Department of Homeland Security

Office of Inspector General

Mississippi's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010

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OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

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

The report contains 12 recommendations aimed at improving the State of Mississippi's management of State Homeland Security Program grants. Your office concurred with the 12 recommendations. Based on information provided in your response to the draft report, we closed one recommendation and consider the remaining 11 recommendations open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

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

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

Attachment

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Appendixes

Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
GPD	Grant Programs Directorate
HSGP	Homeland Security Grant Program
M&A	management and administration
MOHS	Mississippi Office of Homeland Security
OIG	Office of Inspector General
SAA	State Administrative Agency
SHSP	State Homeland Security Program

Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, 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 Mississippi.

The audit objectives were to determine whether the State of Mississippi distributed and spent State Homeland Security Program grant funds (1) effectively and efficiently, and (2) in compliance with applicable Federal laws and regulations. We also addressed the extent to which grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters. The Federal Emergency Management Agency (FEMA) awarded the State of Mississippi approximately $19.3 million in State Homeland Security Program grants during fiscal years 2008 through 2010.

In some instances, the State of Mississippi distributed and spent State Homeland Security Program grant funds in compliance with applicable Federal laws and regulations; however, improvements are needed. For example, the State developed a strategic plan, but it was not adequate. The State did not establish a means to measure progress toward preparedness as a result of receiving grant funds, or allocate funding based on risks identified through a statewide collaborative process. The State did not monitor subgrantee accountability and use of resources purchased with grant funds, ensure that sole-source procurements followed Federal and State requirements, or properly account for management and administration expenses as required by regulation.

We made 12 recommendations to FEMA, which, if implemented, should strengthen program management, performance, and oversight. FEMA concurred with these recommendations.

Background

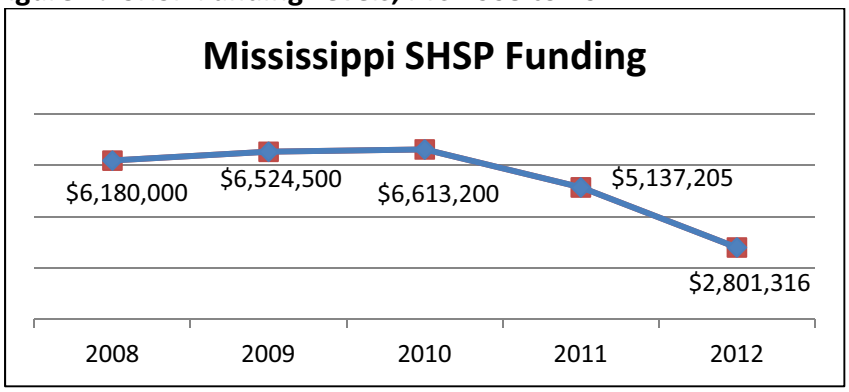
DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help State and local agencies enhance capabilities to prevent, protect against, respond to, and recover from terrorist attacks and major disasters. The State Homeland Security Program (SHSP) grant is one element of the HSGP, designed to fund a wide range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs.

During fiscal years (FY) 2008, 2009, and 2010, FEMA awarded the State of Mississippi SHSP grant funds totaling approximately $19.3 million. The State of Mississippi has 82 counties divided into nine regions, with three task forces that provide all-hazards response to natural and manmade disasters across the State. The State did not receive Urban Area Security Initiative funds during this period.

In 2004, the Governor of Mississippi established the Mississippi Office of Homeland Security (MOHS) and designated this office as the State Administrative Agency (SAA) responsible for administering the HSGP. The SAA is responsible for managing the grant program in accordance with established Federal guidelines and allocating funds to local, regional, and other Mississippi government entities.

Figure 1 illustrates the level of SHSP funding Mississippi received over a 5-year period. SHSP funding during FYs 2008 to 2010, the periods covered by our audit, averaged $6.4 million per year. The State received its highest level of SHSP funding in FY 2010, but faced a nearly $4 million decline from 2010 levels in FY 2012.

Figure 1. SHSP Funding Levels, FYs 2008 to 2012



Source: FEMA.

Appendix A contains details on the audit's objectives, scope, and methodology.

Results of Audit

In some instances, the State distributed and spent SHSP funds in accordance with Federal laws and regulations. However, the State needs to improve in the following areas to enhance its management of SHSP grants:

- Strategic planning
- Grant fund allocation
- Monitoring subgrantee activities and use of purchased equipment
- Sole-source procurements
- Property management controls and accountability
- Personnel time charges.

MOHS awarded contracts valued at $329,928 without competition. As a result, we consider these costs questioned. In addition, MOHS could not provide documentation supporting personnel-related reimbursements totaling $661,753. As a result, we consider these costs unsupported.

Strategic Planning

The SAA developed a State homeland security strategy, but it was not adequate. The State of Mississippi's homeland security strategy for FYs 2008 through 2010 was not current and was not compliant with Federal guidelines. The State's strategy, goals, and objectives were not time-limited. Additionally, the State could not provide evidence that it performed a risk assessment and capability review as a basis for its strategy and did not have a system in place to measure improvement toward preparedness.

Strategic Plan

We obtained a FEMA-approved State strategy dated FY 2008, and FEMA officials told us the FY 2008 plan also served as the strategy for FYs 2009 and 2010. However, the strategy contained goals and objectives with target completion dates that had already passed, and therefore was not current.

The DHS *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005, (the Guidance) addresses updating State strategies. It recognizes the value of each State having an ongoing process of review and refinements as new lessons are learned, new priorities are realized, and new homeland security guidance is

issued. According to the Guidance, updated State and Urban Area Homeland Security strategies will then provide a context for performing the strategic exercise of asking "How are we organized?" and "How are we managing our homeland security programs?"

Consequently, the FYs 2008, 2009, and 2010 SHSP grant applications were based on an outdated strategy. Requesting funds using an outdated strategy, which may not have properly prioritized needs and capabilities, does not assure FEMA that the State was using grant funds to address its most critical homeland security needs.

Strategy Goals and Objectives

The SAA did not include time-limited goals and objectives in the State strategy. The strategy contained 11 goals with 92 objectives linked to National Priorities, and listed 220 steps to achieve the objectives. The State identified 28 milestones to reach the 92 objectives; however, 22 (79 percent) of those milestones listed completion dates prior to the date FEMA approved the strategy. The remaining six milestones (21 percent) were open-ended and did not specify anticipated completion dates for the objectives.

According to the Guidance, an objective sets a tangible and measurable target level of performance over time against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. The Guidance also states that an objective should be "time-limited" and contain a target date to identify when the objective will be achieved.

Officials in the SAA office said that FEMA approved the FY 2008 strategy for FYs 2008–2010 with the current goals, objectives, and milestones, and therefore, the SAA office had not focused on changing them. However, they acknowledged that goals and objectives were important and indicated that they would wait for guidance from FEMA to assist in developing revised goals and objectives.

Risk Assessment

The Mississippi State homeland security strategy referenced a 2003 risk assessment along with a 2006 program and capability review. However, the State could not provide the 2003 risk assessment or the 2006 program and capability review. According to the State, the risk assessment data was the backdrop for comparative analysis against data assimilated in the FY 2006 planning process.

Without evidence of reliable data, such as a risk assessment, FEMA cannot be assured that it approved grants based on a State strategy that contained goals and objectives developed using verifiable, reliable data.

Measurements Toward Preparedness

The State did not have a system to measure improvement toward preparedness. FEMA requires States to submit an annual State Preparedness Report during the grant application and evaluation process. State officials prepared annual State Preparedness Reports for 2008 and 2009. According to State officials, they were not required to submit one for 2010. They added that over the last 4 years, FEMA has constantly changed the report and the performance measures it requests. In addition, State officials told us that although they prepared the report, they could not use it to measure preparedness because the reports do not track measurements toward preparedness from one year to the next. Neither FEMA nor the State has an adequate performance measurement system to evaluate operational effectiveness and grant funds administration. The State of Mississippi could not demonstrate quantifiable preparedness improvements and accomplishments because it did not set measurable target performance levels that could be compared to actual achievement. Without goals and objectives against which it can measure progress, the State cannot evaluate the effect of grant expenditures on its preparedness and response capabilities.

The FY 2008 Mississippi homeland security strategy included a plan to evaluate progress on stated objectives via quarterly meetings with stakeholders and annual meetings to—

- Review the State's success in achieving the previous year's performance;
- Evaluate plans for the upcoming year relative to the performance achieved the previous year;
- Discuss why specific goals were not met and what corrective actions are required; and
- Report on financial operations and status.

However, according to SAA officials, the State did not conduct an annual evaluation of the strategy for the grant period under review. Without an annual evaluation, it is difficult for the State to measure and report on improvements in preparedness and response and for FEMA to make informed funding decisions.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate (GPD):

Recommendation #1:

Prepare a revised strategy using a risk-based process with current goals and objectives that are time-limited.

Recommendation #2:

Submit a revised strategy for FEMA's approval, and use that strategy to prepare future grant applications.

Recommendation #3:

Develop a comprehensive performance measurement system for its homeland security strategies' goals and objectives that includes target levels of performance and the means to measure progress toward enhancing preparedness.

Management Comments and OIG Analysis

FEMA and the State's Response to Recommendations 1 and 2: FEMA and the State concurred with these recommendations. The Assistant Administrator of the GPD shall require MOHS to update its homeland security strategy, include time-limited goals in the strategy, and submit the revised strategy to GPD within 6 months after issuance of this OIG final report. FEMA requested that these recommendations remain resolved and open pending completion, submission, and review of the strategy revisions.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendations 1 and 2. These recommendations will remain resolved and open until GPD reviews the revised strategy and provides a copy of the State's updated homeland security strategy to the OIG.

FEMA and the State's Response to Recommendation 3: FEMA and the State concurred with this recommendation. FEMA provided a copy of the State's Threat and Hazard Identification and Risk Assessment (THIRA) letter to the DHS *National Disaster Preparedness Act* officials confirming that the State had completed its 2012 THIRA. FEMA also provided a copy of the redesigned State

Preparedness Report (SPR) that will help demonstrate and track preparedness improvements over time.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 3. This recommendation is resolved and closed.

Grant Fund Allocation Process

The SAA could not provide evidence that it follows a collaborative risk-based approach during its grant allocation process. The SAA indicated that it depends on its own staff and the leaders of the three Mississippi Homeland Security Task Forces to prioritize needs and inform grant award decisions, and that efforts to include multiple stakeholders in the assessment, strategic planning, and allocation/award process were unsuccessful because too many stakeholders were involved. Therefore, the State's grant allocation and award process does not involve a broad spectrum of stakeholders engaged in collaborative decision making to address the State's most critical and urgent homeland security needs. Additionally, we spoke to some previous grant applicants who did not receive funding (nonawardees), who indicated that they were not involved in the allocation process and did not participate in developing the State strategy.

The Guidance required the States to develop regional approaches for leveraging all available funding sources (Federal, State, local, and private) to build their capabilities. A collaborative risk-based approach involving broad stakeholder representation at all levels is critical to ensuring that the State identifies its most critical preparedness needs in line with its State homeland security strategy.

Without the involvement of stakeholders throughout the State, Mississippi runs the risk of not accurately identifying gaps in capabilities, and funding programs that may not support appropriate goals and priorities for State and nationwide preparedness. In addition, applicants throughout the State are better served by an inclusive process that considers needs identified at the local level.

Recommendation

We recommend that the Assistant Administrator, GPD:

Recommendation #4:

Require the Mississippi Office of Homeland Security to identify and ensure all stakeholders are included in the grant allocation process.

Management Comments and OIG Analysis

FEMA and the State's Response to Recommendation 4: FEMA and the State concurred with this recommendation. The GPD Assistant Administrator shall require, within 90 days of the issuance of this OIG final report, the State to establish a statewide governing body to coordinate grant resources and identify all members as required by the Funding Opportunity Announcement (FOA).

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 4. This recommendation is resolved and open until FEMA provides evidence that the State established the statewide governing body and identified its members.

Monitoring Subgrantee Activities and Use of Purchased Equipment

The State did not conduct onsite monitoring of subgrantees' compliance during FYs 2008 through 2010. The SAA indicated that it has a monitoring process that includes a monitoring document to collect information, but did not have adequate staff to conduct onsite monitoring visits and to evaluate subgrantee use, safeguards, and controls over equipment. We reviewed the State's five-step process and the monitoring document. We assessed whether the monitoring process was designed to evaluate reimbursements and expenditures; test for adequate procurement practices and property management compliance; and review administrative, programmatic, and fiscal requirements.

Code of Federal Regulations (CFR) Title 44 §13.40, *Monitoring and Reporting Program Performance*, establishes requirements for monitoring grant program performance. Grantees are responsible for managing the day-to-day operations of grant- and subgrant-supported activities. Grantees must monitor grant- and subgrant-supported activities to ensure compliance with applicable Federal requirements and achievement of performance goals. Grantee monitoring must cover each program, function, or activity. Furthermore, according to Office of Management and Budget Circular A-133, Compliance Supplement, Part 3-M, grantees are responsible for monitoring subgrantees' use of Federal awards through reporting, site visits, regular contact, and other means.

Effective monitoring, including onsite monitoring, should provide reasonable assurance that the subgrantee administers Federal awards in compliance with laws and regulations as well as provisions of contracts or grant agreements. Through onsite monitoring, we detected deficiencies in sole-source procurements and identified equipment that was being used for unauthorized purposes.

Recommendation

We recommend that the Assistant Administrator, GPD:

Recommendation #5:

Require the Mississippi Office of Homeland Security to implement the current monitoring process to ensure that subgrantees comply with applicable Federal requirements.

Management Comments and OIG Analysis

FEMA and the State's Response to Recommendation 5: FEMA and the State concurred with this recommendation. The Assistant Administrator of GPD shall require MOHS to revise and update the site visit protocol to include a review for compliance with Federal requirements, submit a sample monitoring schedule for the next 12 months, and report that it completed these actions within 90 days of the issuance of this OIG final report.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 5. This recommendation is resolved and open until GPD provides evidence that MOHS completed these actions within 90 days of the issuance of this OIG final report.

Sole-source Procurements

We identified noncompliance with sole-source procurement requirements. For example, the Mississippi Board of Animal Health spent $311,775 for a State food and agriculture vulnerability assessment without conducting a cost analysis before it entered into the agreement. The Board of Animal Health paid $18,153 for sole-source technical support services without prior State approval or a contractual agreement.

CFR Title 44 §13.36(c)(1) requires that all procurement transactions be conducted in a manner providing full and open competition. When competition is not used, CFR Title 44 §13.36(f)(1) requires that a cost analysis be conducted when adequate price competition is lacking and for sole-source procurements. Additionally, the State's procurement manual requires agency heads to determine whether the price for services represents a fair market value when procurements are made.

According to Board of Animal Health officials, the agreement for the vulnerability assessment was awarded without competition because the awardee, a State agency, was the only source capable of conducting the study. In addition, the costs incurred for technical services were paid to an unjustified sole source because the service provider developed the program that required service, and according to Board of Animal Health officials, was the only source capable of providing technical support. Furthermore, the State did not produce a contractual agreement to justify payments to this service provider.

The Mississippi Board of Animal Health should not have awarded the vulnerability assessment agreement without competition or an adequate justification for sole-source procurement, and a cost analysis. As a result, the SAA did not have assurance that the cost paid was justified or whether the contract could have been awarded to an equally competent contractor at a lesser cost. Without determining fair market value for sole-source technical services and without a cost comparison for services or competition among other possible vendors, the State cannot be assured that the costs paid were fair and reasonable. Accordingly, we consider the $329,928 awarded to be a questioned cost.

Recommendations

We recommend that the Assistant Administrator, GPD:

Recommendation #6:

Require the Mississippi Office of Homeland Security to ensure that cost analyses are performed in accordance with Federal procurement regulations, and conduct fair market analysis as directed by the State for sole-source procurements.

Recommendation #7:

Require the Mississippi Office of Homeland Security to review the amounts paid for unjustified sole-source procurements and recover any unallowable costs of the $329,928 in State Homeland Security Program grant funds.

Management Comments and OIG Analysis

FEMA and the State's Response to Recommendation 6: FEMA and the State concurred with this recommendation but indicated that FEMA agreed with the applicability of 44 CFR 13.36(a) to this finding rather than 44 CFR 13.36(c) as

referred to in the OIG draft report. Furthermore, FEMA concurred that it was not clear whether the procurements in question complied with 44 CFR 13.36(a). The GPD Assistant Administrator shall require MOHS to develop a procurement policy to comply with applicable Federal and State regulations and implement a plan that includes training for subgrantees, within 90 days of the receipt of this OIG final report. The policy will adhere to the requirements of 44 CFR 13.36(a) and State government procurement policies and procedures.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 6. This recommendation is resolved and open pending receipt of the procurement policy and implementation plan within 90 days of the receipt of this OIG final report.

FEMA and the State's Response to Recommendation 7: FEMA and the State concurred with this recommendation. FEMA indicated it was not clear whether the sole-source procurements identified in the OIG draft report were justified under 44 CFR 13.36(a). The GPD Assistant Administrator shall require MOHS to review the amounts paid for these sole-source procurements and submit documentation that supports the questioned procurements within 90 days of the receipt of this OIG final report. The Assistant Administrator shall require MOHS to pay back $329,928 if the MOHS review validates the sole-source procurements were not justified.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 7. This recommendation is resolved and open pending the results of MOHS' review of documentation to support the sole-source procurements within 90 days of the receipt of this OIG final report.

Property Management Controls and Accountability

The State did not enforce property management requirements for inventory controls and ensure that subgrantees safeguarded equipment against loss or damage. CFR Title 44 §13.32(d) requires property records to be maintained and to include the property's description, identification number, source, title holder, acquisition date, cost and percentage of Federal funds used in the cost, location, use and condition, and ultimate disposition.

According to the SAA, it delegated responsibility for maintaining equipment inventories to subgrantees; however, subgrantee inventory systems were incomplete or inaccurate. During site visits, we determined that all 11 subgrantees maintained equipment inventories, and the Department of Public

Safety or the city/county maintained some of the subgrantee inventories. However, none of the 11 subgrantee inventory systems identified the percentage of Federal funds used to procure the equipment or included DHS markings on equipment, as required by the Guidance.

According to FEMA's 2009 Grant Guidance, Part VI, Section B, 5.10, "Equipment Marking," when practicable, any equipment purchased with grant funding shall be prominently marked "Purchased with funds provided by the U.S. Department of Homeland Security." Furthermore, according to 2010 Guidance, Part VI, Section B, 5.11, awardees may consider marking equipment in order to facilitate their own audit processes, as well as Federal audits and monitoring visits.

In addition to items not being marked with "Purchased with funds provided by the U.S. Department of Homeland Security," some items were not tagged with a unique identification number. As a result, we could not determine whether some of the items were listed on the inventory sheet. For one subgrantee, none of the items inventoried had property tag numbers.

For one subgrantee, serial/parcel numbers did not appear on the inventory sheet for four of the six items inventoried. For another subgrantee, the serial numbers on the spreadsheet did not match those on the equipment or were associated with the wrong item description.

Some pilferable items were unsecured and not properly monitored. For example, one subgrantee ordered and distributed Web cameras to some of its staff. The subgrantee expected staff to sign out any new cameras; however, subgrantee officials admitted that staff did not always follow this procedure.

Moreover, grantees and subgrantees must adequately safeguard property procured with Federal funds to ensure that it is used solely for authorized purposes. One subgrantee used equipment for purposes other than those identified in the grant's cooperative agreement. The subgrantee indicated that the intended purpose of the grant was for the purchase of equipment and training to respond to threats, including chemical, biological, radiological, nuclear, and explosives incidents. Authorized uses of the equipment included training and exercises. However, the subgrantee damaged a $100,000 boat while conducting a non-homeland security-related mission, and the boat capsized and sank. At the time of our visit, the boat had been out of service for more than 3 months.

Figure 2 displays images of the boat (1) after it was first purchased, (2) while it was capsized, and (3) during recovery.

Figure 2. Images of Boat After It Was First Purchased, While Capsized, and During Recovery

Source: Pearl River Water Supply District.

Without subgrantee inventory systems and controls, the State cannot ensure that subgrantees are complying with requirements to protect equipment against loss or damage or to prevent unauthorized use.

Recommendations

We recommend that the Assistant Administrator, GPD:

Recommendation #8:

Assist the Mississippi Office of Homeland Security to ensure that subgrantees maintain property and inventory records to support the retention and transfer of

equipment to subrecipients, and ensure accountability of sensitive or pilferable equipment.

Recommendation #9:

Assist the Mississippi Office of Homeland Security to implement procedures to identify equipment purchased with Homeland Security Grant Program funds.

Recommendation #10:

Assist the Mississippi Office of Homeland Security to ensure that subgrantees use equipment purchased with grant funds only as intended.

Management Comments and OIG Analysis

FEMA and the State's Response to Recommendations 8 and 9: FEMA and the State concurred with these recommendations. The GPD Assistant Administrator shall require, within 90 days of the issuance of this final OIG report, MOHS to submit written policies and procedures to address requirements to maintain property and inventory records and identify equipment purchased with HSGP funds in compliance with 44 CFR 13.32(d) and internal guidelines. MOHS will also submit documentation on how it will correct the deficiencies with property records and communicate requirements to subgrantees more effectively.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendations 8 and 9. These recommendations are resolved and open pending receipt of MOHS' written policies and procedures and its corrective action plan and documentation.

FEMA and the State's Response to Recommendation 10: FEMA and the State concurred with this recommendation. The GPD Assistant Administrator shall require MOHS and subgrantees to comply with 44 CFR 13.32(c) regarding the use of equipment purchased with grant funds. Additionally, the GPD Administrator shall require, within 90 days of the receipt of this final OIG report, MOHS to submit a sample monitoring schedule covering the next 12 months and an updated monitoring policy that includes a process for documenting and resolving any issues with the misuse of equipment.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 10. This recommendation is resolved and open pending receipt of MOHS' sample monitoring plan covering the next 12 months, an

updated monitoring policy including a process for equipment misuse, and evidence of any additional steps FEMA takes to ensure compliance with requirements for use of equipment purchased with grant funds.

Personnel Time Charges

The SAA improperly accounts for funds used for salary and wage expenditures, which are allowable management and administration (M&A) expenses. MOHS employees support several DHS grants, but do not have a system to identify time devoted to each grant.

CFR Title 2, Part 225, Appendix B, paragraph 8.h.(4), requires grantees to maintain appropriate documentation for employees working on multiple activities. Specifically, "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: (a) More than one Federal award …."

An independent audit firm conducting work for the Mississippi State Auditor identified this issue previously.[1] This audit resulted in questioned costs of $845,380, representing payments for the total dollar amount of general and administrative salaries for MOHS personnel during the State's fiscal year ending June 30, 2011. MOHS does not have a system that identifies employee time devoted to each specific grant. In response, MOHS officials said that MOHS would work on a corrective action. However, MOHS had not implemented a corrective action at the time we completed our fieldwork.

During our review of MOHS payroll transactions reimbursed in July 2011, we identified the same condition regarding improper personnel time charges for multiple grants that were unsupported by personnel activity reports or equivalent documentation that meets the standards in 2 CFR 225. Specifically, we confirmed that in FY 2009, MOHS employees who performed work in support of various grant funds, including SHSP, were paid from a single source—the Interoperable Communications grant funds. According to the reimbursement

[1] State of Mississippi Single Audit Report for the Fiscal Year Ended June 30, 2011, Schedule of Findings and Questioned Costs, Part 3: Federal Award Findings and Questioned Costs, U.S. Department of Homeland Security, http://www.osa.state.ms.us/documents/single-audit/11sar.pdf, pp. 87-88/136.

documents in the award files, salaries, undisclosed personnel services contracts, and other fees accounted for $661,753 of the $797,000 FY 2008 SHSP grant to MOHS. However, the SAA did not maintain timesheets in the files or provide timesheets to support the salary payments or other personnel-related expenses. The FY 2009 grant file contained no reimbursement documents related to personnel time charges.

The SAA has not developed an accounting methodology that properly accounts for charges to M&A. Without a system to allocate time worked on different projects, the SAA cannot validate that MOHS personnel charged time to the appropriate grant and properly used SHSP grant funds for M&A expenses. As a result, we question salaries and other personnel-related costs of $661,753 reimbursed against the FY 2008 SHSP grant.

Recommendations

We recommend that the Assistant Administrator, GPD:

Recommendation #11:

Assist the Department of Public Safety and Mississippi Office of Homeland Security to develop and implement a time-tracking and payroll-distribution process that will allow employees to track their time by Federal award so salary and wage distribution can be made to the appropriate grants and cost objectives.

Recommendation #12:

Assist the Department of Public Safety and Mississippi Office of Homeland Security to provide documentation that supports the questioned personnel time charges of $661,753 for FY 2008 and recover the amount not supported.

Management Comments and OIG Analysis

FEMA and the State's Response to Recommendation 11: FEMA and the State concurred with this recommendation. The GPD Assistant Administrator shall require, within 90 days of receipt of this OIG final report, MOHS to develop and implement a time-tracking and payroll-distribution policy that appropriately accounts for funds used for salary and wage expenditures.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 11. This recommendation is resolved and open pending receipt of MOHS' policy for time tracking and payroll distribution.

FEMA and the State's Response to Recommendation 12: FEMA and the State concurred with this recommendation. The GPD Assistant Administrator shall require, within 90 days of the receipt of OIG final report, MOHS to submit to FEMA documentation that supports the $661,753 in questioned personnel time charges for FY 2008. If the documentation does not support the charges, the Assistant Administrator shall require MOHS to pay back the unallowable personnel time charges.

OIG Analysis: We consider FEMA's actions responsive to the intent of recommendation 12. This recommendation is resolved and open pending receipt of documentation to support the $661,753 in questioned personnel time charges within 90 days of receipt of this OIG final report.

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.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the DHS OIG to audit individual States' management of SHSP and Urban Areas Security Initiative grants. This report responds to the reporting requirement for the State of Mississippi.

The objective of the audit was to determine whether the State of Mississippi distributed and spent SHSP grant funds (1) effectively and efficiently and (2) in compliance with applicable Federal laws and regulations and DHS guidelines. We also addressed the extent to which grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters.

The scope of this audit included the plans developed by the State to improve preparedness and response to all types of hazards, goals, and objectives set in those plans; measurement of progress toward the goals; and assessments of performance improvement resulting from this measurement.

Together, HSGP and its interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, we reviewed only SHSP funding, equipment, and supported programs for compliance. Table 1 shows the scope of the audit, which included SHSP grant awards for FYs 2008, 2009, and 2010.

Table 1. State of Mississippi's SHSP Awards (FYs 2008 through 2010)

Grant Program	FY 2008	FY 2009	FY 2010	Total
State Homeland Security Program Grant	$6,180,000	$6,524,500	$6,613,200	$19,317,700

Source: FEMA.

The audit methodology included work at FEMA headquarters, State of Mississippi offices, and various subgrantee locations in the northern, central, and southern regions of the State that received grants. We also selected grant nonawardees for survey. To

achieve our audit objective, we analyzed data, reviewed documentation, and interviewed nonawardees and key State and local officials directly involved in the management and administration of the State's HSGP. In addition, to ensure the accuracy of grant obligation and expenditure data reported in the State's Biannual Strategy Implementation Reports for FYs 2008, 2009, and 2010, we verified the information by comparing report data against source documents in grant award files maintained by the SAA.

Table 2 shows the sampled grant award files from State agencies, designated task forces, and local government subgrantees that received SHSP grants awarded in FYs 2008, 2009, or 2010.

Table 2. Subgrantee Sample Selection (FYs 2008 through 2010)

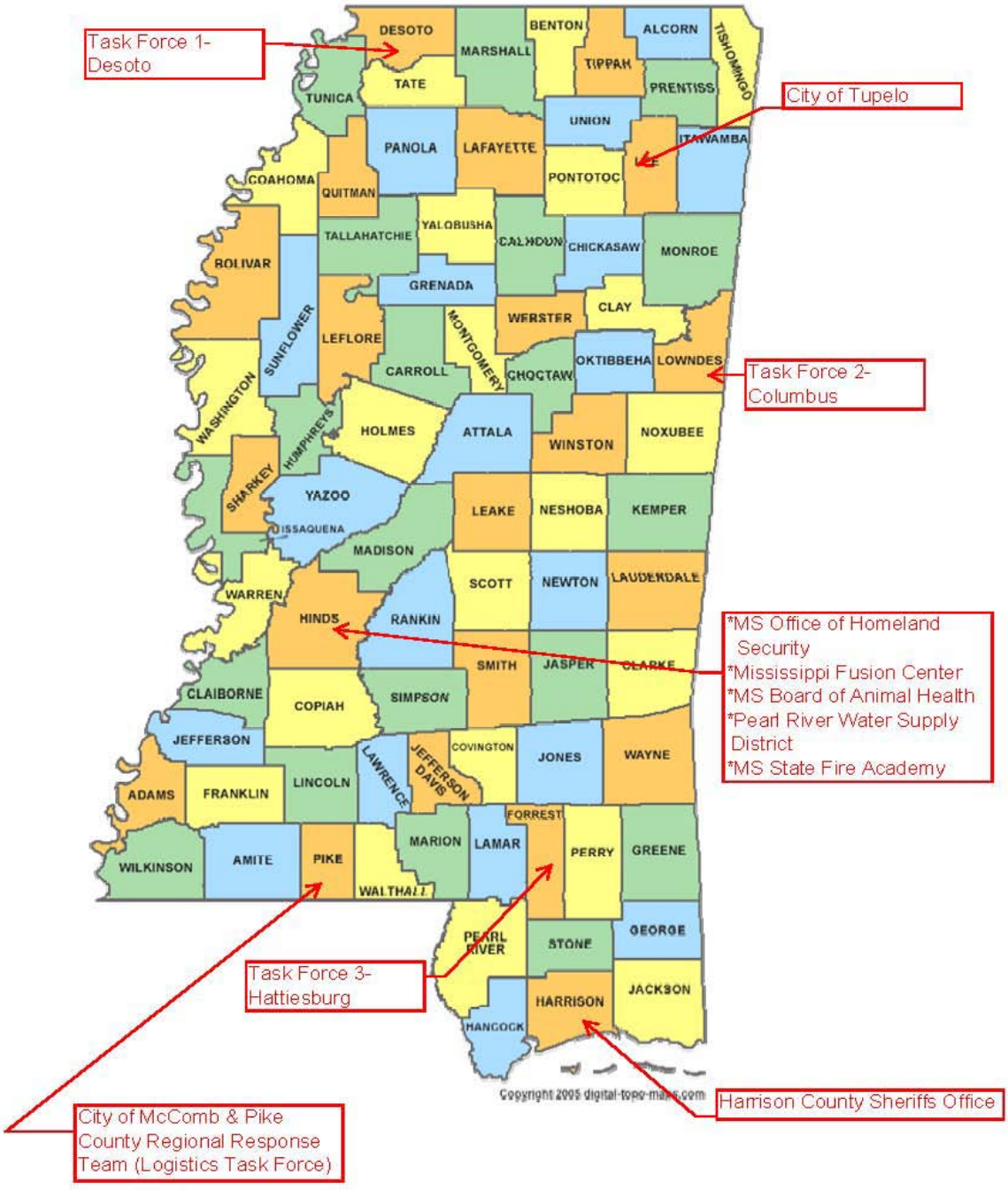
Subgrantees	Grant Amount	Grant Description
City of Tupelo	$144,750	Bomb squad, City of Tupelo/Lee County Task Force funds
City of McComb and Pike County Regional Response Team	744,500	Mississippi Task Force Logistics Support
Harrison County Sheriff's Office	30,000	Law Enforcement Terrorism Prevention Program
Mississippi Board of Animal Health	550,000	Mississippi vulnerability and risk assessment as it relates to Mississippi agricultural and food sectors
Mississippi State Fire Academy	225,000	Mississippi State Fire Academy
Mississippi Fusion Center	900,000	Mississippi Fusion Center
Mississippi Office of Homeland Security	2,102,600	DHS grants management and administration
Task Force 1 – Desoto, Greenwood, Tupelo	1,163,931	Desoto County Task Force funds, Desoto County Regional Response funds, Desoto County funds
Task Force 2 – Columbus, Meridian, Jackson	496,183	City of Columbus/Lowndes County Regional Response funds, City of Columbus/Lowndes County Task Force funds, City of Columbus funds
Task Force 3 – Harrison County, Hattiesburg, McComb	94,180	Task Force and Regional Response Teams Award for Mississippi's Southeast region
Pearl River Water Supply District	135,000	Enhance response capability to water-based critical infrastructure threats
Total of Subgrantee Awards Reviewed	**$ 6,586,144**	

Source: MOHS.

Figure 3 shows the location, by county, of the 11 subgrantees visited. At each location, we interviewed officials responsible for grant award oversight, reviewed documentation supporting State and subgrantee management of grant funds, and physically inspected

selected equipment procured with grant funds. We surveyed eight grant nonawardees as well.

Figure 3. Locations, by County, of the 11 Subgrantees Visited



Source: OIG

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

Appendix B
Management Comments to the Draft Report

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

FEMA

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

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

SUBJECT: FEMA Response to OIG Draft Report, "*The State of Mississippi's Management of State Homeland Security Program Grants Awarded during Fiscal Years 2008 Through 2010 – For Official Use Only - OIG Project No. 12-110-AUD-FEMA*".

Thank you for the opportunity to comment on OIG Draft Report, "*The State of Mississippi's Management of State Homeland Security Program Grants Awarded during Fiscal Years 2008 Through 2010 – For Official Use Only - OIG Project No. 12-110-AUD-FEMA*". The findings in the report will be used to enhance the program's overall effectiveness. The following are our responses to the recommendations for implementation:

OIG Recommendation 1: We recommend the Assistant Administrator, Grant Programs Directorate (GPD) require the Mississippi Office of Homeland Security (MOHS) revise its State Homeland Security Strategy using a risk-based process with current goals and objectives that are time-limited.

FEMA Response: Concur. *(See consolidated response for recommendation 1 & 2 below)*

OIG Recommendation 2: We recommend the Assistant Administrator, GPD require MOHS submit the revised strategy for FEMA's approval and use that strategy to prepare future grant applications.

FEMA Response to Recommendations 1 & 2: Concur. FEMA has never required grantees to develop or revise State Homeland Security Strategies using a risk-based process. However, the Assistant Administrator of the GPD shall require the State of Mississippi Office of Homeland Security (MOHS) to update its Homeland Security Strategy, ensuring the strategy includes measurable target levels of performance, as well as objectives that are specific, measurable, achievable, results-oriented, and time-limited, and an appropriate evaluation. The State of Mississippi shall submit the revised Homeland Security Strategy to GPD for review within six months after issuance of the OIG final report.

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

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OIG Recommendation 3: We recommend the Assistant Administrator, GPD require MOHS develop a comprehensive measurement system for its Homeland Security Strategies' goals and objectives that include target levels of performance and the means to measure progress toward enhancing preparedness.

FEMA Response: Concur. The FEMA National Preparedness Directorate (NPD) developed processes to measure core capabilities in accordance with the National Preparedness Goal pursuant to PPD-8. The State completed the Threat and Hazard Identification and Risk Assessment (THIRA) and submitted it to FEMA by December 31, 2012. The THIRA will be used to create a baseline and targets for Fiscal Year 2013 and beyond. FEMA has also redesigned the State Preparedness Report (SPR) that will help states demonstrate and track preparedness improvement over time. Given the State's compliance with these requirements, we believe that their actions satisfied the intent of the recommendation. See attachment "A" Mississippi letter confirming completion and submission of THIRA and attachment "B" Mississippi SPR.

FEMA requests that the recommendation be resolved and closed.

OIG Recommendation 4: We recommend the Assistant Administrator GPD require MOHS identify and ensure all stakeholders are included in the grant allocation process.

FEMA Response: Concur. The Assistant Administrator of GDP shall require the State of Mississippi to establish a statewide governing body such as a senior advisory committee as outlined in the Homeland Security Grant Program Funding Opportunity Announcement (FOA), to coordinate grant resources and identify all members as required by the FOA within 90 days of receipt of this report.

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

OIG Recommendation 5: We recommend the Assistant Administrator, GPD require MOHS to implement the current monitoring process to ensure that subgrantees comply with applicable Federal requirements.

FEMA Response: Concur. The Assistant Administrator of GPD shall require MOHS to revise and update the site visit protocol to include a review of subgrantee compliance with Federal requirements. MOHS should also submit a sample monitoring schedule to encompass the next 12 months. MOHS shall report to GPD once it has revised and updated the site visit protocol no later than 90 days after the issuance of the OIG final report.

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

OIG Recommendation 6: We recommend the Assistant Administrator, GPD require MOHS to ensure that cost analyses are performed in accordance with Federal procurement regulations, and conduct fair market analysis as directed by the State for sole-source procurements.

FEMA Response: Concur. The findings in the draft report indicate that the Mississippi Board of Animal Health, a state agency, entered into two sole source contracts in contradiction of 44 CFR § 13.36(c). FEMA notes however that, as a state agency, the Mississippi Board of Animal Health is not subject to § 13.36(c), but rather is subject to the requirements of 44 CFR § 13.36(a). 44 CFR § 13.36(a) requires that States that make procurements with federal funds "follow the same policies and procedures it uses for procurements from its non-Federal funds," and further provides that paragraphs (b)–(i) of § 13.36 shall apply to non-state grantees and subgrantees. Consequently, FEMA's view is that 44 CFR § 13.36(a) is more appropriately applicable to procurements made by the Mississippi Board of Animal Health, rather than 44 CFR § 13.36(c).

Nevertheless, FEMA concurs that it is not clear whether the procurements in question complied with 44 CFR § 13.36(a). Therefore, the Assistant Administrator of GPD shall require MOHS to develop and implement a procurement policy to comply with applicable Federal, and State, regulations within 90 days of receipt of this report. The policy will adhere to procedures set forth in the applicable provisions of 44 CFR § 13.36 as well as State government policies and procedures. The implementation plan for this policy must involve training for subgrantees.

FEMA requests this recommendation be resolved and open pending implementation of the stated corrective actions.

OIG Recommendation 7: We recommend the Assistant Administrator, GPD require MOHS to review the amounts paid for unjustified sole source procurements, and recover any unallowable costs of the $329,928 in State Homeland Security Program (SHSP) grant funds.

FEMA Response: Concur. Based on the findings in the draft report, it is not clear whether the sole source procurements at issue were justified under 44 CFR § 13.36(a). The Assistant Administrator of GPD shall require MOHS to review the amounts paid for these sole source procurements and submit documentation that supports the questioned procurements within 90 days of receipt of this report. If the finding is validated, the Assistant Administrator shall require that MOHS pay back $329,928 in unjustified sole source procurements.

FEMA requests this recommendation be resolved and open pending implementation of the stated corrective actions.

OIG Recommendation 8: We recommend the Assistant Administrator, GPD require MOHS to ensure that subgrantees maintain property and inventory records to support the retention and transfer of equipment to subrecipients and ensure accountability of sensitive or pilferable equipment.

FEMA Response: Concur. *(See consolidated response for recommendation 8 & 9 below)*

OIG Recommendation 9: We recommend the Assistant Administrator, GPD require MOHS to implement procedures to identify equipment purchased with Homeland Security Grant Program funds.

FEMA Response to Recommendations 8 & 9: Concur. Within 90 days of issuance of the final report, the Assistant Administrator of GPD shall require MOHS to submit written policies and procedures addressing the requirement provisions of 44 CFR 13.32(d) as well as any internal guidelines along with documentation detailing how MOHS will correct the deficiencies outlined in the final audit report and communicate requirements with subgrantees more effectively.

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

OIG Recommendation 10: We recommend the Assistant Administrator, GPD require MOHS to ensure that subgrantees use equipment purchased with grant funds only as intended.

FEMA Response: Concur. The Assistant Administrator of GPD shall require that MOHS and subgrantees use equipment purchased with grant funds as required by 44 CFR § 13.32(c). The Assistant Administrator of GPD shall require MOHS to submit a sample monitoring schedule to encompass the next 12 months and an updated monitoring policy to include a process for documenting and resolving any issues with the misuse of equipment within 90 days of receipt of this report.

FEMA requests this recommendation be resolved and open pending implementation of the stated corrective actions.

OIG Recommendation 11: We recommend the Assistant Administrator, GPD require MOHS and the Department of Public Safety (DPS) to develop and implement a time tracking and payroll distribution process that will allow all employees to track their time by Federal award so salary and wage distribution can be made to the appropriate grants and cost objectives.

FEMA Response: Concur. The Assistant Administrator of GPD shall require MOHS to develop and implement a time tracking and payroll distribution policy that appropriately accounts for funds used for salary and wage expenditures within 90 days of receipt of this report.

FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

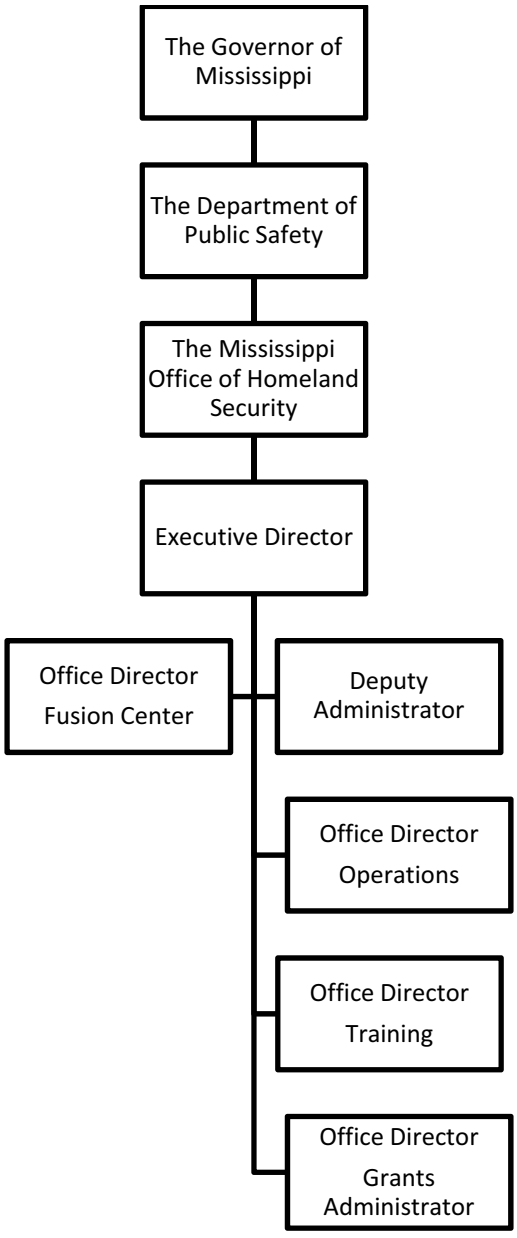
OIG Recommendation 12: We recommend the Assistant Administrator, GPD require MOHS and the DPS to provide documentation that supports the questioned personnel time charges of $661,753 for FY 2008, and recover the amount not supported.

FEMA Response: Concur. The Assistant Administrator of GPD shall require the MOHS to submit documentation that supports the questioned personnel time charges within 90 days of receipt of this report. If the finding is validated, then the Assistant Administrator shall require that MOHS pay back $661,753 in unallowable personnel time charges to FEMA.

FEMA requests this recommendation be resolved and open pending implementation of the stated corrective actions.

Again, we thank you for the work that you and your team did to inform us of measures we can take to enhance the program's overall effectiveness. We look forward to OIG's final report for "*The State of Mississippi's Management of State Homeland Security Program Grants Awarded during Fiscal Years 2008 Through 2010 – For Official Use Only OIG Project No. 12-110-AUD-FEMA*". Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.

Appendix C
State of Mississippi Homeland Security Governance



Source: MOHS.

Appendix D
Homeland Security Grant Program

State Homeland Security Program grant supports the implementation of State homeland security strategies to address the identified planning, organization, equipment, training, and exercise needs to prevent, protect against, respond to, and recover from acts of terrorism and other catastrophic events.

Urban Areas Security Initiative Program funds address the unique planning, organization, equipment, training, and exercise needs of high-threat, high-density urban areas and assists them in building an enhanced and sustainable capacity to prevent, protect against, respond to, and recover from acts of terrorism.

Metropolitan Medical Response System Program supports the integration of emergency management, health, and medical systems into a coordinated response to mass casualty incidents caused by any hazard. Successful Metropolitan Medical Response System Program grantees reduce the consequences of a mass casualty incident during the initial period of a response by augmenting existing local operational response systems before an incident occurs.

Citizen Corps Program brings community and government leaders together to coordinate the involvement of community members and organizations in emergency preparedness, planning, mitigation, response, and recovery.

Operation Stonegarden funds are intended to enhance cooperation and coordination among local, tribal, territorial, State, and Federal law enforcement agencies in a joint mission to secure United States borders along routes of ingress from international borders to include travel corridors in States bordering Mexico and Canada, as well as States and territories with international water borders. This program was not included in the FYs 2008 and 2009 Homeland Security Grant Program.

Appendix E
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Appendix F
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