

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

North Carolina's Management of Homeland  
Security Program Grants Awarded During  
Fiscal Years 2008 Through 2010






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Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

APR 16 2013

MEMORANDUM FOR: David J. Kaufman  
Associate Administrator  
Policy, Program Analysis and International Affairs  
Federal Emergency Management Agency

FROM: Anne L. Richards   
Assistant Inspector General for Audits

SUBJECT: *North Carolina's Management of Homeland Security  
Program Grants Awarded During Fiscal Years 2008  
Through 2010*

Attached for your action is our final report, *North Carolina's Management of Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010*. We incorporated the formal comments from the Associate Administrator for Policy, Program Analysis and International Affairs in the final report.

The report contains eight recommendations to strengthen program management, performance, and oversight. Your office concurred with all eight recommendations. Based on information provided in your response to the draft report, we consider the recommendations open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

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

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
GPD	Grant Programs Directorate
HSGP	Homeland Security Grant Program
MOA	memorandum of agreement
NCEM	North Carolina Division of Emergency Management
OIG	Office of Inspector General
SHSP	State Homeland Security Program
UASI	Urban Areas Security Initiative



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### Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, 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 North Carolina, including the Charlotte Urban Area.

The objectives of the audit were to determine whether the State of North Carolina distributed and spent State Homeland Security Program and Urban Area Security Initiative grant funds (1) effectively and efficiently, and (2) in compliance with applicable Federal laws and regulations, as well as with DHS guidelines governing the use of such funding. We also addressed the extent to which funds enhanced the State of North Carolina's and the Charlotte Urban Area's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The State of North Carolina received grant awards of approximately \$61 million in State Homeland Security Program and Urban Areas Security Initiative grant funds for fiscal years 2008 through 2010.

In most instances, the North Carolina Division of Emergency Management administered its grant programs in compliance with requirements in Federal grant guidance and regulations and DHS guidelines. Grant funds were spent on allowable items and activities, and there were adequate controls over the approval of expenditures and reimbursement of funds.

However, the State needs to improve and update the State and Urban Areas Security Initiative Homeland Security Strategies, as well as the Charlotte Urban Area's risk assessment; comply with grant program requirements; and enhance its performance measures.

We made eight recommendations to the Federal Emergency Management Agency (FEMA), the State of North Carolina, and the Charlotte Urban Area, which if implemented, should strengthen program management, performance, and oversight. FEMA concurred with all eight recommendations.



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### **Background**

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to enhance the ability of State, territory, local, and tribal governments to prevent, protect, respond to, and recover from terrorist attacks and other disasters. FEMA administers the HSGP, which is an important part of the administration's larger, coordinated effort to strengthen homeland security preparedness. Appendix C contains a detailed description of the grant programs that constitute the HSGP.

The North Carolina Department of Crime Control and Public Safety was the State Administrative Agency responsible for State and Federal oversight of the HSGP. The North Carolina Division of Emergency Management (NCEM), a division of the State Administrative Agency, was the acting Administrating Agency. NCEM also develops the State Homeland Security Strategy (State strategy) and coordinates its day-to-day implementation. The Secretary of the Department of Public Safety, formerly known as Department of Crime Control and Public Safety, represents the State's law enforcement and emergency response community in the Governor's cabinet. In North Carolina, a program management team evaluates the Urban Areas Security Initiative (UASI) Homeland Security Strategy (UASI strategy) and updates it as needed.

For fiscal years (FYs) 2008 through 2010, the State received awards totaling approximately \$65 million in HSGP funds, including about \$47 million for the State Homeland Security Program (SHSP) and about \$14 million for the UASI. Appendix A contains details on the objectives, scope, and methodology for this audit.



## Results of Audit

In most instances, NCEM administered its grant programs in compliance with requirements in Federal grant guidance, applicable regulations, and DHS guidelines. For example, the State developed procedures and processes to administer its grant programs, and it had internal controls to approve and reimburse subgrantees for expenditures. NCEM and the Charlotte Urban Area also developed State and UASI strategies that included goals and objectives aligned with the four mission areas and eight National Priorities established by DHS. In addition, NCEM used a comprehensive web-based grants management system to track, process, and report grant activity.

However, the State needs to improve and update the State and UASI Homeland Security Strategies, as well as the Charlotte Urban Area's risk assessment; comply with grant program requirements; and enhance its performance measures.

FEMA and North Carolina did not provide sufficient guidance and oversight of SHSP and UASI grant programs. Therefore, the State's ability to carry out the programs as prescribed was hindered, subgrantees had inadequate internal controls, and the State did not effectively measure its capabilities and emergency preparedness.

### **State and UASI Homeland Security Strategies Need Improvement**

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North Carolina's State and UASI strategies for FYs 2008 through 2010 included goals and objectives that were aligned with DHS priorities. However, the objectives in the State and Charlotte Urban Area strategies did not meet all DHS requirements, and FEMA had not received or approved the most up-to-date State strategy. In addition, the Charlotte Urban Area did not update its risk assessment.

#### **State Homeland Security Strategy**

NCEM used a State strategy, which it developed in 2006 and updated in October 2007 and which FEMA approved, as the basis for the grant program for FYs 2007 through 2009. The goals and objectives of this State strategy aligned with DHS *National Preparedness Guidelines*, dated September 2007, including the Target Capabilities List, as well as *Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005. The primary focus of this State strategy was to prevent, protect, respond to, and recover from acts of terrorism. NCEM viewed it as an evolving document that it would continually update to suit





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changing risks and capabilities. NCEM updated the State strategy in 2010 and used it to guide the program through FY 2011. The updated strategy identified 16 priorities in the State's capabilities, and it better aligned with the National Preparedness Goal and Priorities, focusing on improving training and staff development to enhance planning initiatives, protecting infrastructure, ensuring equipment availability, and performing exercises to improve response capabilities. According to State officials, NCEM used feedback from various stakeholders to develop and enhance its regional capability and capacity to prevent, protect, respond to, and recover from catastrophic events.

Both State strategies met DHS requirements by addressing the four DHS mission areas (prevent, protect, respond, and recover) and the eight National Priorities. However, the strategies' goals and objectives were not specific, measurable, or results-oriented.

According to *Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goals*, objectives should be—

- Specific, detailed, particular, and focused – help to identify what is to be achieved and accomplished;
- Measurable – be quantifiable, providing a standard for comparison, and identifying a specific achievable result;
- Achievable – not beyond a State, region, jurisdiction, or locality;
- Results-oriented – identify a specific outcome; and
- Time-limited – have a target achievement date.

FEMA did not provide sufficient guidance to ensure that the strategies met these requirements. The 2007–2009 State strategy included 13 goals and 46 objectives. Our analysis of this FEMA-approved strategy showed that some objectives were not specific, measurable, or results-oriented. Table 1 shows deficiencies in the State strategy's objectives.





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<b>Table 1. Deficiencies in North Carolina’s Homeland Security Strategy’s Objectives</b>		
<u>Goal</u>	<u>Objective</u>	<u>Deficiency</u>
1. Implement appropriate prophylaxis and vaccination strategies in a timely manner upon the onset of an event, with an emphasis on the prevention, treatment, and containment of the disease	1. Develop and foster interagency cooperation and collaboration for the delivery of mass prophylaxis	The objective is not: <ul style="list-style-type: none"> <li>• Specific</li> <li>• Measurable</li> <li>• Results-oriented</li> </ul>
4. Develop an overarching statewide preparedness and participation program	3. Enhance the capabilities of law enforcement personnel to recognize indicators of potential terrorist planning activities	The objective is not: <ul style="list-style-type: none"> <li>• Specific</li> <li>• Measurable</li> <li>• Results-oriented</li> </ul>
11. Enhance incident management preparedness	5. Develop a 3-year training and exercise program that involves State, regional, and local stakeholders	The objective is not: <ul style="list-style-type: none"> <li>• Specific</li> <li>• Measurable</li> <li>• Results-oriented</li> </ul>
12. Prevent and eradicate threats to food and agriculture safety and protect public and animal health	1. Develop and maintain plans, procedures, programs, and systems	The objective is not: <ul style="list-style-type: none"> <li>• Specific</li> <li>• Measurable</li> <li>• Results-oriented</li> </ul>

Source: DHS OIG Analysis of the State Homeland Security Strategy (2007–2009).

Although all States are to submit their strategies to FEMA for approval, according to a FEMA official, as of August 2012, the agency had not received the 2010 State strategy from NCEM.

**Charlotte Urban Area Security Initiative Planning**

The Charlotte Urban Area UASI strategy’s goals were not specific or results-oriented, and they did not include bases to measure performance. FEMA did not



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provide sufficient guidance to ensure that the strategy met these requirements. In addition, the Charlotte Urban Area did not conduct annual risk assessments to ensure that it allocated resources to fund its most critical preparedness needs. The risk assessment is used to identify, categorize, and prioritize capability needs. According to the 2007 DHS *National Preparedness Guidelines*, a risk-based approach to preparedness is necessary to develop emergency operations plans. Although it conducted a risk assessment for FYs 2006 and 2007, the Charlotte Urban Area did not update its assessment during FY 2008 through FY 2010 to reevaluate threats, risks, and vulnerabilities. Instead, it relied on the State's regional assessment to determine its investments.

### **Recommendations**

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

#### **Recommendation #1:**

Assist NCEM and the City of Charlotte UASI to develop a Homeland Security Strategy that includes specific, measurable, achievable, results-oriented, and time-limited objectives.

#### **Recommendation #2:**

Require the City of Charlotte UASI to conduct risk assessments to determine areas of vulnerability for major disasters caused by either terrorism or natural events.

### **Management Comments and OIG Analysis**

#### **FEMA's Response to Recommendation #1**

FEMA concurred with this recommendation. The Assistant Administrator of the Grant Programs Directorate (GPD) shall require NCEM and the Charlotte Urban Area to update their respective Homeland Security Strategies to ensure that they include measurable target levels of performance; objectives that are specific, measurable, achievable, results-oriented, and time-limited; and an appropriate evaluation.



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#### **OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 1. This recommendation is open and resolved pending evaluation of revised Homeland Security Strategies from NCEM and the Charlotte Urban Area. According to FEMA, corrective actions will be implemented upon completion, submission, and review of strategy revisions. Revisions to the strategies must be submitted to FEMA no later than 6 months after issuance of OIG's final report.

#### **FEMA's Response to Recommendation #2**

FEMA concurred with this recommendation. FEMA's National Preparedness Directorate developed processes to measure core capabilities in accordance with the National Preparedness Goal pursuant to *Presidential Policy Directive/ PPD-8: National Preparedness*. The Charlotte Urban Area completed the *Threat and Hazard Identification and Risk Assessment* and submitted it to FEMA. The assessment will be used to create a baseline and targets for FY 2013 and beyond. FEMA's National Preparedness Directorate also redesigned the State Preparedness Report to help States demonstrate and track preparedness improvement over time.

#### **OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 2. This recommendation is open and resolved pending FEMA's evaluation of the Charlotte Urban Area's *Threat and Hazard Identification and Risk Assessment*.

#### **Improved Compliance With Grant Program Requirements Needed**

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NCEM's implementation of the SHSP and UASI did not always comply with established guidelines and procedures. Specifically, NCEM did not always obligate grants in a timely manner. In addition, it did not ensure that subgrantees comply with inventory management requirements for grant-funded equipment, submit timely cost reports, and maintain award letters in grant files as required. These deficiencies were a result of NCEM not following established procedures, conflicting procedures, and in some cases, no procedures.

#### **Grant Obligation**

In most cases, NCEM did not obligate SHSP funds within 45 days as stipulated in FEMA program guidance. According to NCEM officials, the lengthy process for



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obligating funds caused the delays. Consequently, subgrantees had less time to spend the grant funds and react to problems they may have experienced at the end of the grant award period. Therefore, the State Administrative Agency might have had to request extensions to the grant agreement period.

*FEMA Homeland Security Grant Program Guidance* requires the State Administrative Agency to obligate HSGP funds within 45 days of FEMA's award date. This obligation 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.

NCEM established a process to distribute money to local jurisdictions using memorandums of agreement (MOAs). According to the Fiscal Manager, executed MOAs establish the State's firm commitment and communicate the award terms to the subgrantees. This documentary evidence must exist before an account can be established for the subgrantee. However, an NCEM official explained that it was difficult to obtain all signatures necessary to execute MOAs, and thus, this part of the process can be lengthy. In addition, if there were personnel changes involving MOA signatures before NCEM obtained all signatures, the process had to be started again.

Our review of 27 SHSP grants to subgrantees during FYs 2008 and 2009 showed 25 instances in which NCEM did not promptly obligate grant funds to subgrantees. Table 2 shows grants that took the longest time to obligate in this time period.



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**Table 2. Longest Number of Days to Obligate Subgrantee Awards – FYs 2008–2009**

Subgrantee	MOA #	State Agreement Date	Obligation Date	Number of Days State Took To Obligate
Asheville Police Department	08-1112	8/25/2008	1/22/2010	515
Buncombe County Emergency Management	08-1107	8/25/2008	11/5/2009	437
Forsyth Emergency Management Services	08-1083	8/25/2008	5/5/2009	253
	09-1002	8/21/2009	11/30/2009	101
Rockingham County	08-1080	8/25/2008	3/30/2009	217
	09-1004	8/21/2009	4/21/2010	243
NC State Highway Patrol	09-1047	8/21/2009	12/29/2009	130
Asheville Fire Department	09-1020	8/21/2009	2/18/2010	181

Source: DHS OIG analysis.

According to NCEM, the office has improved its timeliness in obligating funds to the subgrantees.

### **Inventory Management Controls**

Subgrantees did not always ensure that there were adequate internal controls to safeguard equipment and comply with requirements for grant-funded property. Specifically, subgrantees did not maintain inventory records that included required information, did not always have inventory records, and did not always mark equipment as required.

### **Inventory Records**

Not all local subgrantees maintained inventory records with required information. Of the 13 subgrantee sites we visited, 4 subgrantees' inventory records did not contain all required information such as serial numbers, acquisition dates, or location of property. Consequently, local subgrantees' inventory records did not comply with the *Code of Federal Regulations* (CFR) 44 CFR § 13.32(d), *Management requirements*, which includes the following minimum requirements for grant recipients managing grant-funded equipment:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the



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location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Table 3 shows inventory record compliance issues noted during our audit.

<b>Table 3. State of North Carolina SHSP and UASI Inventory Record Compliance Issues</b>		
<b>Subgrantee</b>	<b>Compliance Issue 44 CFR 13.32(d)(1)</b>	<b>Value of Items Tested</b>
Buncombe County Emergency Management	Inventory list did not include the source of the property.	\$124,288
Greensboro	No inventory list was provided.	\$171,982
Greenville	Inventory list did not include the location of the property.	\$66,154
Rockingham County	No inventory list was provided.	\$105,546
NC State Highway Patrol	Inventory list did not include the acquisition date and the use and condition of the property.	\$1,546,300
Thomasville Urban Search and Rescue # 5	No inventory list was provided.	\$39,187
Charlotte Urban Area	Inventory list did not include the acquisition date and the use and condition of the property.	\$3,459,347
<b>Total</b>		<b>\$5,512,804</b>

Source: DHS OIG analysis.

In addition, 3 of 13 subgrantees did not maintain inventory records, which may have been a result of conflicting guidance. According to the CFR, grant recipients must take a physical inventory of grant-funded property and reconcile the results with property records at least once every 2 years. However, according to the NCEM MOAs, subgrantees are to provide an inventory list to the NCEM Homeland Security Branch only upon project completion. Not having proper inventory records weakens NCEM’s ability to manage and account for grant-funded equipment, and could lead to fraud, waste, and abuse.

**Marking Equipment**

Of the 13 subgrantees reviewed, 4 from Thomasville, Greenville, Greensboro, and the Charlotte Urban Area did not always properly mark equipment that they purchased with HSGP funds. According to the FY 2008 Grant Award Agreement between FEMA and North Carolina and the NCEM MOAs for FY 2009 and FY 2010, when practicable, grantees must prominently mark any equipment purchased with grant funding with “Purchased with funds provided by the U.S. Department of Homeland Security.” Officials said that they were not aware of



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this requirement in the FY 2009 and FY 2010 MOAs. In addition, Charlotte Urban Area officials said that they were awaiting guidance from NCEM. If subgrantees do not properly mark equipment, it may not be possible to identify equipment purchased with grant funds during required physical inventories.

#### **Cost Reports**

The Charlotte Urban Area did not submit an FY 2008 cost report for \$2.6 million in expenditures incurred between April 2009 and December 2011 until April 2012. Although subgrantees are to submit cost reports requesting reimbursement for expenditures as they incur costs, Charlotte incurred costs for more than 2 years before submitting its report. As a result, NCEM may not have been able to conduct a thorough review of Charlotte's expenses over this time period. Further, overcharges could have gone undetected. According to NCEM officials, they discussed this issue with the Charlotte Urban Area, but it continued to hold cost reports for several months before submission.

According to the FY 2008 *Homeland Security Grant Program Guidance and Application Kit*, FEMA will not pay funds in a lump sum, but rather will disburse them over time as project costs are incurred. However, for FYs 2009 and 2010, FEMA did not include this disbursement requirement in the grant program guidance.

#### **Grant Award Letters**

Subgrantees did not always maintain grant award letters in grant files as required. Some subgrantees were not aware of this requirement because not all MOAs included information on file documentation. Further, the NCEM *Homeland Security Branch Grant Management Standard Operating Guide*, updated March 2010, includes required subgrantee file documentation information in three places, but the grant award letter is mentioned in only one location. The guide should be clear and consistent throughout when mentioning subgrantee file documentation. The grant award letter should be mentioned in all three places not just one location. During site visits, four local jurisdictions could not provide us with the signed award letters. Two locations had MOAs that did not include information on the grant award letter requirement, but the other two MOAs included the requirement.





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### Recommendations

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate, require the North Carolina Division of Emergency Management to:

#### Recommendation #3:

Improve the efficiency of its process to obligate subgrantee awards within the required time period.

#### Recommendation #4:

Ensure that subgrantees comply with inventory requirements in the *Code of Federal Regulations*.

#### Recommendation #5:

Ensure that, where practicable, subgrantees and the Charlotte Urban Area mark purchases made with Department of Homeland Security funds with "Purchased with funds provided by the U.S. Department of Homeland Security."

#### Recommendation #6:

Ensure that the Charlotte Urban Area submits cost reports as expenditures are incurred.

We recommend that the North Carolina Division of Emergency Management:

#### Recommendation #7:

Ensure that its standard operating procedures and memorandums of agreement with subgrantees include clear guidance on required grant file documentation.

### Management Comments and OIG Analysis

#### FEMA's Response to Recommendation #3

FEMA concurred with this recommendation. The Assistant Administrator of GPD shall require NCEM to assess and streamline, when possible, processes and procedures for obligating funds to subgrantees.



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### **OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 3. This recommendation is open and resolved pending evaluation of the results of NCEM's assessment and the steps it may take to expedite the obligation of funds to subgrantees. NCEM shall report the results of its assessment and these potential steps to FEMA no later than 90 days after issuance of OIG's final report.

### **FEMA's Response to Recommendation #4**

FEMA concurred with this recommendation. The Assistant Administrator of GPD shall require NCEM to submit written policies and procedures addressing the requirements in 44 CFR 13.32(d) and any internal guidelines, as well as documentation detailing how NCEM will correct the deficiencies outlined in the final audit report and more effectively communicate requirements to subgrantees.

### **OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 4. This recommendation is open and resolved pending evaluation of written policies and procedures addressing the requirements in 44 CFR 13.32(d) and any internal guidelines, as well as documentation detailing how NCEM will correct the deficiencies and more effectively communicate requirements to subgrantees. FEMA stated that within 90 days of issuance of OIG's final report, NCEM shall submit to FEMA the written policies and procedures, as well as any internal guidelines and documentation detailing how it will correct the deficiencies.

### **FEMA's Response to Recommendation #5**

FEMA concurred with this recommendation and submitted a consolidated response to recommendations 5, 6, and 7. The Assistant Administrator of GPD shall require NCEM to update its *Homeland Security Branch Management Standard Operating Guide* to comply with all Federal and State requirements, including—

- Guidance outlining appropriate documentation to include in a grant file;
- Guidance regarding terms and conditions for each subaward agreement;
- Standard operating procedures for equipment use and management, including the marking of equipment; and



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- Reporting requirements.

The Assistant Administrator shall also require NCEM to develop a communications plan for the updated standard operating guide that includes subgrantee grant management training or workshops.

#### **OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 5. This recommendation is open and resolved pending evaluation of the updated *Homeland Security Branch Management Standard Operating Guide* and its compliance with all Federal and State requirements, as well as a communications plan that includes training or workshops to be implemented. FEMA stated that within 90 days of issuance of OIG's final report, FEMA will require NCEM to update its guide and develop a communications plan.

#### **FEMA's Response to Recommendation #6**

FEMA concurred with this recommendation and submitted a consolidated response for recommendations 5, 6, and 7 (see above).

#### **OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 6. This recommendation is open and resolved pending evaluation of the updated *Homeland Security Branch Management Standard Operating Guide* and its compliance with all Federal and State requirements, as well as a communications plan that includes training or workshops to be implemented. FEMA stated that within 90 days of issuance of OIG's final report, FEMA will require NCEM to update its guide and develop a communications plan.

#### **FEMA's Response to Recommendation #7**

FEMA concurred with this recommendation and submitted a consolidated response for recommendations 5, 6, and 7 (see above).

#### **OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 7. This recommendation is open and resolved pending evaluation of the updated



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*Homeland Security Branch Management Standard Operating Guide* and its compliance with all Federal and State requirements, as well as a communications plan that includes training or workshops to be implemented. FEMA stated that within 90 days of issuance of OIG's final report, FEMA will require NCEM to update its guide and develop a communications plan.

### **Performance Measures Have Not Been Developed**

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The State of North Carolina did not develop performance measures to evaluate its ability to respond to an emergency caused by a natural disaster or terrorism, and it could not demonstrate specific improvements and measurable accomplishments of SHSP- and UASI-funded projects for FYs 2008 through 2010.

According to the *Department of Homeland Security State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, "an objective sets a tangible and measurable target level of performance over time against which an actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate." However, the goals and objectives in NCEM's State strategy did not include bases for measuring improvements in its preparedness and response capabilities.

According to the State, it measured its performance through—

- Surveys of the progress in accomplishing implemented objectives;
- Biannual Strategy Implementation Reports on the status of grant-funded projects; and
- The annual State Preparedness Report, which assessed project completion.

NCEM asserted that it measured its progress toward achieving its goals and objectives through Biannual Strategy Implementation Reports and State Preparedness Reports. Although the information in the State Preparedness Reports was linked with the State strategy's goals and objectives, we could not verify how the State obtained the information in these reports. Further, these surveys and reports included information on the financial status and completion of projects, but did not measure whether the State had met its strategic goals and objectives and improved its disaster preparedness and response. In addition, the Charlotte Urban Area did not have a process to track and measure improvements in preparedness. Officials said that, as needed, they conducted informal self-assessments comparing their capabilities with the capabilities in the FEMA National Incident Management System. The National



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Incident Management System provides a framework for all jurisdictions to work together to manage domestic incidents, and States and urban areas are asked to show how their strategic goals and objectives support implementation of this system. Although Charlotte Urban Area officials said that they conducted self-assessments to evaluate progress, they did not document these efforts. Without the ability to measure progress toward meeting goals and objectives, as well as a system to collect objective, results-oriented data, NCEM and the Charlotte Urban Area did not have a basis to determine how their grant expenditures enhanced preparedness and response capabilities. According to NCEM and the Charlotte Urban Area, they did not receive guidance from FEMA on how to measure these improvements.

### **Recommendation**

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate, require the North Carolina Division of Emergency Management and the Charlotte Urban Area to:

#### **Recommendation #8:**

Establish performance measures to determine whether goals and objectives in their respective strategies have been met and whether they have improved their capabilities in disaster response and preparedness.

### **Management Comments and OIG Analysis**

#### **FEMA's Response to Recommendation #8**

FEMA concurred with this recommendation. FEMA's National Preparedness Directorate developed processes to measure core capabilities in accordance with the National Preparedness Goal pursuant to *Presidential Policy Directive/ PPD-8: National Preparedness*. The State completed the *Threat and Hazard Identification and Risk Assessment* and submitted it to FEMA. The assessment will be used to create a baseline and targets for FY 2013 and beyond. FEMA's National Preparedness Directorate also redesigned the State Preparedness Report to help States demonstrate and track preparedness improvement over time.



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**OIG Analysis**

We consider FEMA's actions responsive to the intent of recommendation 8. This recommendation is open and resolved pending evaluation of the State's compliance with these requirements.



## Appendix A Objectives, Scope, and Methodology

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

The audit objective was to determine whether the State of North Carolina distributed and spent SHSP and UASI grant funds effectively and efficiently and in compliance with laws, regulations, and guidance. In addition, the audit goal was to determine the extent to which the State measured improvements in its ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

The HSGP and its five interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment, training, exercises, and management and administration. We reviewed only SHSP and UASI funding of equipment and programs for compliance. Appendix C contains additional information on these grant programs.

The scope of the audit included the following:

<b>North Carolina Homeland Security Grant Program Awards FYs 2008 Through 2010</b>				
<b>Program</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>Total</b>
State Homeland Security Program	\$16,280,000	\$15,739,000	\$15,419,662	\$47,438,662
Urban Areas Security Initiative	\$4,821,000	\$4,580,000	\$4,583,712	\$13,984,712
<b>Subtotal</b>	<b>\$21,101,000</b>	<b>\$20,319,000</b>	<b>\$20,003,374</b>	<b>\$61,423,374</b>

Source: GPD, FEMA.

The audit methodology included interviews with FEMA and State Administrative Agency representatives, the urban area that received grants, and various subgrantee locations. To achieve our audit objective, we analyzed data, reviewed documentation, and interviewed the key local officials directly involved in the management and administration of North Carolina's HSGP. We conducted site visits and held discussions with appropriate officials from selected State agencies, the Charlotte Urban Area, and





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local jurisdictions to determine if program grant funds were expended in accordance with grant requirements and NCEM-established priorities.

In addition to NCEM, we met with officials from the following organizations:

#### **Urban Areas Security Initiative**

- Charlotte Urban Area

#### **State Agencies**

- State Bureau of Investigation
- State Highway Patrol

#### **Counties/City**

- Buncombe County Emergency Services
- Rockingham County Emergency Management

#### **Local Jurisdictions and First Responders**

- Regional Response Team-5, City of Greensboro Fire Department
- Forsyth Emergency Medical Services
- Thomasville Urban Search and Rescue Team #5
- Regional Response Team-6, City of Asheville Fire Department
- City of Asheville Police Department
- New Bern Police Department
- Pitt Memorial Hospital Foundation (currently Vidant Medical Center)
- City of Greenville Urban Search and Rescue Team #10

We interviewed responsible officials, reviewed documentation supporting NCEM and subgrantee management of the awarded grant funds (including expenditures for equipment, training, and exercises), and physically inspected judgmentally selected equipment procured with the grant funds.

We reviewed a judgmental sample of the grant obligations representing approximately 58 percent of the grant agreements for FYs 2008 through 2010 to determine whether the expenditures were supported and allowable under the grants. We judgmentally chose specific equipment items to observe at the local sites where they reside.

We conducted this performance audit between April and September 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



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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.



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Appendix B  
Management Comments to the Draft Report

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



FEMA

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

FROM: David J. Kaufman *DK*  
Associate Administrator for  
Policy, Program Analysis and International Affairs

SUBJECT: FEMA Response to OIG Draft Report: "North Carolina's (NC)  
Management of Homeland Security Program Grants Awarded  
During Fiscal Years 2008 Through 2010" – For Official Use Only  
- OIG Project No. 12-115-AUD-FEMA

Thank you for the opportunity to comment on OIG Draft Report: "North Carolina's (NC) Management of Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010" – For Official Use Only - OIG Project No. 12-115-AUD-FEMA. The findings in the report will be used to enhance the program's overall effectiveness. The following are our responses to the recommendations for implementation:

**OIG Recommendation 1:** We recommend the Assistant Administrator, Grant Programs Directorate, assist the NC Division of Emergency Management (NCEM) and the Charlotte Urban Area to develop a Homeland Security Strategy that includes specific, measurable, achievable, results-oriented, and time-limited objectives.

**FEMA Response: Concur.** The Assistant Administrator of the Grant Programs Directorate (GPD) shall require the NC Division of Emergency Management (NCEM) and the Charlotte Urban Area to update their respective Homeland Security Strategies, ensuring the strategies include measurable target levels of performance, as well as objectives that are specific, measurable, achievable, results-oriented, and time-limited, and an appropriate evaluation. NCEM and the Charlotte Urban Area shall submit the revised Homeland Security Strategies to GPD for review no later than six months after issuance of the OIG final report.

FEMA requests this recommendation be resolved and open pending the completion, submission, and review of the strategy revisions.

**OIG Recommendation 2:** We recommend the Assistant Administrator, Grant Programs Directorate require the Charlotte Urban Area to conduct risk assessments to determine areas of vulnerability for major disasters caused by either terrorism or natural events.

[www.fema.gov](http://www.fema.gov)



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**FEMA Response: Concur.** FEMA's National Preparedness Directorate (NPD) developed processes to measure core capabilities in accordance with the National Preparedness Goal pursuant to Presidential Policy Directive 8 (PPD-8). The Charlotte Urban Area completed the Threat and Hazard Identification and Risk Assessment (THIRA) and submitted it to FEMA. The THIRA will be used to create a baseline and targets for Fiscal Year 2013 and beyond. FEMA NPD also redesigned the State Preparedness Report (SPR) that will help states demonstrate and track preparedness improvement over time. Given the State's compliance with these requirements, we believe their actions satisfied the intent of the recommendation. See attachment "A" North Carolina's SPR.

FEMA requests that the recommendation be resolved and closed.

**OIG Recommendation 3:** We recommend the Assistant Administrator, Grant Programs Directorate require the NC Division of Emergency Management to improve the efficiency of its processes to obligate subgrantee awards within the required time period.

**FEMA Response: Concur.** The Assistant Administrator of the Grant Programs Directorate shall require NCEM to assess and streamline (where possible) processes and procedures for obligating funds to subgrantees. NCEM shall report to GPD the results of this assessment and potential steps to be taken to expedite the obligation of funds to the subgrantees no later than 90 days after the issuance of the OIG final report.

FEMA requests this recommendation be resolved and open pending the completion of the corrective action.

**OIG Recommendation 4:** We recommend the Assistant Administrator, Grant Programs Directorate require the NC Division of Emergency Management to ensure that subgrantees comply with inventory requirements in the Code of Federal Regulations.

**FEMA Response: Concur.** Within 90 days of issuance of the final report, the Assistant Administrator of the Grant Programs Directorate shall require NCEM to submit written policies and procedures addressing the requirement provisions of 44 CFR 13.32(d) as well as any internal guidelines along with documentation detailing how NCEM will correct the deficiencies outlined in the final audit report and communicate requirements with subgrantees more effectively.

FEMA requests this recommendation be considered resolved and open pending the corrective actions stated above.

**OIG Recommendation 5:** We recommend the Assistant Administrator, Grant Programs Directorate require the NC Division of Emergency Management to ensure that, where practicable, subgrantees and the Charlotte Urban Area mark purchases made with DHS funds "Purchased with funds provided by the US Department of Homeland Security".

**FEMA Response: Concur.** *(See consolidated response for recommendation 5, 6, and 7 below)*





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**OIG Recommendation 6:** We recommend the Assistant Administrator, Grant Programs Directorate require the NC Division of Emergency Management to ensure that the Charlotte Urban Area submits cost reports as expenditures are incurred.

**FEMA Response: Concur.** *(See consolidated response for recommendation 5, 6, and 7 below)*

**OIG Recommendation 7:** We recommend the Assistant Administrator, Grant Programs Directorate require the NC Division of Emergency Management to ensure that its standard operating procedures and memorandums of agreement with subgrantees include clear guidance on required grant file documentation.

**FEMA Response to Recommendations 5, 6, and 7: Concur.** Within 90 days of issuance of the final report, the Assistant Administrator of the Grant Programs Directorate shall require NCEM to update its Homeland Security Branch Management Standard Operating Guide to be compliant with all Federal and State requirements to include, but not limited to:

- a) Guidance outlining the appropriate documentation to include in a grant file
- b) Guidance regarding terms and conditions for each subaward agreement
- c) Standard operating procedures for the use and management of equipment, including the marking of equipment
- d) Reporting requirements

The Assistant Administrator shall also require NCEM to develop a communications plan for the revised Standard Operating Guide, to include subgrantee grant management trainings or workshops.

FEMA requests this recommendation be considered resolved and open pending the corrective actions stated above.

**OIG Recommendation 8:** Require the NC Division of Emergency Management and the Charlotte Urban Area to establish performance measures to determine whether goals and objectives in their respective strategies have been met and whether they have improved their capabilities in disaster response and preparedness. See attachment "A" North Carolina's SPR.

**FEMA Response: Concur.** The FEMA NPD developed processes to measure core capabilities in accordance with the National Preparedness Goal pursuant to PPD-8. The State completed the THIRA and submitted it to FEMA. The THIRA will be used to create a baseline and targets for Fiscal Year 2013 and beyond. FEMA NPD also redesigned the SPR that will help states demonstrate and track preparedness improvement over time. Given the State's compliance with these requirements, we believe their actions satisfied the intent of the recommendation. See attachment "A" North Carolina's SPR.

FEMA requests that the recommendation be resolved and closed.



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Again, we thank you for the work that you and your team did to inform us of measures we can take to enhance the program's overall effectiveness. We look forward to OIG's final report for "*North Carolina's (NC) Management of Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010*" – *For Official Use Only* - OIG Project No. 12-115-AUD-FEMA. Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.



## **Appendix C**

### **Homeland Security Grant Program**

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

**State Homeland Security Program** provides financial assistance directly to each of the States and territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address the identified planning, equipment, training, and exercise needs.

**Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas, and to assist in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism and other disasters. Allowable costs for the urban areas are consistent with the State Homeland Security Program. Funding is expended based on the Urban Area Homeland Security Strategies.

In addition, the Homeland Security Grant Program includes other interrelated grant programs with similar purposes. Depending on the fiscal year, these include the following:

- Metropolitan Medical Response System
- Citizen Corps Program
- Operation Stonegarden





## **Appendix D**

### **North Carolina State Emergency Response Commission— Participating State and Local Agencies**

The North Carolina State Administrative Agency is the Department of Crime Control and Public Safety. The NCEM component of the Department of Crime Control and Public Safety handles day-to-day implementation of DHS grants. The State Emergency Response Commission (Commission), chaired by the Homeland Security Advisor, oversees homeland security programs in the State and the creation and implementation of the State Homeland Security Strategy. The Commission holds quarterly meetings, at which the following North Carolina agencies are represented: Division of Crime Control and Public Safety, Department of Health and Human Services, Department of Environment and Natural Resources, Department of Agriculture and Consumer Services, Department of Transportation, Department of Justice, State Fire Marshal's Office, Office of Info Tech Services, and the School of Public Health at the University of North Carolina system. The Commission monitors progress toward meeting the goals and objectives and reviews all grant-funded projects and contracts.

North Carolina comprises 101 jurisdictions, which includes one group of the Eastern Band of Cherokee Indians. There are three branches for emergency response functions, and 15 area coordinators work closely with their assigned counties to promote continuity. Additionally, the State has 9 Regional Response Teams and 11 Urban Search and Rescue teams. The following State and local agencies participate:

#### **Core Members:**

- Public Health
- Municipal Police
- Sheriff's Department
- Municipal Fire Department
- Rural Fire Department
- Emergency Medical Services
- Hospitals
- Emergency Management
- Rescue
- Public Works

#### **Support Members:**

- Division of Social Services
- Agriculture Extension Agent
- Mental Health
- Nongovernmental Organizations and Volunteer Organizations
- Interoperable Communications
- Community Colleges



## **Appendix E**

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