

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

Wisconsin's Management of Homeland Security
Program and Urban Areas Security Initiative Grants
Awarded During Fiscal Years 2008 Through 2010






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Department of Homeland Security

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

JAN 30 2013

MEMORANDUM FOR: David J. Kaufman
Acting Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Wisconsin's Management of Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010*

Attached for your action is our final report, *Wisconsin's Management of Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010*. We incorporated the formal comments from the Federal Emergency Management Agency and the Office of Justice Assistance in the final report.

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

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

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

Attachment



Table of Contents

Executive Summary	1
Background	2
Results of Audit	2
State and UASI Homeland Security Strategies.....	3
Recommendation	4
Management Comments and OIG Analysis	5
Subgrantee Monitoring.....	5
Recommendations	8
Management Comments and OIG Analysis	8
Budget Misclassification	9
Recommendations	11
Management Comments and OIG Analysis	12
Measurable Strategic Goals and Objectives	12
Best Practices	13
Other Concerns	14

Appendixes

Appendix A: Objectives, Scope, and Methodology	16
Appendix B: Management Comments to the Draft Report	19
Appendix C: Homeland Security Grant Program.....	24
Appendix D: Wisconsin Homeland Security Council – Participating State and Local Agencies	25
Appendix E: Major Contributors to This Report	26
Appendix F: Report Distribution	27



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Department of Homeland Security

Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
GAN	Grant Adjustment Notice
HSGP	Homeland Security Grant Program
OIG	Office of Inspector General
OJA	Office of Justice Assistance
OMB	Office of Management and Budget
SHSP	State Homeland Security Program
SMART	specific, measurable, achievable, results-oriented, time-limited
STAC	Southeastern Wisconsin Anti-Terrorism Center
UASI	Urban Areas Security Initiative



Executive Summary

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

The objectives of the audit were to determine whether the State of Wisconsin (1) spent grant funds effectively and efficiently; (2) complied with applicable Federal laws and regulations and DHS guidelines governing the use of such funding; and (3) enhanced the ability of State grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The audit included a review of approximately \$43 million in State Homeland Security Program and Urban Areas Security Initiative grant funds awarded by the Federal Emergency Management Agency (FEMA) to Wisconsin from fiscal years 2008 through 2010.

In most cases, the State Administrative Agency, the Office of Justice Assistance, administered its grant programs in compliance with requirements in Federal grant guidance and regulations. The Office of Justice Assistance linked program goals and objectives to national priorities and DHS mission areas. The State Homeland Security Strategy contained defined objectives and goals to measure performance. Grant funds were spent on allowable items and activities, and adequate controls existed over the approval of expenditures and reimbursement of funds.

However, we identified three areas for program improvement: the Urban Areas Security Initiative Homeland Security Strategy operational plan, subgrantee monitoring procedures, and review of grant adjustments.

We made five recommendations to FEMA for improvements, which, if implemented, should strengthen program management, performance, and oversight.



Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Appendix C contains details of HSGP.

The Wisconsin Governor appointed the Office of Justice Assistance (OJA) as the Wisconsin State Administrative Agency. OJA is responsible for managing HSGP in accordance with established Federal guidelines and allocating funds to local and other State government agencies. OJA is also responsible for State and Federal fiscal oversight and development of the State Homeland Security Strategy. In addition, OJA is a member of the Wisconsin Homeland Security Council, which the Governor established to assist in the coordination of homeland security outreach efforts and operations. The council, which comprises 13 appointed representatives from State and local agencies, advises the Governor, coordinates State and local prevention and response efforts, and produces periodic reports on the state of homeland security in Wisconsin. Appendix D contains the participants of the Wisconsin Homeland Security Council.

OJA awards HSGP-funded grants to subgrantees—cities, counties, and various State agencies in Wisconsin. In 2006, OJA implemented the Web-based Egrants system to streamline processing and improve grant reporting and communications. According to OJA, Egrants enhances Federal and State fiscal portfolio management, improves funding announcements and coordination, monitors progress and financial reporting by subgrantees, and improves equipment inventory reporting.

The State received approximately \$43 million in State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) grant funds from fiscal years (FYs) 2008 through 2010. Appendix A provides details on the objectives, scope, and methodology for this audit.

From FYs 2008 through 2010, the Milwaukee UASI received \$4.5 million, \$4.2 million, and \$4.2 million, respectively. In May 2011, the Milwaukee UASI was notified that it would not receive FY 2011 funding. According to OJA officials, the Milwaukee UASI will be able to continue using FY 2010 grant funds through 2013. The officials also said that meetings have been held to develop sustainment plans for the Milwaukee UASI programs.

Results of Audit

In most cases, OJA administered its grant programs in compliance with requirements in Federal grant guidance and regulations. OJA developed and aligned its State Homeland



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Security Strategy with National Preparedness Guidelines. It also developed yearly strategies that linked goals and objectives to the four mission areas and eight national priorities established by DHS. OJA's reimbursement processes were timely, accurate, and controlled. OJA also established measurable strategic goals and objectives in its State Homeland Security Strategy. OJA uses a comprehensive Web-based grants management system to track, process, and report grant activity.

However, although OJA developed its State strategy in accordance with national preparedness guidelines, it needs to finalize and better align its UASI Homeland Security Strategy operational plan. In addition, OJA needs to monitor subgrantees better and improve its review of grant adjustments.

State and UASI Homeland Security Strategies

Wisconsin's State Homeland Security Strategy is properly aligned with priorities in the National Preparedness Guidelines and other Federal guidelines. However, the UASI Homeland Security Strategy operational plan has not been finalized and does not completely reflect the goals and objectives in the strategy submitted to and approved by FEMA.

State Homeland Security Strategy Aligns With National Preparedness Guidelines

Wisconsin's State Homeland Security Strategy is properly aligned with the priorities in the National Preparedness Guidelines and the Target Capabilities List, which are the guidelines the State uses to create its strategy. The State strategy includes goals and objectives that are linked to DHS-established mission areas and national priorities.

During our audit, we reviewed two State strategies—the State of Wisconsin Homeland Security Strategy created in 2003, which was in effect through 2008, and the State of Wisconsin Homeland Security Strategy, implemented in 2009 and in effect through 2011. The primary focus of the State strategy in effect from 2003 through 2008 was to prevent, respond to, and recover from acts of terrorism. OJA updated the State strategy in effect from 2009 through 2011 to align with the revised National Homeland Security Strategy and the National Preparedness Guidelines. The updated State strategy was more comprehensive and predominantly capabilities-based; it was designed to help Wisconsin make informed choices to manage risk and reduce the impact of potential threats and all types of hazardous events, both natural and manmade.



Milwaukee UASI Homeland Security Strategy Operational Plan Needs Improvement

The Milwaukee UASI Homeland Security Strategy operational plan, used to implement day-to-day operations, is not finalized and does not completely reflect the strategy the State submitted and FEMA approved. According to the *State and Urban Area Homeland Security Strategy, Guidance on Aligning Strategies with the National Preparedness Goal*, “the State and Urban Areas Homeland Security Strategies should have strong foundations that support an ongoing process of review and refinement as new lessons are learned, new priorities are realized, and new homeland security guidance is released.” The operational plan was neither approved nor refined. As a result, UASI may be pursuing goals and objectives and implementing day-to-day operations that are not aligned with those approved by FEMA.

Our review of the 2006 operational plan, which was the basis for HSGP FY 2008 and FY 2009 funding, showed that its goals and objectives did not completely align or contain the level of detail in its objectives (that is, specific, measurable, achievable, results-oriented, time-limited, or SMART) as the FEMA-approved strategy. In addition, UASI did not approve the operational plan.

According to an OJA official, the Milwaukee UASI did not develop a comprehensive UASI Homeland Security Strategy operational plan until 2010. However, the 2010 operational plan was not approved. The plan included reviewer comments in the margins. Finally, it did not completely align with the goals or contain SMART objectives like those in the FEMA-approved strategy.

In May 2011, FEMA notified the Wisconsin Homeland Security Administrator that, because of budget cuts, it would not receive FY 2011 UASI funding. According to an OJA official, as a result of not being funded, UASI changed its priority from updating the operational plan to sustaining operations.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to:

Recommendation #1:

Update the 2010 UASI Homeland Security Strategy operational plan to include the goals and objectives of the FEMA-approved strategy and incorporate into it current plans for sustaining Milwaukee UASI operations.



Management Comments and OIG Analysis

Management Response: FEMA concurred with recommendation 1. FEMA stated that it will direct Wisconsin's Office of Justice Assistance to update its State Homeland Security Strategy to incorporate goals and objectives for sustaining Milwaukee UASI operations. OJA agreed with recommendation 1. According to OJA, it received an updated 2010 Strategy from the Milwaukee UASI on October 8, 2012, and forwarded it to FEMA on October 9, 2012, for review and approval.

OIG Analysis: The actions proposed by FEMA and taken by OJA are responsive to the recommendation. However, the recommendation will remain open and unresolved until final implementation of the proposed corrective actions.

Subgrantee Monitoring

OJA does not adequately monitor subgrantees to ensure that they are complying with applicable Federal requirements. Although OJA monitors subgrantees through Single Audits, desk audits, and compliance site visits, these efforts do not always ensure sufficient compliance monitoring of Federal laws and grant requirements.¹ Specifically, Single Audits do not provide sufficient audit coverage, and desk audits were not performed for HSGP grants from FYs 2008 through 2010. OJA conducts compliance site visits, but they are conducted after grants are closed and mainly to ensure only that grant-funded equipment is allowable, necessary, distributed, and adequately secured. As a result, OJA cannot be assured that subgrantees' day-to-day operations and grant-related activities comply with Federal requirements.

According to the Code of Federal Regulations (CFR), 44 CFR 13.40(a), Monitoring and Reporting Program Performance, Monitoring by grantees, grantees are required to manage the day-to-day operations of grant and subgrant-supported activities and ensure that subgrantees comply with applicable Federal requirements. Additionally, OMB Circular A-133, *Compliance Supplement, Part 3M*, requires grantees to monitor subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means.

¹ All non-Federal entities that expend \$500,000 or more in Federal awards in a year are required to obtain an annual Single Audit in accordance with the *Single Audit Act Amendments of 1996*; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and OMB Circular A-133, *Compliance Supplement*; and *Generally Accepted Government Auditing Standards*.



Single Audits

OJA uses results from the Single Audits to monitor subgrantees that receive HSGP grant funds. During FYs 2008 through 2010, only two of the five counties/cities selected for our site visits had HSGP grants reviewed during their Single Audits. Thus, the Single Audit process does not provide adequate coverage to monitor HSGP grant funds.

In addition to Single Audits, OJA requires auditors to use a supplemental audit guide to ensure compliance with criteria in 44 CFR 13.40. The supplemental guide addresses HSGP grant requirements, such as financial controls and reporting, procurement controls, equipment inventories, and testing of grant expenditures. However, the guide has not been used because HSGP funds in some counties have not been considered “major.”²

For the five locations selected for our site visits, we obtained and reviewed the Single Audit reports completed during the scope of our audit. Although all five of the counties/cities had Single Audits performed in FYs 2008 through 2010, three of the counties did not have HSGP grants tested (see table 1). Waukesha County had HSGP coverage in 1 out of 3 years, and only the City of Milwaukee had HSGP grants tested all 3 years. OJA relies on internal control testing through Single Audits of non-HSGP grants because of the similarity of a county’s accounting controls and processes. However, Single Audits do not test specific HSGP grant requirements, such as grant financial controls and reporting requirements, procurement controls, and equipment inventories.

Although an OJA official contended that coverage is adequate, OJA relies substantially on Single Audits to monitor subgrantees. Because the audits do not cover all counties and do not always test HSGP grant requirements, the Single Audit process does not provide sufficient coverage.

² Major program determination—“The auditor shall use a risk-based approach to determine which Federal programs are major programs. This risk-based approach shall include consideration of current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program.” OMB Circular A-133, Major Program Determination.



Table 1: Single Audit Coverage of HSGP Grants in Wisconsin, FYs 2008–2010

State of Wisconsin Single Audit Coverage (HSGP)						
Wisconsin County / City	FY 2008 Coverage	FY 2008 Single Audit Issues	FY 2009 Coverage	FY 2009 Single Audit Issues	FY 2010 Coverage	FY 2010 Single Audit Issues
City of Milwaukee	Yes	Yes	Yes	Yes	Yes	Yes
Milwaukee	No	N/A	No	N/A	No	N/A
Washington	No	N/A	No	N/A	No	N/A
Waukesha	No	N/A	Yes	No	No	N/A
Jefferson	No	N/A	No	N/A	No	N/A

Source: DHS OIG-prepared from review of FYs 2008 to 2010 Single Audit reports for selected counties and the City of Milwaukee.

Desk Audits

OJA did not conduct desk audits for any HSGP grants awarded from FYs 2008 through 2010 because of scheduling and staffing issues. As a result, the desk audit process for these grants has not enhanced OJA’s monitoring of subgrantees.

An OJA official said that desk audits for FY 2008 through 2010 HSGP grants resumed after the completion of OIG’s fieldwork. Out of the 62 grants selected for a desk audit, 32 have been completed. According to OJA, future HSGP desk audits will consist of (1) fiscal review (whether expenditures are within budget; fiscal reports are current and submitted by due dates; and expenses appear reasonable, allocable, and allowable); (2) equipment review (whether there is evidence of cash outflow); (3) program review (whether program reports are current and submitted by due date and whether there are changes in project directors); and (4) file review (whether files contain applications, awards, and payment requests; and whether Equal Employment Opportunity and discrimination issues are documented). These reviews relate to grant performance and do not take into account all requirements in 44 CFR 13.40.

Compliance Site Visits

Although OJA conducts equipment compliance site visits, these visits take place at the end of the grant and are limited to reviews of grant-purchased equipment to ensure that it is allowable, necessary, distributed, and adequately secured. Field representatives are assigned to specific regions of the State to perform these site visits. A visit is scheduled to view the equipment and conduct interviews. Once the compliance site visit is completed, the equipment in



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

question is not tested again. Because these visits are conducted at the close of grants and are limited reviews, they do not ensure that subgrantees are fully monitored throughout grant programs.

Conclusion

OJA has three processes to monitor subgrantees, but none provides assurance that subgrantees are fully monitored for compliance with Federal grant guidance and regulations. Single Audits did not provide adequate HSGP coverage, desk audits were not completed for HSGP grants awarded from FY 2008 through FY 2010, and compliance site visits are limited reviews.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to:

Recommendation #2:

Perform timely and routine desk audits of Homeland Security Grant Program grants.

Recommendation #3:

Incorporate steps into the desk audits, in order to comply with 44 CFR 13.40, for testing of grant financial controls and reporting requirements, procurement controls, and testing of grant expenditures, similar to the Office of Justice Assistance's supplemental audit guide.

Management Comments and OIG Analysis

Management Response: FEMA concurred with recommendations 2 and 3. FEMA stated that it will direct OJA to develop a plan for routine and timely desk audits, and incorporate steps into its existing monitoring policy for desk audits. OJA agreed with recommendation 2 and partially agreed with recommendation 3. OJA reported that it has completed desk monitoring of all 62 FYs 2008 through 2010 HSGP grants selected for review that were not completed at the conclusion of our fieldwork. OJA is evaluating modifications to the desk monitoring process. Among the changes being considered is an increase in the frequency of desk monitoring. In addition, OJA stated that maintaining a 20 percent desk monitoring level should be attainable in the future because Wisconsin's



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

homeland security funding has dropped 83 percent between 2008 and 2012, which will substantially decrease the number of subgrants to be monitored.

OJA believes that it meets its obligations under 44 CFR 13.40, but nonetheless is considering enhancing its monitoring process to provide greater assurances of compliance. This will include creating weighting within the criteria for selecting 20 percent of grants for desk monitoring. The weighting will consider whether the subrecipient had a major single audit finding over the past 2 years, and if not, additional questions relating to existing controls will be asked.

OIG Analysis: The actions proposed by FEMA and taken by OJA are responsive to recommendations 2 and 3. These recommendations will remain open and unresolved until final implementation of the proposed corrective actions.

Budget Misclassification

Although OJA normally spent grant funds on allowable items and activities and had adequate controls over the approval of grant award expenditures and reimbursement of funds, we noted one budget misclassification involving a grant to the City of Milwaukee. Specifically, \$95,266 in grant funding was incorrectly categorized in the grant budget as supplies and operating expenses rather than as equipment. Because of this misclassification, equipment that first responders would use in an emergency was not reported and inventoried as required. As a result, OJA may have reduced its ability to properly assess first responder capabilities and performance levels.

OJA reported this error to us. It occurred when a grant was being adjusted (through a Grant Adjustment Notice) and was a result of miscommunication between OJA and the Milwaukee UASI. A Grant Adjustment Notice completed on December 21, 2011, erroneously subtracted \$98,308 from the equipment budget category and increased supplies and operating expenses by \$95,266, as shown in table 2. The equipment purchased under the grant (ID 6497), is used in the Southeastern Wisconsin Anti-Terrorism Center (STAC), Wisconsin's primary intelligence analysis and dissemination facility. The overall grant of \$555,000 was used to fund the STAC project manager, two intelligence analysts, technology equipment and software licensing, and STAC physical security enhancements.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 2. Grant Adjustment for Grant ID 6497

Grant ID 6497 Budget Detail			
Approved Budget by Category	Current Subgrant Budget	Net Change	New Budget
Personnel	\$207,400.00	\$14,989.26	\$222,389.26
Employee Benefits	\$97,600.00	(\$11,947.51)	\$85,652.49
Travel	\$30,000.00	\$0.00	\$30,000.00
Equipment	\$219,000.00	(\$98,308.00)	\$120,692.00
Supplies and Operating Expenses	\$1,000.00	\$95,266.25	\$96,266.25
Total	\$555,000.00	\$0.00	\$555,000.00

Source: DHS OIG analysis of grant ID 6497.

Our review of grant expenditures and a physical inventory of STAC equipment showed that equipment valued at \$95,266 and categorized as supplies and operating expenses was actually the primary equipment supporting STAC and its emergency response, as depicted in table 3. According to OJA grant announcement instructions, first responder-related equipment should be considered sole purpose equipment and not categorized as supplies.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 3: Equipment Purchase for Grant ID 6497

Summary of Purchased Equipment			
Equipment	Unit Cost	Quantity	Total Costs
Secure Intelligence Area Computers	\$4,329.64	6	\$25,977.84
Secure Intelligence Area Computers	\$3,812.09	7	\$26,684.63
Secure Intelligence Area Computers	\$990.00	6	\$5,940.00
STAC TV Monitors	\$2,084.98	2	\$4,169.96
Audio Data Jacks	\$6,196.84	1	\$6,196.84
STAC Software – STAC – Secure Intelligence Area	\$7,364.87	N/A	\$7,364.87
Miscellaneous Equipment	N/A	N/A	\$19,932.11
Total			\$96,266.25

Source: DHS OIG analysis of grant ID 6497.

OJA reported that there were multiple communications with UASI, but UASI’s description of the equipment did not lead OJA to believe it was for emergency response. OJA agreed that since STAC and the Secured Intelligence Area expenditures support first responder activities, the equipment should have been categorized as equipment in the budget and properly inventoried at the completion of the grant.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to:

Recommendation #4:

Require the Milwaukee UASI to accurately account for equipment in a Grant Adjustment Notice for grant ID 6497.



Recommendation #5:

Require the Milwaukee UASI to inventory and report the Southeastern Wisconsin Anti-Terrorism Center equipment to the Office of Justice Assistance.

Management Comments and OIG Analysis

Management Response: FEMA concurred with recommendations 4 and 5. According to FEMA, grantees must comply with CFR Title 44 § 13.32 (d), Management requirements, which states the minimum requirements for managing equipment and replacement equipment purchased with grant funds.

FEMA directed OJA to require the Milwaukee UASI to inventory and report the Southeastern Wisconsin Anti-Terrorism Center equipment to OJA. Additionally, FEMA directed OJA to incorporate procedures to its existing monitoring policy to ensure that all subgrantees are in compliance with property management requirements. These procedures must address the development of property management records, completion of property inventories, and equipment inspections.

OJA agreed with recommendations 4 and 5. According to OJA, the City of Milwaukee requested a Grant Adjustment (GAN) for grant #6497 to move \$95,758.71 from Supplies & Operating Expenses to Equipment. OJA approved the GAN on July 3, 2012. Once the GAN was completed, the City of Milwaukee submitted a revised Inventory Report on July 11, 2012. According to OJA, it conducted onsite monitoring of the newly inventoried equipment on July 25, 2012, and found that all equipment on the grant is properly accounted for.

OIG Analysis: The actions proposed by FEMA and taken by OJA are responsive to recommendations 4 and 5. These recommendations will remain open and unresolved until final implementation of the proposed corrective actions.

Measurable Strategic Goals and Objectives

The State of Wisconsin's Homeland Security Strategy contains defined goals and objectives to use in measuring performance. The FEMA-approved State strategies for FYs 2008 through 2010, in most cases, contained SMART objectives and provided a basis to determine when the goals and objectives have been achieved. As a result, OJA was able to measure improvements in its projects and response capabilities.



The State and Urban Area Homeland Security Strategy, Guidance on Aligning Strategies with the National Preparedness Goal states, “the quality of the goals and performance against those goals are the primary determinants of an overall successful strategy.” The guidance also states, “an objective sets a target level of performance over time expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value or rate.”

OJA provided us with a subledger containing all HSGP subgrants awarded during FYs 2008 through 2010. From these SHSP and UASI grant awards, we selected a judgmental sample of 35 grants distributed among eight subgrantees, including the City of Milwaukee, as well as Milwaukee, Waukesha, Washington, and Jefferson counties. We also sampled subgrants awarded to the State agencies, including OJA, the Department of Justice, and the Department of Military Affairs. OJA officials provided a document with investment justifications and the goals and objectives corresponding to State and UASI strategies for each grant in our sample. We examined the 35 grants and these documents and determined that OJA established measurable strategic goals and objectives.

To test OJA’s performance measurement processes, we evaluated a sample of subgrantee performance measurement reporting and data submitted to OJA. We concluded that performance reporting and data allowed OJA to assess HSGP grant capabilities and improvements.

Best Practices

OJA uses a comprehensive Web-based system to announce and process HSGP grants, as well as track and report on grant activity.

Egrants System

The Egrants system manages the grant process from inception to completion. OJA develops funding announcements and sends them to applicants through Egrants. In addition, applicants can use the system to apply for funding, report progress, receive notification of report due dates, and request grant modifications. OJA uses the system to task, assign, and show the disposition of subgrantee applications and to monitor workflow. Egrants is also used to track Federal awards by funding year and category and maintain fiscal balances and subgrantee budgets. Finally, Egrants enables maintenance of inventory data and captures measurements of grant performance.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

In September 2010, FEMA identified use of the Egrants system as a best practice for managing grantee and subgrantee awards. During our site visits, subgrantees expressed satisfaction with Egrants because it is easy to use and enables grant program administration from start to finish.

Other Concerns

We noted the following concern during our audit, but we did not consider it pertinent to our objective and therefore did not make a recommendation.

Potential Conflict of Interest

We noted a potential conflict of interest in OJA. Specifically, in December 2011, the Governor of Wisconsin appointed a new executive director to OJA. While employed full-time as the executive director of OJA, he also serves as an elected mayor for a city in Wisconsin. The position of mayor is a part-time, nonpartisan position. In his role as OJA executive director, he has authority to receive and disperse grant funds received from State and Federal sources.

The *Grants Administrative Guide, Section IV, Conflict of Interest*, states, “No official or employee of the state or unit of local government or of non-governmental recipients shall participate personally...in which award agency funds...are used, where to his/her knowledge, he/she or his/her immediate family, partners, organization other than a public agency in which he/she is serving as an officer, director, trustee, partner, or employee or any person or organization....”

According to OJA, although potential conflicts of interest involving the new executive director were discussed prior to the appointment, no policy or mitigation procedure was formally documented. Because Wisconsin can draw HSGP grant funds up to 36 months from the award date, the executive director’s decisions could still affect funds received during the scope of our audit (FYs 2008 through 2010). Therefore, we requested that OJA provide a disclosure statement to address existing or future conflicts and to resolve potential future conflicts of interest.

On March 6, 2012, OJA legal counsel provided a disclosure statement and agreed it was theoretically possible that there could be a conflict of interest between the executive director’s role and his duties as mayor. OJA legal counsel also recommended that, as long as he is mayor, the executive director should recuse himself from discussion or decision making related to any application for a grant made by the city or any grant that in part benefits the community. To date, OJA



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

has not identified any situations in which the executive director's exercise of authority has led to any actual, potential, or perceived conflict of interest.



Appendix A Objectives, Scope, and Methodology

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

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

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

The scope of the audit included the following programs:

Wisconsin Homeland Security Grant Program Awards FYs 2008 Through 2010				
Program	FY 2008	FY 2009	FY 2010	Total
State Homeland Security Program	\$10,640,000	\$10,286,500	\$9,584,902	\$30,511,402
Urban Areas Security Initiative	\$4,491,000	\$4,159,850	\$4,159,850	\$12,810,700
Subtotal	\$15,131,000	\$14,446,350	\$13,744,752	\$43,322,102

Source: FEMA.

The audit methodology included interviews with FEMA representatives as well as work at the State Administrative Agency, OJA, 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 programs under the Wisconsin HSGP. We conducted site visits and held discussions with appropriate officials from selected State agencies,



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

urban areas, and local jurisdictions to determine if program grant funds were expended in accordance with grant requirements and OJA established priorities.

During the audit, we contacted the following 18 entities:

Urban Areas Security Initiative

- Milwaukee UASI

State Agencies

- Department of Justice
- Department of Military Affairs
- Office of Justice Assistance

City/Counties

- City of Milwaukee
- Jefferson County
- Milwaukee County
- Washington County
- Waukesha County

Local Jurisdictions and First Responders

- City of Milwaukee Fire Department
- City of Milwaukee Office of Emergency Management and Homeland Security
- City of Milwaukee Police Department
- Jefferson County Office of Emergency Management
- Milwaukee County Division of Emergency Management
- Special Weapons and Tactics Milwaukee County
- Southeastern Wisconsin Terrorism Alert Center
- Washington County Emergency Management Department
- Waukesha County Office of Emergency Management

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

We reviewed a judgmental sample of grant expenditures representing approximately 36.1 percent of the dollar value expended for FYs 2008 through 2010 grants to determine whether the expenditures were supported and allowable under the terms of the grants. We judgmentally chose specific equipment items to observe at the local sites where they reside.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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



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Appendix B
Management Comments to the Draft Report


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



FEMA

NOV 21 2012

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

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

SUBJECT: Response to OIG Draft Report, *The State of Wisconsin's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 through 2010*

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

Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to update the 2010 UASI Homeland Security Strategy operational plan to include the goals and objectives of the FEMA approved strategy and incorporate into it current plans for sustaining Milwaukee UASI operations.

FEMA Response: FEMA concurs with the recommendation. FEMA will direct Wisconsin's Office of Justice Assistance (OJA) to update its State Homeland Security Strategy to incorporate goals and objectives for sustaining Milwaukee UASI operations. The updated Strategy should be submitted to their GPD Program Analyst within 120 days from receipt of the final report and the grantee notification memorandum. FEMA requests that this recommendation be considered resolved and open pending full implementation of the corrective action plan by the grantee.

Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to perform timely and routine desk audits of Homeland Security Grant Program.

FEMA Response: FEMA concurs with the recommendation. FEMA will direct OJA to develop a plan for routine and timely desk audits. FEMA will direct the SAA to submit this plan to their GPD Program Analyst within 90 days from receipt of the final report and the grantee notification



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Department of Homeland Security

memorandum. FEMA requests that this recommendation be considered resolved and open pending full implementation of the corrective action plan by the grantee.

Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to incorporate steps into the desk audits, in order to comply with 44 CFR 13.40, for testing of grant financial controls and reporting requirements, procurement controls, and testing of grant expenditures, similar to the Office of Justice Assistance's supplemental audit guide.

FEMA Response: FEMA concurs with the recommendation. FEMA will direct OJA to incorporate steps into its existing monitoring policy for desk audits. Within 90 days of the receipt of the final report, the SAA will be required to provide a revised policy to include standards in accordance with the CFR to ensure compliance with monitoring and reporting program performance for testing grant financial controls and reporting requirements, procurement controls and testing of grant expenditures. FEMA requests that this recommendation be considered resolved and open pending full implementation of the corrective action plan by the grantee.

Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to require the Milwaukee UASI to accurately account for equipment in a Grant Adjustment Notice for grant ID 6497.

FEMA Response: FEMA concurs with the recommendation. CFR Title 44 §13.32 (d), Management requirements, states the minimum requirements for managing equipment and replacement equipment purchased with grant funds. Grantees must comply with these standards in accordance with the applicable grant terms, conditions, and assurances. Within 90 days of the receipt of the final report, the SAA will be required to provide a plan for managing grant funded property and equipment to their GPD Program Analyst. FEMA requests that this recommendation be considered resolved and open pending full implementation of the corrective action plan by the grantee.

Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Office of Justice Assistance to require the Milwaukee UASI to inventory and report the Southeastern Wisconsin Anti-Terrorism Center equipment to the Office of Justice Assistance.

FEMA Response: FEMA concurs with the recommendation. Within 90 days of receipt of this final report, FEMA directs OJA to require the Milwaukee UASI to inventory and report the Southeastern Wisconsin Anti-Terrorism Center equipment to OJA. Additionally, FEMA directs OJA to incorporate procedures to its existing monitoring policy to ensure that all sub-grantees are in compliance with property management requirements within 90 days of receipt of this report. These procedures must address the development of property management records, completion of property inventories, and equipment inspections. FEMA requests that this recommendation be considered resolved and open pending full implementation of the corrective action plan by the grantee.

Again, we thank you for the opportunity to address the recommendations contained in this report. If you have any questions regarding our response, please do not hesitate to call FEMA's Audit Liaison point of contact, Gina Norton, at 202-646-4287.



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October 10, 2012

Deputy Anne L. Richards
Assistant Inspector General of Audits
Department of Homeland Security
Office of Inspector General

Dear Ms. Richards:

Thank you for the opportunity to respond to the audit finding listed in the Draft Report of the *State of Wisconsin Management of State Homeland Security Program and Urban Area Security Initiatives Grants 2008-2010* Audit.

Recommendation #1:

Update the 2010 UASI Homeland Security Strategy operational plan to include the goals and objectives of the FEMA-approved strategy and incorporate into it current plans for sustaining Milwaukee UASI operations.

OJA Response:

OJA agrees with the recommendation. OJA received an updated 2010 Strategy from the Milwaukee UASI on October 8, 2012 and forwarded it to FEMA on October 9, 2012 for review and approval. This is the same strategy that UASI Executive Committee worked off to create the UASI spending plan in accordance with state strategy.

Recommendation #2:

Perform timely and routine desk audits of Homeland Security Grant Program grants.

OJA Response:

OJA agrees with the recommendation. The Office of Justice Assistance is pleased to report that it has completed desk monitoring's of all 62 FY2008 through 2010 HSGP grants selected for review that were not complete as of the conclusion of OIG's fieldwork. OJA is committed to ensuring that desk monitors for HSGP grants are performed timely and routinely and, to that end, is evaluating modifications to the desk monitoring process. Among the changes being considered is an increase in the number of times during the year that desk monitoring would be performed. Desk monitors are currently performed once per year with information requested in August for payments made in the prior calendar year. Increasing the frequency will spread the desk monitors over the year making the workload more manageable. Maintaining a 20% desk monitoring level should be attainable in the future because Wisconsin's Homeland Security funding has dropped 83% between 2008 and 2012 which will substantially decrease the number of subgrants to be monitored.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Page 2

Recommendation #3:

Incorporate steps into the desk audits, in order to comply with 44 CFR 13.40, for testing of grant financial controls and reporting requirements, procurement controls, and testing of grant expenditures, similar to the Office of Justice Assistance's supplemental audit guide.

OJA Response:

OJA partially agrees with the recommendation. As noted by the OIG, 44 CFR 13.40, FEMA's codification of the grants management common rule, requires grantees to be responsible for monitoring subgrantees' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subgrantees administer federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved. The Office of Justice Assistance's comprehensive approach to monitoring subrecipients, which was described in part by the OIG, consists of:

- Requiring and reviewing periodic financial reports of all subrecipients including the review of all backup documentation with each reimbursement.
- Requiring and reviewing periodic performance reports of all subrecipients.
- Desk monitoring of twenty percent of non-equipment grant subrecipients on a calendar year basis.
- Compliance on-site visits to all equipment grants upon closeout, after equipment is invoiced, installed and inventoried.
- Regular contact between OJA's grant administration staff and subrecipients.

In addition to the comprehensive monitoring process above, subgrantees who meet the threshold receive an A-133 audit. This comprehensive process was recognized by FEMA as a best practice in the 2009 and 2011 FEMA monitors.

The OIG Audit report uses the terms "audit" and "monitor" interchangeably and they are very different things. OJA would like to correct that we do not conduct Desk Audits; rather, we conduct Desk Monitors.

The Office of Justice Assistance believes that it meets its obligations under 44 CFR 13.40, but nonetheless is considering the following enhancement to provide greater assurances of compliance:

- Creating weighting within the criteria for selecting twenty percent of grants for desk monitoring to consider whether the subrecipient had a major single audit finding over the last 2 years. If they did not have a major audit within the last 2 years additional questions relating to existing controls will be asked.

Through the current monitoring procedures and implementation of this improvement, we believe that we will be able to provide reasonable assurance and comply with 44 CFR 13.40.

Recommendation #4:

Require the Milwaukee UASI to accurately account for equipment in a Grant Adjustment Notice for grant ID 6497.

OJA Response:

OJA agrees with the recommendation. The City of Milwaukee requested a Grant Adjustment (GAN) for grant #6497 to move \$95,758.71 from Supplies & Operating Expenses to Equipment. OJA approved the GAN on 7/3/2012.

Recommendation #5:

Require the Milwaukee UASI to inventory and report the Southeastern Wisconsin Anti-Terrorism Center equipment to the Office of Justice Assistance.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Page 3

OJA Response:

OJA agrees with the recommendation. Once the Grant Adjustment Notice was completed to move \$95,758.71 from Supplies & Operating Expenses to Equipment, the City of Milwaukee submitted a revised Inventory Report on 7/11/2012. OJA conducted an on-site monitor of the newly inventoried equipment on 7/25/2012 and found that all equipment on the grant is properly accounted for.

If you have further questions or comments, feel free to contact Darcey Varese, Financial Officer (608) 266-9653.

Sincerely,

A handwritten signature in black ink that reads "John Murray". The signature is written in a cursive style.

John Murray
Executive Director



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 U.S. Territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address 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 Strategy. 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 programs include the following:

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



Appendix D

Wisconsin Homeland Security Council – Participating State and Local Agencies

The Wisconsin Homeland Security Council was created in 2003 to address the State’s ability to prepare for and respond to threats to Wisconsin homeland security. The 13-member council is responsible for advising the Governor, coordinating State and local prevention and response efforts, and producing periodic reports on the state of homeland security in Wisconsin.

Participating Wisconsin State and local agencies:

- Badger State Sheriffs Association
- Department of Administration – Division of Capital Police
- Department of Administration – Division of Enterprise Technology
- Department of Agriculture, Trade, and Consumer Protection
- Department of Health Services – Division of Public Health
- Department of Justice – Division of Criminal Investigation
- Department of Military Affairs – Wisconsin Emergency Management
- Department of Natural Resources
- Department of Transportation – Wisconsin State Patrol
- Office of Justice Assistance
- Wisconsin Chiefs of Police Association
- Wisconsin Homeland Security Advisor – Wisconsin Adjutant General
- Wisconsin State Fire Chiefs Association



Appendix E

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Appendix F

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