

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

FEMA's Use of Risk-based Monitoring for Grantee Oversight





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Department of Homeland Security

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

FEB 14 2013

MEMORANDUM FOR:

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

Cara Whitehead
Acting Director
Division of Financial Assistance Policy and Oversight
Department of Homeland Security

FROM:

Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT:

FEMA's Use of Risk-based Monitoring for Grantee Oversight

Attached for your action is our final report, *FEMA's Use of Risk-based Monitoring for Grantee Oversight*. We incorporated the formal comments from the Federal Emergency Management Agency's Office of Policy, Program Analysis and International Affairs in the final report. Those formal comments included input from the Department of Homeland Security's Division of Financial Assistance Policy and Oversight.

The report contains three recommendations aimed at improving financial and programmatic monitoring of grantees. Your offices concurred with two of the three recommendations and did not concur with one recommendation. As prescribed by the Department of Homeland Security Directive 077-01, Follow-Up and Resolution for 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 corrective action plan, and target completion date for recommendation 1. 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, recommendation 1 will be considered open and unresolved.

Based on information provided in your response to the draft report, we consider recommendations 2 and 3 resolved and closed.



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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 John E. McCoy II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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Abbreviations

AFGP	Assistance to Firefighters Grant Program
AFG	Assistance to Firefighters Grants
DHS	Department of Homeland Security
FAPO	Division of Financial Assistance Policy and Oversight
FEMA	Federal Emergency Management Agency
FY	fiscal year
GPD	Grant Programs Directorate
OIG	Office of Inspector General
TISB	Transportation Infrastructure Security Branch



Executive Summary

This review was initiated in response to recommendations in the Department of Homeland Security (DHS) Office of Inspector General (OIG) report, *DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates* (OIG-11-10). In that audit, we determined that the Federal Emergency Management Agency (FEMA) did not consider sufficient risk indicators in selecting grants to monitor, and we recommended that FEMA incorporate key indicators in its risk-based approach to its selection process.

This review focused on FEMA preparedness grants awarded directly to local fire stations, port facilities, and transit systems, called Assistance to Firefighters Grants and Transportation Infrastructure Security Branch grants, that totaled \$1.2 billion in fiscal year 2011. This report conveys concerns we identified during our limited review for FEMA to consider prior to implementing its revised monitoring plans. We may revisit FEMA's monitoring of grantees using a risk-based approach once implementation is complete.

In fiscal year 2012, FEMA inconsistently applied risk indicators to determine the level of financial and programmatic monitoring a grantee received. Additionally, in selecting grantees to monitor, FEMA did not assign risk indicators to all grantees. As a result, during fiscal year 2012, FEMA could not ensure that it monitored all grantees with increased risk. For fiscal year 2013, FEMA combined programmatic and financial monitoring into an integrated plan and revised its risk indicators to better reflect grantees' inherent risk. However, the plan does not ensure that all grantees with increased risk will be properly selected for financial monitoring. In addition, FEMA and DHS have not coordinated their approaches to grant oversight monitoring, which means that FEMA may have to revise its approach should DHS issue a standard risk model.

We made three recommendations aimed at improving FEMA's identification and application of risk-based indicators to grantee oversight. FEMA concurred with two of the recommendations and did not concur with our recommendation to include in FEMA's integrated financial and programmatic monitoring plan for grantees a methodology for applying financial monitoring key risk indicators to all grantees, not just those selected in a random sample.



Background

This review was initiated in response to recommendations in the DHS OIG report, *DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates* (OIG-11-10). In that report, we determined that FEMA’s process for selecting grants to monitor did not consider sufficient indicators of risk. We recommended that FEMA “incorporate key factors or indicators, such as the grantees’ experience with the program and known concerns about the grantee, in [its] risk-based approach to select grantees for inclusion in its monitoring plan.”¹

FEMA awards preparedness (nondisaster) grants to plan, organize, equip, train, and conduct exercises to build and sustain the capabilities necessary to prevent, protect against, mitigate the effects of, respond to, and recover from those threats that pose the greatest risk to the security of the Nation. Most preparedness grants are awarded to State Administrative Agencies, which in turn award grant funds to subgrantees; according to a FEMA official, States also monitor these grants. FEMA also awards grants directly to local entities such as fire stations, port facilities, and transit systems. These grants are grouped under two broad categories—Assistance to Firefighters Grants Program (AFGP) and Transportation Infrastructure Security Branch (TISB) grants. A FEMA official reported that FEMA directly monitors both categories of grants, which totaled \$1.2 billion in fiscal year (FY) 2011. These grants were the subject of our review. Appendix C contains detailed program information. Table 1 summarizes the FY 2011 AFGP and TISB preparedness grants.

Table 1. FY 2011 AFGP and TISB Grants

Grant Program	Number of Awards	Total Funds Awarded
AFGP	3,575	\$768,033,052
TISB	251	\$435,129,048

Source: DHS OIG prepared table based on FEMA data.

FEMA grants are overseen by its Grant Programs Directorate (GPD). Programmatic and financial grant monitoring responsibilities are shared among GPD and FEMA’s 10 regions. The goals of programmatic and financial monitoring are to ensure that funded projects remain consistent with their original proposals, that Federal grant funds are spent according to Federal regulations, and that grantees are properly administering these funds. Although GPD oversight includes issuing grant monitoring plans, it does not have authority over monitoring conducted by the 10 regions. Table 2 shows the FY 2012 and FY 2013 financial and programmatic monitoring responsibilities for all AFGP and TISB grants. Appendix C contains more details.

¹ *DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates*, OIG-11-10, November 2010, page 11.



Table 2. Monitoring Responsibilities for AFGP and TISB Grant Programs

Type of Grant	Financial Monitoring Responsibility	Programmatic Monitoring Responsibility
Assistance to Firefighters Grants (AFG)	FEMA GPD	FEMA Regions
Fire Prevention and Safety	FEMA GPD	FEMA GPD
Staffing for Adequate Fire and Emergency Response	FEMA GPD	FEMA GPD
Station Construction Grants	FEMA GPD	FEMA GPD
TISB (all grants)	FEMA Regions	FEMA GPD

Source: DHS OIG prepared table based on FEMA data.

GPD develops annual monitoring plans, which include a standard monitoring approach for GPD and the regions. FEMA’s approach to its monitoring plans is evolving. For example, FEMA officials said that programmatic monitoring was conducted prior to FY 2012; however, FEMA did not regularly publish a plan until FY 2012. FEMA regularly published annual financial monitoring plans, but these plans differed each year in the method used to select grantees for monitoring. For example, in FY 2010, FEMA used subjective selection criteria such as “Responsiveness of Grantee;” the FY 2011 plan used more objective criteria such as “Grants that have exceeded the 5-year statutory threshold.” The FY 2012 financial monitoring plan reverted to including more subjective criteria.

FEMA personnel monitor grants through formal monitoring activities such as desk reviews and site visits. Desk reviews are paper-based reviews of grantee activity that FEMA personnel conduct at FEMA offices; site visits involve onsite verification of grantee activities. Some FEMA personnel said that they also informally monitor throughout the grant life cycle—for example, during new grantee orientation, while reviewing quarterly reports, or when providing technical assistance to the grantee.

Results of Review

In FY 2012, FEMA inconsistently applied risk indicators to determine the level of financial and programmatic monitoring a grantee received. Additionally, in selecting grantees to monitor, FEMA did not assign risk indicators to all grantees. As a result, FEMA could not ensure that it monitored all grantees with increased risk. For FY 2013, FEMA combined programmatic and financial monitoring into an integrated plan and revised its risk indicators to reflect grantees’ inherent risk better. However, the plan does not ensure that all grantees with increased risk will be selected for financial monitoring. In addition, FEMA and DHS’ Division of Financial Assistance Policy and Oversight (FAPO) have not coordinated their approaches to grant oversight monitoring,



which means that FEMA may have to revise its approach should DHS issue a standard risk model.

FY 2012 Financial and Programmatic Monitoring

FEMA's FY 2012 financial and programmatic monitoring plans did not ensure that it could properly monitor all grantees with increased risk. Although FEMA used risk indicators to determine the type of formal monitoring that a grantee should receive, the agency's plans did not specify using risk indicators to select grantees that would be subject to such monitoring. Instead, FEMA relied on legislative mandates, random sampling, and subjective judgment to select grantees for monitoring.

In FY 2012, FEMA published separate monitoring plans for formal financial and programmatic monitoring. Both plans included the same procedures for selecting grants to monitor:

1. Select grants that are legislatively mandated for monitoring (e.g., grants required to be monitored every 2 years by the *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended (9/11 Act)).
2. Select grants designated by FEMA leadership as special monitoring focus areas.
3. Use a process to select grants from the remaining pool.

The selection process for the remaining pool of grants varied by grant program and type of monitoring. For example, the *Fiscal Year 2012 Programmatic Monitoring Plan* suggests that, for TISB grants, FEMA personnel should monitor all grants but prioritize high-dollar value grants. According to the plan, Grant Management Specialists also have discretionary authority to determine which grantees are monitored, and they may add or omit grantees from the random sample.² Some FEMA personnel said that such discretionary selection of grantees with known problems largely factored into deciding which grants FEMA programmatically monitored in a given year.

Rather than applying risk indicators to all grants to determine which ones it will monitor financially, FEMA selected a sample of grants to monitor before applying risk indicators. In its *Fiscal Year 2012 Financial Monitoring Plan*, FEMA encouraged using random sampling to select grants to include in its financial monitoring

² Grant Management Specialists prepare and administer grants and cooperative agreements, ensure compliance with the terms and conditions of the grant award, and make recommendations to resolve grantee problems.



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schedules. According to the plan, the sample should include 10 percent of all nondisaster (preparedness) grants, that is, those not already under mandatory or focus area financial monitoring. In addition, using professional judgment, regional personnel may omit grants from the sample under certain conditions, for example if a Government Accountability Office or DHS OIG audit is ongoing or was conducted within the past 3 years. By selecting grants to monitor before applying risk indicators, FEMA may be losing opportunities to identify and monitor high-risk grantees.

FEMA's programmatic and financial monitoring plans also included risk indicators that FEMA personnel should use to determine the type of grantee monitoring. These indicators, which are listed in appendix D, are similar for both financial and programmatic plans and are all given equal weight. When a grantee is selected for monitoring, FEMA personnel rate the grantee on each of these indicators and average the score to determine overall risk for the grant, which determines whether a grantee receives a site visit, a desk review, or no formal monitoring. However, according to the monitoring plans, FEMA personnel do not have to apply these risk indicators to every grant.

Planned Grants Monitoring for FY 2013

FEMA issued an FY 2013 comprehensive and integrated risk-based monitoring plan to enhance its financial and programmatic grant monitoring process. However, FEMA needs to ensure that all grantees with increased risk will be properly selected for financial monitoring and will be monitored appropriately. The integrated process may result in coordination issues, including data residing in multiple databases.

FY 2013 Grant Monitoring Selection Process

FEMA's FY 2013 monitoring plan does not include steps to ensure that all grantees with increased risk are financially monitored. Financial monitoring of AFGP grants will be based on a 3 percent random sample of open nonmandatory (non-9/11 Act) grants. The FY 2013 plan lists the reason as "...the large number of grants within the Headquarters Branches portfolio and the estimated financial monitoring workload capacity."³ Further, the FY 2013 plan permits Grant Management Specialists to assess this sample of nonmandatory (non-9/11 Act) grants, with the type of monitoring activity left to the specialist's discretion. The specialists are encouraged to select medium- and high-rated grants for monitoring, and must justify and document the selection. Additionally, those

³ *Fiscal Year 2013 FEMA Monitoring Plan*, October 1, 2012, page 13, footnote 10.



who monitor grants in the regions are not required to follow the processes listed in the FY 2013 monitoring plan.

In contrast to financial monitoring, all open programmatic grants will receive a First Line Review in FY 2013. A score sheet will be completed on each grant to assist those monitoring the grant in determining additional monitoring activities. The score sheets will be totaled by the Preparedness Grants Division’s Program Development Branch and then prioritized from highest risk to lowest risk. The Preparedness Grants Division’s Division Director will review the list, provide final approval, and allocate monitoring resources.

Although FEMA created a comprehensive and integrated monitoring plan for FY 2013, it does not assign financial risk indicators appropriately to all grantees and does not require regional monitors to abide by the monitoring plan processes.

FY 2013 Integrated Monitoring Plan

The FY 2013 comprehensive and integrated risk-based plan includes TISB, AFGP, and other preparedness grants. This approach may create challenges because of the characteristics of the TISB and AFGP programs. Table 3 compares the TISB and AFGP programs with other preparedness grants.

Table 3. Comparison of TISB and AFGP Programs With Other Preparedness Grants

	TISB and AFGP	Other preparedness grants
Awarded to	Individual businesses, fire departments, transit agencies, etc.	State Administrative Agencies
Number of Awards	Approximately 3,800 total TISB and AFGP awards for FY 2011	Up to 58 grantees (one for each State and territory)
Award Basis	Competitive	Formulas or threat assessments

Source: DHS OIG prepared table based on FEMA data.

FEMA’s integrated FY 2013 monitoring plan describes a process for programmatic monitoring that includes the development of a prioritization list from programmatic score sheets completed on each open grant. According to FEMA’s FY 2013 plan, FEMA will conduct a pilot program in FY 2013 that will use various weighting methodologies to develop a prioritization protocol suited to individual grants programs.



Coordination of Proposed Monitoring Activities

The FY 2013 plan provides specific procedural coordination points to promote integration of financial and programmatic grant monitoring activities. FEMA believes that an integrated monitoring plan will increase communication and coordination between those involved in programmatic and financial monitoring and improve the grant monitoring process. We are concerned that coordination issues will continue under the integrated monitoring plan, including maintaining grant information in multiple databases (Assistance to Firefighters Grants (AFG) Online System, Non-Disaster Grant Management System, and the Grants Management System) instead of one database.

Some Regional FEMA Fire Program Specialists indicated that they conduct programmatic monitoring of AFGP grants and must access different databases to review grant purchase requests.⁴ However, they are not notified when a grantee submits a purchase request to FEMA headquarters for payment. Failure to notify the specialist about purchase request submissions increases the risk of improper procurements. To improve communication and minimize the need to resolve grant procurement issues, FEMA should ensure that its Regional Fire Program Specialists are notified when grant purchase requests are submitted for payment.

Coordination With DHS' FAPO

DHS' FAPO and FEMA's GPD did not communicate regularly to ensure consistency and cooperation in monitoring grantees with increased risk. The DHS Chief Financial Officer has authority over the financial accountability and internal control of DHS funds, including financial assistance awards. FAPO is responsible for coordinating with other DHS headquarters offices as necessary to implement DHS' policies regarding financial assistance.

According to a FAPO official, there are plans to issue a *Financial Assistance Line of Business* directive and instruction, which will include a mandate to use a standardized DHS risk model for grants. However, GPD and FAPO personnel acknowledged that there was little to no communication between the offices regarding current FEMA monitoring plans or long-range changes to these plans. Without collaboration between FAPO and GPD while developing monitoring plans, FEMA may issue new plans that are inconsistent with the DHS risk model and need to be revised.

⁴ Fire Program Specialists provide grant monitoring oversight and assist in developing, coordinating, and evaluating program plans, policies, and operational procedures.



Recommendations

We recommend that the Assistant Administrator of the Grant Programs Directorate:

Recommendation #1:

Include in FEMA's integrated financial and programmatic monitoring plan for grantees a methodology for applying financial monitoring key risk indicators to all grantees, not just those selected in a random sample.

Recommendation #2:

Notify Regional Fire Program Specialists when grantee purchase requests are submitted to FEMA for payment.

We recommend that the Acting Director, Division of Financial Assistance Policy and Oversight, and the Assistant Administrator of the Grant Programs Directorate:

Recommendation #3:

Develop and implement a plan to ensure that there is open and continuing communication between the offices as they develop grant monitoring procedures, plans, and requirements.

Management Comments and OIG Analysis

FEMA and DHS FAPO provided comments on the draft of this report. A copy of the response in its entirety is included in appendix B.

Management Comments to Recommendation #1

Nonconcur. FEMA replied that its financial monitoring process is conducted at the grant level and not the grantee level, and that there are more than 20,000 open grant awards and limited resources available to assess each award. Therefore, FEMA has chosen to assess a sample of grants using 11 key indicators, which can further identify any potential issues or concerns that require an enhanced level of monitoring.

FEMA said that it conducts quarterly cash analysis activities on all open grants as a means of providing financial oversight and monitoring. If the analysis warrants a more in-depth review, FEMA conducts site visits or desk reviews on the



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affected awards. Additionally, all grants required to be monitored by the 9/11 Act are scheduled for monitoring not less than once every 2 years. Each region and headquarters branch receives a data set of these grants to assess; the regional data set includes all grants in the annual rotation of States and territories as required by the 9/11 Act. GPD also sends headquarters branches a data set chosen through random sampling, to include AFG, Station Construction Grants, Fire Prevention and Safety, and Staffing for Adequate Fire Emergency Response grants. These grants account for a large portion of the 20,000 grants that GPD processes each year. Many of these are 1-year reimbursement-only grants and are assessed before payment is made. FEMA does not believe that it is necessary to assess all of these grants for key risk indicators.

FEMA also said that the Preparedness Grants Division reviews all headquarters-based preparedness grants to guide the selection of grants for programmatic monitoring. Therefore, FEMA believes that it is not cost-effective for some grant programs for which monitoring is already required by the 9/11 Act or for the large volume of AFG, Station Construction Grants, Fire Prevention and Safety, and Staffing for Adequate Fire Emergency Response grants to be assessed for key risk indicators. FEMA requests that OIG consider this recommendation resolved and closed.

OIG Analysis

We do not consider FEMA's response to be responsive to the recommendation. At the exit conference held on October 10, 2012, FEMA officials said that they were programmatically applying risk to all new AFGP grants in FY 2013 and that all open grants (non-AFGP) will be assessed for risk. Therefore, it is unclear to OIG why the same protocols, from a financial perspective, cannot be applied for financial risk to the same grant population. It is OIG's intent, with this recommendation, that all new FY 2013 grants be assessed for risk upon award. OIG understands the resource constraints of assessing all open grants prior to FY 2013. We consider this recommendation open and unresolved until FEMA provides evidence that its quarterly cash analysis activities provide adequate financial risk-based monitoring in lieu of assessing risk at grant award.

Management Comments to Recommendation #2

Concur. FEMA replied that the AFG grants are closely managed through the Subject Matter Specialists within the headquarters office. The Regional Fire Program Specialists provide support for the technical assistance and some monitoring aspects of AFG awards. To that end, the AFG program office has expanded access to AFG grant information to the Regional Fire Program



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Specialists to ensure that they can view payment requests by grantees. Given the actions already taken, FEMA requests that OIG consider this recommendation resolved and closed.

OIG Analysis

We consider the actions taken by FEMA to be responsive to the recommendation. The recommendation is considered resolved and closed.

Management Comments to Recommendation #3

Concur. DHS and FEMA agree that staff communication between DHS' FAPO and FEMA's GPD can be strengthened and have taken actions to institutionalize processes requiring such communication.

According to FEMA, during FY 2012, FEMA GPD led numerous intra-agency Grant Program Task Force meetings designed to facilitate the exchange of ideas and information to ensure consistent, efficient, and effective financial assistance processes across FEMA. This effort resulted in the joint development of a comprehensive and integrated risk-based *FY 2013 FEMA Monitoring Plan*, which GPD formally approved on September 27, 2012. Task force participants contributing to the effort included financial and program management staff from throughout FEMA.

FEMA also said that with open and continuing communication, task force participants coordinated the development of a preparedness monitoring plan, including new standard processes to better ensure cost-effectiveness and reduce the burden that grant recipients sometimes encounter with multiple oversight-related site visits and desk reviews. The participants also jointly determined which grants had the greatest need for monitoring by developing and using a new recipient assessment framework. FAPO reviewed the resulting plan and confirmed its alignment with Department-wide monitoring protocols and approaches being established as a result of the DHS Deputy Secretary's initiative to *Improve the Health of DHS Financial Assistance*.

As indicated in FEMA's response, concurrent with FEMA's effort to develop its FY 2013 monitoring plan, FAPO led regularly scheduled monthly Financial Assistance Initiative Requirements Work Group meetings to standardize all phases of the financial assistance life cycle—preaward, award, postaward, and closeout. These meetings incorporated representation from a broad cross-section of all financial assistance awarding entities, including FEMA GPD. As such, GPD staff were fully aware of the protocols and templates being developed



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for each phase of the life cycle and considered them, as appropriate, when developing the FY 2013 monitoring plan.

FEMA's response further said that as a result of the Deputy Secretary's initiative, DHS Directive 128-01, *Financial Assistance Line of Business Integration and Management*, and DHS Instruction 128-01-001, *Financial Assistance Line of Business Integration and Management Instruction*, were approved and signed by the DHS Under Secretary for Management and the DHS Chief Financial Officer on October 15, 2012, and October 23, 2012, respectively. This guidance directs the creation of two councils that, once formed, will institutionalize opportunities for open and continuing communication between those involved in developing grant-monitoring procedures, plans, and requirements.

Given the actions already taken, DHS and FEMA jointly request that OIG consider this recommendation resolved and closed.

OIG Analysis

We consider the actions taken by DHS and FEMA to be responsive to the recommendation. The recommendation is considered resolved and closed.



Appendix A

Objectives, Scope, and Methodology

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

This report provides the results of our limited review to determine whether FEMA's grant monitoring plans, including its methodology for identifying and selecting grantees for review and the indicators used in the selection process, are adequate to monitor grantees with increased risk. During our review, FEMA officials said that revised monitoring plans were not in place; as a result, we suspended the review. Subsequent to completion of fieldwork and prior to issuance of the draft report, FEMA issued its FY 2013 integrated risk-based monitoring plan. We are providing the concerns identified during our limited review for FEMA to consider before implementing its revised monitoring plans. We may revisit FEMA's monitoring of grantees using a risk-based approach once implementation is complete.

Because FEMA's GPD intended to revise its risk-based monitoring plans for FY 2013, we did not test its FY 2012 monitoring plans. We reviewed the AFGP and TISB grant programs (appendix C provides detailed program information). We analyzed FEMA's published programmatic (FY 2012) and financial (FYs 2008–2012) monitoring plans, the FY 2013 integrated risk-based monitoring plan, and DHS' grant oversight guidance in its *Financial Management Policy Manual*. We interviewed FAPO personnel, GPD personnel who oversee financial and programmatic monitoring, GPD financial monitoring personnel, and Region 8 and Region 1 AFGP programmatic and TISB monitoring personnel.

We conducted this review between May and October 2012 under the authority of the *Inspector General Act of 1978*, as amended, and according to the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.



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Appendix B
Management Comments to the Draft Report

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



JAN 17 2013

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

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

SUBJECT: Response to OIG Draft Report: *FEMA's Use of Risk-based Monitoring for Grantee Oversight* (Job Code 12-057-AUD-FEMA)

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

OIG Recommendation #1: We recommend that the Assistant Administrator of the Grant Programs Directorate include in FEMA's integrated financial and programmatic monitoring plan for grantees a methodology for applying financial monitoring key risk indicators to all grantees, not just those selected in a random sample.

FEMA Response: Non-concur. Given that the financial monitoring process is conducted at the grant level rather than at the grantee level coupled with the fact that there are over 20,000 open grant awards and limited resources available to assess each award, FEMA has chosen to assess a sample of grants utilizing 11 key indicators which can further identify any potential issues or concerns which require an enhanced level of monitoring.

FEMA does conduct quarterly cash analysis activities on all open grants as a means of providing financial oversight and monitoring. If our cash analysis activities warrant a more in-depth review, FEMA conducts site visits or desk reviews on the affected awards. In addition, all grants covered by the 9/11 Act are scheduled for monitoring not less than once every two years. Each Region and Headquarters Branch receives a data set of these grants to assess. The Regional data set includes all grants in the annual rotation of states and territories. Grant Programs Directorate (GPD) also sends the Headquarters Branches a data set chosen through random sampling to include Assistance to Firefighter Grants (AFG), Station Construction Grants (SCG), Fire Prevention & Safety (FP&S), and Staffing for Adequate Fire Emergency Response (SAFER) grants. These grant programs account for a large portion of the 20,000 grants which GPD processes each year. Many of these are one-year reimbursement-only grants and are assessed prior to payment being made. FEMA does not believe it is necessary to assess all of these grants for key risk indicators.



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In addition, the Preparedness Grants Division reviews all headquarters-based preparedness grants to guide the selection of grants for programmatic monitoring.

Therefore, FEMA believes it is not cost-effective for some grant programs for which monitoring is already required by the 9/11 Act or for the large volume of AFG, SCG, FP&S, and SAFER grants to be assessed for key risk indicators. FEMA requests that OIG consider this recommendation resolved and closed.

OIG Recommendation #2: We recommend that the Assistant Administrator of the Grant Programs Directorate notify Regional Fire Program Specialists when grantee purchase requests are submitted to FEMA for payment.

FEMA Response: Concur. The Assistance to Firefighter Grants are closely managed through Subject Matter Specialists within the headquarters office. The Regional Fire Program Specialists provide support for the technical assistance and some monitoring aspects of AFG awards. To that end the AFG program office has expanded access to AFG grant information to the regional Fire Program Specialist (FPS) to ensure that they have the ability to view payment requests by grantees. Given the actions already taken, FEMA requests that OIG consider this recommendation resolved and closed.

Recommendation #3: Develop and implement a plan to ensure there is open and continuing communication between the offices as they develop grant monitoring procedures, plans, and requirements.

FEMA Response: Concur. DHS and FEMA agree that staff communication between DHS's Office of the Chief Financial Officer Financial Assistance Policy and Oversight (FAPO) and FEMA's Grant Programs Directorate (GPD) can be strengthened and have taken actions to institutionalize processes requiring such communication.

During FY 2012, FEMA GPD led numerous intra-agency Grant Program Task Force meetings designed to facilitate the exchange of ideas and information to ensure consistent, efficient, and effective financial assistance processes across FEMA. This effort resulted in the joint development of a comprehensive and integrated risk-based *FY 2013 FEMA Monitoring Plan*, which the GPD formally approved on September 27, 2012. Task force participants contributing to the effort included financial and program management staff from throughout FEMA.

With open and continuing communication, Task Force participants coordinated development of a preparedness monitoring plan, including new standard processes to better ensure cost effectiveness and reduce the burden grant recipients sometimes encounter with multiple oversight-related site-visits and desk-reviews. The participants of the Task Force also jointly determined which grants had the greatest need for monitoring by developing and using a new recipient assessment framework. FAPO reviewed the resulting plan and confirmed its alignment with Department-wide monitoring protocols and approaches being established as a result of the DHS Deputy Secretary's initiative to *Improve the Health of DHS Financial Assistance*.

Concurrent with FEMA's effort to develop its FY 2013 monitoring plan, FAPO led regularly scheduled monthly Financial Assistance Initiative Requirements Work Group meetings to



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standardize all phases of the financial assistance lifecycle — pre-award, award, post-award, and closeout. These meetings incorporated representation from a broad cross-section of all financial assistance awarding entities, including FEMA GPD. As such, GPD staff were fully aware of the protocols and templates being developed for each phase of the lifecycle and considered them, as appropriate, when developing the FY 2013 monitoring plan.

As a result of this Deputy Secretary's initiative, DHS Directive 128-01, *Financial Assistance Line of Business Integration and Management*, and DHS Instruction 128-01-001, *Financial Assistance Line of Business Integration and Management Instruction*, were approved and signed by the DHS Undersecretary for Management and the DHS Chief Financial Officer on October 15, 2012, and October 23, 2012, respectively (copies of these documents have been provided to OIG under separate cover). This guidance directs the creation of two Councils which, once formed, will institutionalize opportunities for open and continuing communication between those involved in developing grant-monitoring procedures, plans, and requirements.

Given the actions already taken, DHS and FEMA jointly request that OIG consider this recommendation resolved and closed.

Thank you for the work that you and your team did to better inform us throughout this audit. We look forward to the final report. Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308



Appendix C

AFGP and TISB Detailed Grant Program Information

Assistance to Firefighter Grant Programs

Purpose: To protect the health and safety of the public and firefighting personnel against fire and fire-related hazards, and to provide assistance for fire prevention programs.

Grant Programs:

- Assistance to Firefighters Grants – equipment, training, wellness and fitness, personnel protective gear, and vehicles
- Fire Prevention and Safety – fire prevention education, smoke alarm installation, arson prevention, code enforcement, and firefighter safety research and development
- Staffing for Adequate Emergency Response – hiring and retaining firefighters, and recruiting and retaining volunteers
- Station Construction Grants – renovation or construction of fire stations

Transportation Infrastructure Security Branch Grant Programs

Purpose: To enhance the security of the Nation’s critical infrastructure, including metropolitan passenger rail and transit systems; ports; and intercity bus, freight rail, and passenger ferry systems.

Grant Programs:

- Freight Rail Security Grant Program
- Intercity Bus Security Grant Program
- Intercity Passenger Rail Security (Amtrak)
- Port Security Grant Program
- Transit Security Grant Program
- Trucking Security Grant Program

Source: FEMA.



Appendix D

FY 2012 Programmatic and Financial Monitoring Key Risk Indicators

Programmatic Monitoring Key Risk Indicators

Indicator	Guidance
Cost and Total Support	Recipients with high-cost projects or awards
Complexity	Project with multiple objectives
Prior Indication of Problems	Available audit or evaluation findings, recipient requests for assistance, or data on the financial stability of the organization
Experience of Recipient	New or unstable organization, one receiving Federal grants for the first time, or one with inexperienced key personnel
Time Since Previous Visit	Grants must be monitored biannually, but need not be monitored each time by means of a site visit
Agency Priority	Predetermined leadership or agency priorities

Financial Monitoring Key Risk Indicators

Indicator	Guidance
Grant Dollar Value	Grant value that represents higher materiality relative to the region's or Award Administration Branch's portfolio or grant program from which it is drawn
Grantee Responsiveness	Timeliness of grantee responses to FEMA requests for information
Administrator's Priority	Grant program identified by FEMA leadership as a priority
New FEMA Grantee or Grantee With New Personnel	Grantees without experience managing FEMA grant programs or with turnover in key positions
Number of Grants Managed	High volume of grants that may affect grantee effectiveness
Prior Financial Monitoring Findings	Grantees or grants previously identified through cash analysis or site visit as requiring additional financial monitoring
Program Type	Grant programs that inherently carry a higher risk relative to the region's or Award Administration Branch's portfolios

Source: FEMA.



Appendix E

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Appendix F

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