs Improvement.* This report attributed grants management deficiencies to a shortage of professional staff with adequate professional training thereby limiting financial oversight of federal funds and delivery of certain services. The report also indicated that ASG had limited accountability due to lack of required Single Audits and reported instances of theft and fraud by American Samoa government officials, and that federal grantors reacted slowly to delinquent single audits. GAO recommended that the Secretary of Interior¹² coordinate with other granting federal agencies to designate ASG as a high-risk grantee at least until it completed all delinquent single audits and took steps to fully comply with the Single Audit Act.

DOI OIG Report P-IN-AMS-0017-2003, September 2005, *American Samoa: Top Leadership Commitment Needed to Break the Cycle of Fiscal Crisis.* This report assessed ASG's implementation of a 2001 Reform Plan and related agreements and echoed the recommendation made by GAO. The report recommended that the DOI Office of Insular Affairs assist ASG in

¹² The DOI, Office of Insular Affairs, has responsibility for coordinating federal policy in American Samoa.

developing a comprehensive fiscal reform plan that would achieve fiscal accountability and stability. The Governor of American Samoa disagreed with OIG's recommendations on April 22, 2005 stating that ASG has already accomplished fiscal reform and has taken the steps recommended in the audit. DOI officials concurred with the report and to ensure that revised financial systems were implemented, the Office of Insular Affairs designated ASG as "high-risk" grantee in June 2005.

Appendix E
Major Contributors to this Report

Robert J. Lastrico, Audit Division Director
Nigel Gardner, Auditor
Arona Maiava, Auditor

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
General Counsel
Executive Secretariat
Under Secretary, Management
Under Secretary, Preparedness
Chief Financial Officer
Chief Information Officer
Assistant Secretary, Public Affairs
Assistant Secretary, Policy
Assistant Secretary, Legislative and Intergovernmental Affairs
Chief Security Officer
DHS GAO/OIG Liaison

Office of Grants and Training

Assistant Secretary
Director of Grant Operations
OIG Audit Liaison

Office of Management and Budget

Chief, Homeland Security Bureau
DHS OIG Budget Examiner

Congress

Committee on Homeland Security and Governmental Affairs
United States Senate

Committee on Homeland Security
United States House of Representatives

Additional Information and Copies

To obtain additional copies of this report, call the Office of Inspector General (OIG) at (202) 254-4100, fax your request to (202) 254-4285, or visit the OIG web site at www.dhs.gov/oig.

OIG Hotline

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations, call the OIG Hotline at 1-800-323-8603; write to DHS Office of Inspector General/MAIL STOP 2600, Attention: Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410, Washington, DC 20528, fax the complaint to (202) 254-4292, or email DHSOIGHOTLINE@dhs.gov. The OIG seeks to protect the identity of each writer and caller.