



Department of Homeland Security Office of Inspector General

**The State of West Virginia's
Management of State Homeland
Security Program Grants Awarded
During Fiscal Years 2005 through 2007**





Homeland Security

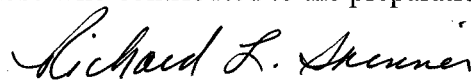
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Preface

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

This report addresses the strengths and weaknesses of the State of West Virginia's Management of State Homeland Security Program grants awarded during Fiscal Years 2005 through 2007. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents. We contracted with the independent public accounting firm Williams, Adley & Company, LLP to perform the audit. The contract required Williams, Adley & Company, LLP to perform its audit according to generally accepted government auditing standards. Williams, Adley & Company, LLP's report identifies six reportable conditions where State management of the grant funds could be improved, resulting in seven recommendations addressed to the Administrator, Federal Emergency Management Agency. Williams, Adley & Company, LLP is responsible for the attached auditor's report dated October 27, 2009 and the conclusions expressed in the report.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.


Richard L. Skinner
Inspector General



October 27, 2009

Ms. Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security
245 Murray Drive, SW, Building 410
Washington, DC 20528

Dear Ms. Richards:

Williams, Adley & Company, LLP performed an audit of the State of West Virginia's management of the Department of Homeland Security's State Homeland Security Program grants for Fiscal Years 2005 through 2007. The audit was performed in accordance with our Task Order No. TPD-FIG-BPA-07-0013-0072, dated September 27, 2008. This report presents audit results and includes recommendations to help improve the State's management of the audited State Homeland Security Program grants.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2007 revision. The audit was a performance audit as defined by Chapter 1 of the *Standards* and included a review and report of program activities with a compliance element. Although this audit report comments on costs claimed by the state, we did not perform a financial audit, the purpose of which would be to render an opinion on the State of West Virginia's financial statements or funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of any further assistance, please contact me on (202) 371-1397.

Sincerely,

Williams, Adley & Company, LLP

A handwritten signature in cursive script that reads 'Jocelyn Hill'.

Jocelyn A. Hill
Partner

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Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
OIG	Office of Inspector General

OIG

*Department of Homeland Security
Office of Inspector General*

Executive Summary

Williams, Adley & Company, LLP completed an audit of the Department of Homeland Security State Homeland Security Program grants awarded during Fiscal Years 2005 through 2007 to the State of West Virginia. The objective of this audit was to determine whether the State distributed and spent Homeland Security Program funds strategically, effectively, and in compliance with laws, regulations, and guidance. The audit included a review of approximately \$23 million in State Homeland Security Program grants included in the approximately \$38 million of Homeland Security grants that the Federal Emergency Management Agency awarded to the State of West Virginia.

Overall, the State did an efficient and effective job administering the program requirements, distributing grant funds, and ensuring that all of the available funds were used. The State formed working groups to develop the State strategy for an effective Homeland Security Program and to define measurable goals. The State ensured that funded plans linked all hazards capabilities to goals by requiring subgrantees to identify the specific purpose for the grant funds. The State distributed funds based on subgrantees' justifications describing how their project plans would support goals within the State's strategy. The State generally administered grants in compliance with grant guidance and regulations.

Improvements are needed in the State's management of the State Homeland Security Program grants to document threats, vulnerabilities, and risk assessments; analyze capabilities and performance; increase subgrantee oversight; improve timeliness of obligations to subgrantees; ensure maintenance of equipment listings; and improve timeliness of Financial Status Report submissions. We are making seven recommendations to the Federal Emergency Management Agency that, if implemented, should strengthen program management, performance, and oversight. Federal Emergency Management Agency and State officials verbally concurred with the recommendations. State officials provided a written response to the recommendations, which is included as Appendix C.

Background

The Homeland Security Grant Program is a federal assistance grant program administered by the U.S. Department of Homeland Security (DHS), Grant Programs Directorate within the Federal Emergency Management Agency (FEMA). The current Grant Programs Directorate, hereafter referred to as FEMA, began with the Office of Domestic Preparedness, which was transferred from the Department of Justice to DHS in March 2003. The Office of Domestic Preparedness was subsequently consolidated into the Office of State and Local Government Coordination and Preparedness which, in part, became the Office of Grants and Training, and which subsequently became part of FEMA.

Although the grant program was transferred to DHS, applicable Department of Justice grant regulations and legacy systems were still used, as needed, to administer the program. For example, through Fiscal Year (FY) 2008, the Office of Justice Programs' Grants Management System was used to receive grantee applications and to administer the award and reporting processes. Also, prior to the transfer, the State Administrative Agency entered payment data into the Office of Justice Programs' Phone Activated Paperless Request System, which was a drawdown payment system for grant funds. That payment system was replaced in May 2007 by FEMA's Payment and Reporting System, which allows grantees to make payment requests and complete and transmit their quarterly Financial Status Reports online.

Homeland Security Grant Program

The Homeland Security Grant Program provides federal funding to help states and local agencies enhance their capabilities to prevent, deter, respond to, and recover from threats or acts of terrorism. The program encompasses several interrelated federal grant programs that together fund a range of preparedness activities, including planning, organization, equipment purchase, training, and exercises, as well as management of administration costs. Depending on the fiscal year, the program included some or all of the following:

- **State Homeland Security Program** provides financial assistance directly to each of the states and territories to prevent, respond to, and recover from acts of terrorism. The program supports the implementation of the State Homeland

Security Strategy to address the identified planning, equipment, training, and exercise needs.

- **Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training and exercise needs of high risk urban areas, and to assist them in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism. Allowable costs for the urban areas are consistent with the State Homeland Security Program. Funding is expended based on the Urban Area Homeland Security Strategies.
- **Law Enforcement Terrorism Prevention Program** provides law enforcement communities with funds to support the following prevention activities: information sharing to preempt terrorist attacks; target hardening to reduce vulnerability of selected high value targets; recognition and mapping of potential or developing threats; counterterrorism and security planning; interoperable communications; interdiction of terrorists before they can execute a threat; and intervention activities that prevent terrorists from executing a threat. These funds may be used for planning, organization, training, exercises, and equipment.
- **Citizen Corps Program** is the department's grass-roots initiative to actively involve all citizens in hometown security through personal preparedness, training, and volunteer service. Funds are used to support Citizen Corps Councils with efforts to engage citizens in preventing, preparing for, and responding to all hazards, including planning and evaluation, public education and communication, training, participation in exercises, providing proper equipment to citizens with a role in response, and management of Citizen Corps volunteer programs and activities.
- **Metropolitan Medical Response System Program** supports jurisdictions in enhancing and sustaining an integrated, systematic, mass casualty incident preparedness program to respond to mass casualty events during the first hours of a response. This includes the planning, organizing, training, and equipping concepts, principles, and techniques, which enhance local jurisdictions' preparedness to respond to the range of mass casualty incidents – from chemical, biological, radiological, nuclear, and explosive events to epidemic

outbreaks, natural disasters, and large-scale hazardous materials incidents.

- **Emergency Management Performance Grant Program** funds are used to support comprehensive emergency management at the state and local levels and to encourage the improvement of mitigation, preparedness, response, and recovery capabilities for all hazards. DHS is responsible for leading and supporting the nation in a comprehensive, risk-based, all-hazards emergency management program, and these performance grant funds are a primary means of ensuring the development and maintenance of such a program. Funds may also be used to support activities for managing consequences of acts of terrorism.

State Administrative Agency

State governors appoint a State Administrative Agency to administer the Homeland Security Grant Program. The State Administrative Agency is responsible for managing the grant program in accordance with established federal guidelines, and is also responsible for allocating funds subgranted to local, regional, and other state government agencies.

The West Virginia Department of Military Affairs and Public Safety, Division of Homeland Security (the State Administrative Agency), provides guidance, direction, and coordination in mobilizing, organizing, and preparing West Virginia for responding to acts of terrorism and man-made or natural disasters. The Cabinet Secretary of the West Virginia Department of Military Affairs and Public Safety, appointed by the Governor, serves as West Virginia's Homeland Security Advisor. The West Virginia Department of Military Affairs and Public Safety Division's organization structure is depicted in the organization chart in Appendix B.

The State Administrative Agency formed and chartered a working group to develop the State's security assessment and strategy program. This group and subsequently formed sub-groups consisting of representatives from West Virginia's Office of Emergency Management, State Police, Fire Marshal, Department of Health and Human Resources, and Department of Environmental Protection. The working groups, using a combination of effort between the State and the local jurisdictions, determined the capabilities and needs of the State.

Additionally, the State of West Virginia is divided into six Response Regions that serve as the jurisdictions to implement the State's strategy for an effective Homeland Security Program. Each region is comprised of a grouping of 7 to 12 counties.

Grant Funding

The State of West Virginia received approximately \$38 million in funds from the Homeland Security Program Grants during FYs 2005 through 2007. Of this amount, over \$23 million was from the State Homeland Security Program. West Virginia did not receive any Urban Areas Security Initiative funding during this timeframe. The State Administrative Agency awarded subgrants to 39 counties, 18 cities, 11 state agencies, 6 regions, and 3 non-profit organizations. Table 1 shows a breakdown of the grant funds by year and funded activity. Note that not all funded activities were part of the Homeland Security Grant Program during each of the fiscal years.

Table 1

West Virginia Homeland Security Grant Awards Fiscal Years 2005 through 2007				
Grant Programs ('000s)				
Funded Activity	2005 Homeland Security Grant Program	2006 Homeland Security Grant Program	2007 Homeland Security Grant Program	Total
State Homeland Security Program	\$11,878	\$7,570	\$3,820	\$23,268
Urban Areas Security Initiative	0	0	0	0
Law Enforcement Terrorism Prevention Program	4,319	5,510	2,730	12,559
Citizen Corps Program	150	214	162	526
Metropolitan Medical Response System Program	0	0	0	0
Emergency Management Performance Grant Program	1,942	Not Applicable	Not Applicable	1,942
Total	\$18,289	\$13,294	\$6,712	\$38,295

Williams, Adley & Company, LLP completed an audit of the State of West Virginia's management of the State Homeland Security Program for FYs 2005 through 2007. The objective of this audit was to determine whether the State distributed and spent Homeland Security Grant Program funds strategically, effectively, and in compliance with laws, regulations, and guidance. Nine researchable questions, provided by the DHS Office of Inspector General (OIG), established the framework for the audit. The researchable questions were related to the State Administrative Agency's planning, management, and evaluations of grant activities. Appendix A provides additional details on the purpose, scope, and methodology of this audit, including the nine researchable questions.

Results of Audit

State Grants Management Practices Were Generally Effective, But Require Some Improvements

Overall, the State Administrative Agency did an efficient and effective job of administering the program requirements, distributing grant funds, and ensuring that all of the available funds were used. The State developed its strategy and defined measurable goals and objectives through working groups, and created a response team to review the strategy and goals on a monthly basis. The State ensured that funded plans linked all hazards capabilities to goals by requiring subgrantees to identify the specific purpose for the grant funds and the goal(s) they would support. Furthermore, the State distributed funds and resources based on justifications submitted by subgrantees describing how their project plans would support specific goals within the State's strategy. Additionally, the State generally administered grants in compliance with grant guidance and regulations.

However, as demonstrated by the results contained in this report, improvements are needed with respect to documenting the risk assessment that defined the goals and objectives included in the State's strategy; documenting the analysis performed to measure capabilities and performance; monitoring subgrantee performance; obligating funds to subgrantees within 60 days of receipt from FEMA; maintaining a detailed equipment list; and submitting timely Financial Status Reports.

Risk Assessment Was Not Documented

The State Administrative Agency was unable to provide documentation to support the identification of primary threats and vulnerabilities, and the evidence used to measure the risk of threats and vulnerabilities. While the State Administrative Agency did use committees and subcommittees to evaluate threats and vulnerabilities, it did not create and maintain documentation to support the evaluations. This occurred because the State did not have written policies and procedures in place to require documentation of the primary threats and vulnerabilities identified.

According to the Office of Domestic Preparedness, *Financial Management Guide*, Chapter 3, dated January 2006, all grantees, including sub-recipients, should employ pre-planning strategies, to include such activities as threat and vulnerability assessments, needs assessments, and gap analyses, prior to making applications for grant awards. Based upon the results of these activities, the state should establish and document the funding priorities.

The Code of Federal Regulations Title 28 § 66.42, *Retention and access requirements for records*, applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are: (i) required to be maintained by the terms of this federal regulation, program regulations, or the grant agreement, or (ii) otherwise reasonably considered as pertinent to program regulations or the grant agreement.

Lack of written policies and procedures on documenting the identification of primary threats and vulnerabilities and the corresponding risk assessment prevented the State from compiling necessary supporting documentation. Without the supporting documentation, there is no assurance the information is accurate. Without accurate risk assessments, the State may be hindered in evaluating progress in mitigating these risks.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, require the State Administrative Agency to:

Recommendation #1: Develop procedures for developing and retaining documentation on how data was used in its identification and analysis of primary threats and vulnerabilities, and the corresponding risk assessment.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the recommendation. FEMA explained that its Cost to Capability initiative will assist states in addressing this issue in the future. According to FEMA officials, the Cost to Capability initiative will rollout nationwide in the near-term.

We received verbal and written agreement with the recommendation from the State Administrative Agency. The State Administrative Agency stated that it is currently in the process of revising its State Homeland Security Strategy and that a clear and current understanding of the risk and threats to the state is fundamental to this process. To that end, the state has collected and continues to collect statewide risk information as a basis for its strategy. The State Administrative Agency plans to develop and implement a written policy and corresponding procedures in accordance with the recommendation.

We believe that the State Administrative Agency's actions address the intent of the recommendation.

The Administrator, Federal Emergency Management Agency, needs to provide corrective actions for this recommendation and a plan to implement within 90 days.

Analysis of Capabilities and Performance Was Not Performed

The State Administrative Agency did not perform an analysis of capabilities and performance with respect to equipment purchased and training obtained. Specifically, there is no evidence that monthly subgrantee reports or After Action Reports were reviewed and analyzed to ensure that the goals and objectives of the grant were being achieved or were still in line with the real threats and vulnerabilities of the State. As a result, there was no assurance that the equipment purchased and the training conducted was in accordance with the specific goals and objectives of the State Strategy. In addition, the State Administrative Agency does not have written policies and procedures requiring analysis of capabilities and performance, and the documentation of such, in order to determine improvements in performance and progress towards achieving program goals.

According to the FY 2006 Office of Justice Programs Financial Guide Part III - Chapter 11: Reporting Requirements - *Government Performance and*

Results Act, funding recipients agree to collect data appropriate to facilitate reporting requirements and to ensure that valid and auditable source documentation is available to support performance data.

The Code of Federal Regulations Title 28 § 66.42, *Retention and access requirements for records*, applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are: (i) required to be maintained by the terms of this federal regulation, program regulations, or the grant agreement, or (ii) otherwise reasonably considered as pertinent to program regulations or the grant agreement.

Also, FEMA Homeland Security Grant Program Guidance require an After Action Report for each exercise conducted with grant funds to be submitted within 60 days following completion of the exercise. The lack of procedures for analyzing performance documents and reports prevents the proper evaluation of the State's strategies to ensure that the goals and objectives are being achieved, or are still in line with the real threats and vulnerabilities of the State. DHS uses the performance data to assess overall program effectiveness and impact, and to report results to Congress and the Office of Management and Budget. Without good data, DHS may be hindered in properly determining the program effectiveness and impact, and may report imprecise results.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, require the State Administrative Agency to:

Recommendation #2: Develop and implement procedures for analyzing capability and performance data to determine improvements in performance and progress towards achieving program goals.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the recommendation and explained that its Cost to Capability initiative will assist states in addressing this issue in the future. According to FEMA officials, the Cost to Capability initiative will roll-out nationwide in the near-term.

We received verbal and written agreement with the recommendation from the State Administrative Agency. The State Administrative Agency understands the importance of analyzing

capability and other data to measure progress but indicated that during the early years reported herein, the State used its limited resources to implement the new grant procedures as best it could. The State will revise its Project Concept document to require subgrantees to include information about how their proposals will improve capability in quantifiable measures. The State Administrative Agency will develop and implement procedures for measuring progress in on-site and desk monitoring in accordance with the recommendation. Finally, the State will expand training to include additional education relating to the Target Capabilities and how to appropriately incorporate them in preparedness planning.

We believe that the State Administrative Agency's actions address the intent of the recommendation.

The Administrator, Federal Emergency Management Agency, needs to provide corrective actions for this recommendation and a plan to implement within 90 days.

Subgrantee Monitoring Procedures and On-Site Visits Were Insufficient

The State Administrative Agency needs to improve its monitoring procedures and increase the frequency of oversight activities to ensure compliance with monitoring requirements. The State's monitoring procedures lack specific attributes needed for effectiveness, and an insufficient number of on-site monitoring visits were made.

According to the DHS Office of Domestic Preparedness *Financial Management Guide*, Chapter 4, dated January 2006, a grant recipient has full responsibility for the conduct of the project or activity supported and for the results achieved. The recipient must monitor the performance of the project to assure adherence to performance goals, time schedules, or other requirements as appropriate to the project or the terms of the agreement. The recipient is responsible for monitoring the activities of any sub-recipients and their compliance with grant requirements.

The West Virginia Homeland Security Administrative Manual, Chapter 10, states that desk monitoring is a monthly process in which the State Administrative Agency reviews and processes the following reports for each subgrantee: Progress Report, Financial Report, Request for Reimbursement, and Equipment Listing. The State Administrative Agency is to conduct monthly desk monitoring of all subgrant projects

and, if needed, schedule an on-site monitoring visit when possible or if a subgrantee requests a monitoring visit.

While the State implemented monitoring procedures for its subgrantees, the State's monitoring procedures lack the following attributes needed for effectiveness:

- Written plan or schedule for monitoring;
- Documentation of quantifiable goals or criteria to determine the effectiveness of each grant specific to each grant year;
- Evaluation of subgrantee programmatic performance or effectiveness; and
- Signatures of subgrantee representatives to document that discussion of the monitoring results were held.

Although the West Virginia Homeland Security Administrative Manual requires on-site monitoring only as needed, on-site visits are an effective way for the State to monitor subgrantee activities. On-site visits help fulfill requirements to provide reasonable assurance that federal awards are administered in compliance with grant requirements, such as accounting of receipts and expenditures, cash management, maintenance of adequate financial records, and refunding expenditures disallowed by audits.

During FY 2005, the State Administrative Agency awarded a total of 74 State Homeland Security Program subgrants to 29 counties, 14 cities, 2 non-profits, 3 regions, and 9 agencies, but only performed 1 on-site monitoring review related to the State Homeland Security Program. Correspondingly, for the FY 2006 State Homeland Security Program, the State Administrative Agency awarded a total of 43 subgrants to 23 counties, 3 cities, and 3 agencies, and performed 38 on-site monitoring reviews between March 2008 and January 2009. For the FY 2007 grant program, monitoring had not yet been performed.

A lack of staff resources assigned to perform monitoring contributed to the low number of on-site visits performed. The State Administrative Agency has nonetheless made improvements in the number of on-site monitoring reviews performed. Currently, the State has an accountant who performs on-site monitoring and a grants specialist who performs desk monitoring. Additionally, the State's written monitoring procedures only require that the State Administrative Agency conduct monthly desk monitoring of all subgrant projects, while on-site monitoring visits are only to be scheduled if such needs present themselves or if subgrantees request monitoring visits.

If the State does not properly monitor subgrantee program performance, the State cannot determine whether program goals are accomplished and purchased assets are used as intended. Without adequate monitoring there can be no verification that grant requirements are met. Further, a lack of on-site visits and other procedures to monitor compliance may increase the risk of misappropriation or misuse of assets purchased with grant funds.

Recommendations

We recommend that the Administrator, Federal Emergency Management Agency, require the State Administrative Agency to:

Recommendation #3: Enhance its subgrantee monitoring program to comply with relevant guidance, and

Recommendation #4: Assess whether sufficient personnel are assigned to perform monitoring and to schedule and conduct on-site monitoring visits as appropriate.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the recommendations but clarified that FEMA can recommend, but not require, on-site monitoring.

We received verbal and written agreement with the recommendations from the State Administrative Agency. The State Administrative Agency stated that its monitoring program has evolved during recent years, from 2005 when there were no policies and procedures in place, to recent years when monthly desk monitoring was performed on all subgrants and on-site monitoring was conducted on a sample of subgrantees.

The State Administrative Agency will review its monitoring policy and procedures to incorporate the recommendations. It is the State's intent to conduct at least one on-site monitoring visit to 100% of the 2007, 2008, and 2009 Homeland Security Grant Program subgrantees.

We believe that the State Administrative Agency's actions address the intent of the recommendations.

The Administrator, Federal Emergency Management Agency, needs to provide corrective actions for this recommendation and a plan to implement within 90 days.

Grants Funds Were Not Obligated Timely

For FYs 2005 through 2007, the State Administrative Agency did not obligate grant funds to subgrantees within 60 days of receipt from FEMA, as required. Due to delays in allocating funds it was necessary for the State Administrative Agency to request two extensions to grant performance periods for FY 2005 and one extension for FY 2006.

The *FYs 2005, 2006, and 2007 Program Guidelines and Application Kit* required that the State obligate award funds to subgrantees within 60 days of the award date. Table 2, Days to Obligate Grant Funds, shows the actual range and average number of days taken to obligate funds for the 3 years:

Table 2

West Virginia Homeland Security Grant Awards Fiscal Years 2005 through 2007			
Days to Obligate Grant Funds			
Grant Award	No. of Obligations Made Within 60 days	Range of Days To Obligate	Average Number of Days To Obligate
FY 2005 State Homeland Security Program	0	428 to 1,267	692
FY 2006 State Homeland Security Program	0	366 to 640	482
FY 2007 State Homeland Security Program	0	323 to 415	385

According to the DHS Office of Domestic Preparedness *Financial Management Guide*, Chapter 3, dated January 2006, grant applicants should not wait until they receive an award to start planning how funds will be spent. Many grant programs require state and local jurisdictions to develop Homeland Security Strategic Plans, as well as descriptions of firefighting and emergency response needs, to which all allocations of grant funds must be tied.

Further, all grantees, including sub-recipients, should employ pre-planning strategies, to include such activities as threat and vulnerability assessments, needs assessments, and gap analyses prior to making applications for grant awards. Based upon the results of these activities, priorities for funding should then be established. Grantees should

leverage all relevant funding and resources from multiple sources wherever possible to support and sustain program efforts. Program budgets should be developed in a manner that maximizes all resources, is not restricted to federal funding alone, avoids duplication of spending, achieves identified priorities, and accounts for expenditures.

The current grant award process within the State Administrative Agency is initiated when a subgrantee submits an application for grant funds, including goals and objectives in keeping with the State's strategy, as well as a detailed budget on intended grant funds use. In order to prepare an application that is acceptable to the State Administrative Agency, subgrantee, regional, and State personnel must work together to determine what goals and objectives they will work towards and to plan for how the grant funds will be spent. Such collaboration occurs before the subgrantee application is approved, and may result in subgrantees having to submit several budget revisions before approval. The State Administrative Agency strongly believes that approval of a realistic budget that takes into consideration the State's goals and objectives outweighs the benefit of obligating funds within 60 days.

FEMA officials explained that there were extenuating circumstances that contributed to the grant funds not being obligated in a timely manner in FYs 2005 through 2007. In FY 2005, the State spent a significant amount of time working to resolve an audit finding that questioned millions of dollars, resulting in all programmatic expenditures being placed on hold for an extended period. In FY 2006 and 2007, the State struggled to establish the regionalization concept and needed to overcome initial resistance to this concept, delaying the budget submission and review process.

Despite these extenuating circumstances, FEMA officials stated that the State Administrative Agency has made good faith efforts during FYs 2005 to 2007 to obligate funds in a timelier manner; however, they recognize that there is room for continued improvement.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, require the State Administrative Agency to:

Recommendation #5: Assess the subgrantee budget submission and approval process to identify areas for efficiency so that obligations can be made within the 60-day requirement.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the recommendation.

We received verbal and written agreement with the recommendation from the State Administrative Agency. The State Administrative Agency ensures that the required 80% of funding is obligated to locals per the guidelines and that projects are implemented effectively and efficiently. While the State Administrative Agency is very cognizant of the 60-day requirement, its primary concern is not to obligate funds quickly, but to obligate funds based on a realistic budget, which takes time. The State Administrative Agency will continue to strive to obligate funding as quickly as possible without jeopardizing public safety.

We believe that the State Administrative Agency's actions address the intent of the recommendation, but further action will be needed to fully implement the recommendation.

The Administrator, Federal Emergency Management Agency, needs to provide corrective actions for this recommendation and a plan to implement within 90 days.

Detailed Equipment List Was Not Maintained

Neither the State, nor all subgrantees, maintained a detailed equipment list that provided a full description of all assets purchased with grant funds. Although accounting records provided the details of the asset purchases, as reported in each reimbursement request package, these details did not include all the information required by FEMA guidance and regulations and the West Virginia Homeland Security Program Sub-Grant Administrative Manual. The State only maintained a list of subgrantee programs and the related funding allocations. This finding was also included in each of the Single Audit Reports for the State of West Virginia for Fiscal Years ending June 30, 2005, 2006, and 2007.

The Code of Federal Regulations Title 28 § 66.32 (d), Equipment Management, requires that procedures for managing equipment (including replacement equipment), acquired in whole or in part with grant funds, meet the following minimum requirements until disposition takes place:

- Property records must be maintained that include a description of the property; a serial number or other identification number; the source of property; who holds title; the acquisition date; the federal share in the

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

- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- Adequate maintenance procedures must be developed to keep the property in good condition.
- Proper sales procedures must be established to ensure the highest possible return if the grantee or subgrantee is authorized or required to sell the property.

The State of West Virginia Purchasing Division Inventory Management and Surplus Property Disposition Policies and Guidelines, Chapter 3.3, *Responsibility*, states that agencies are responsible for all property under their jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost. Agencies are responsible for maintaining equipment from date of purchase to date of retirement, such as keeping equipment secure, entering assets into the West Virginia Financial Information Management System, conducting physical inventories, submitting annual certification, and retiring assets properly, all in accordance with policy and procedures outlined in the West Virginia guidelines.

Additionally, the State Administrative Agency Administrative Manual, Chapter 9; *Record Keeping Requirements*, states that subgrantees are required to maintain a readily identifiable inventory of equipment purchased in whole or in part with grant funds. This inventory is to be made a part of the grantee's official records and be available for review by authorized state personnel. Property records shall be maintained accurately and include a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; location, use, and condition of the property; and ultimate disposition data, including sales price or the method used to determine current fair market value if the grantee reimburses the grantor agency for its share. Each piece of equipment shall be entered on and maintained on the equipment listing form.

The State Administrative Agency did not enforce the requirement that subgrantees maintain a detailed equipment list. Instead, subgrantees were

permitted to either submit invoices or a summarized equipment list that did not contain all of the required elements. Without a readily available, detailed equipment list for each subgrantee, the State Administrative Agency cannot effectively account for equipment state-wide to ensure that the State is prepared to handle a major catastrophe. Further, without such information, the State Administrative Agency may not be able to determine whether equipment purchases are duplicative or help meet program goals. The Agency also may be hindered in making decisions regarding future funding because inaccurate inventories could result in potentially misleading or inappropriate grant requests.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, require the State Administrative Agency to:

Recommendation #6: Ensure that each subgrantee maintain a detailed equipment list as required by federal regulations and State policy.

Management Comments and Auditors' Analysis

FEMA verbally concurred with the recommendation.

We received verbal and written agreement with the recommendation from the State Administrative Agency. The State Administrative Agency stated that generally it maintained equipment lists in the subgrant files; however, during the audit it discovered that some of the equipment lists were missing from the subgrant files or were incomplete.

The State Administrative Agency has revised and updated its policies and procedures related to the equipment list. Specifically, the equipment lists are now to be filed in a specific location in the subgrant file and all equipment lists must agree with the equipment category on the financial reports. Further, reimbursement to subgrantees for equipment purchases will not be processed until a completed equipment list is submitted.

We believe that the State Administrative Agency's actions adequately addressed the recommendation, and therefore this recommendation is considered resolved and closed.

Financial Status Reports Were Submitted Late

The State Administrative Agency submitted 9 of 33 Financial Status Reports late. Two of the nine late reports were for FY 2005 when the reports were due 45 days after the end of the reporting period. The remaining seven late reports were for FYs 2006 and 2007 grants, when the reporting timeframe was 30 days. Table 3, Untimely Financial Status Reports, shows the range and average number of days reports were submitted late when compared to the requirements of the DHS Homeland Security Grant Program Guidelines and Application Kits for FY 2005, 2006, and 2007.

Table 3

West Virginia Homeland Security Grant Awards Fiscal Years 2005 through 2007				
Untimely Financial Status Reports				
Grant Award	Total No. of Reports Submitted	No. of Reports Submitted Late	Range of Days Submitted Late	Average # of Days Report Delayed
FY 2005 State Homeland Security Program	17	2	36 to 69	53
FY 2006 State Homeland Security Program	10	5	1 to 8	5
FY 2007 State Homeland Security Program	6	2	1 to 6	4
Total	33	9	1 to 69	15

For FY 2005, a change in the agency designated as the State Administrative Agency caused delays in submission of the Financial Status Reports. State Administrative Agency officials stated that reports were delayed for FYs 2006 and 2007 because the State did not become aware of the change in the due date – from 45 days to 30 days – in a timely manner.

Delays in the submission of Financial Status Reports may hamper FEMA's ability to effectively and efficiently monitor program expenditures and may prevent the State from drawing down funds in a timely manner, and ultimately affects the functioning of the program.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency, require the State Administrative Agency to:

Recommendation #7: Develop and update, as necessary, policies and controls to ensure timely submission of Financial Status Reports in accordance with grant guidelines.

Management Comments and Auditors' Analysis

FEMA officials verbally concurred with the recommendation.

We received verbal and written agreement with the recommendation from the State Administrative Agency. The State Administrative Agency stated that it submitted SF 269s within a 45 day window because it was not aware that the requirement had been changed to 30 days. The State Administrative Agency said it was never prevented by DHS from drawing down funds; therefore subgrantee reimbursements were never delayed. The State Administrative Agency said that all future reports will be submitted within the required 30 day window.

We believe that the State Administrative Agency's actions adequately address the recommendation, and therefore this recommendation is considered resolved and closed.

Appendix A

Purpose, Scope, and Methodology

The purpose of this audit was to determine whether the State of West Virginia distributed and spent State Homeland Security Program grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The goal of the audit was to identify problems and solutions that can help the State better prepare for and respond to threats and acts of terrorism. The audit further enabled us to answer the following nine researchable questions:

- Were measurable goals developed from plans?
- Do funded plans link all hazards capabilities to goals?
- Were funds and resources distributed based on goals?
- Does the State accurately measure risk?
- Does the State measure response capability?
- Can the State demonstrate improved performance?
- Were grants administered compliantly?
- Did the State monitor grant programs?
- What innovative practices can be used by other states?

The scope of the audit included the State Homeland Security Program for Fiscal Years 2005, 2006, and 2007 described in the Background section of this report.

The audit methodology included work at DHS Headquarters, State of West Virginia offices responsible for the management of the grants, and various subgrantee locations. To achieve our audit objectives we analyzed data, reviewed documentation, and interviewed key state and local officials directly involved in the management and administration of the State of West Virginia's Homeland Security Grant Programs. We conducted 25 visits to 11 counties representing all 6 of the state's regions, 8 cities, and 5 state agencies in order to determine whether program grant funds were expended according to grant requirements and State-established priorities.

We conducted site visits to the following first responders and local jurisdictions:

- Region I:
 - City of Parkersburg
 - City of Williamstown
 - Kanawha County Commission

Appendix A
Purpose, Scope, and Methodology (continued)

- Region II:
 - City of Fairmont Fire Department
 - City of Morgantown Fire Department
 - City of Morgantown Police Department
 - City of Shinnston Police Department
 - Harrison County Police Department
 - Monongalia County Office of Emergency Management
 - Monongalia County Sheriff's Department

- Region III:
 - City of Petersburg Police Department
 - Hampshire County Office of Emergency Management
 - Jefferson County 911 Dispatch Center
 - Morgan County 911 Dispatch Center

- Region IV:
 - Randolph County 911 Dispatch Center

- Region V:
 - City of Beckley Fire Department
 - City of Lewisburg Fire Department
 - McDowell County Sheriff's Department

- Region VI:
 - Boone County Commission
 - City of Huntington
 - Wayne County Sheriff's Department

- State Agencies:
 - West Virginia Department of Agriculture
 - West Virginia Division of Natural Resources
 - West Virginia Division of Highways
 - West Virginia State Fire Marshal
 - West Virginia State Police

At each location, we interviewed responsible officials, reviewed documentation supporting the State and subgrantee's management of the awarded grant funds, and physically inspected some of the equipment procured with the grant funds. We conducted our fieldwork between January 2009 and March 2009 in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the United States (Yellow Book 2007 Revision). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a

Appendix A
Purpose, Scope, and Methodology (continued)

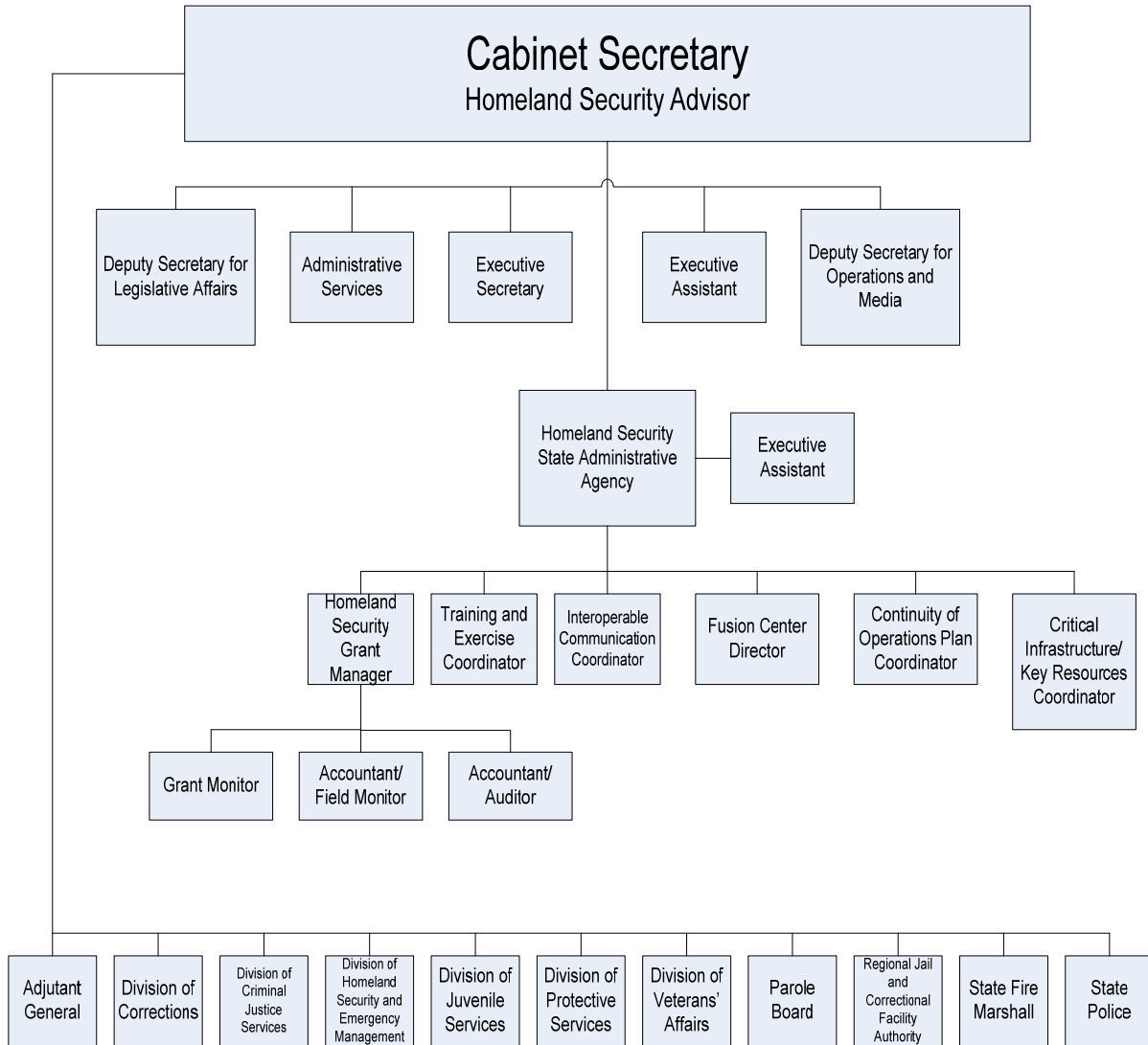
reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. This was a performance audit as defined by Chapter 1 of the *Standards* and included a review and report of program activities with a compliance element. Williams, Adley & Company, LLP was not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, we were neither required to nor expressed an opinion on the costs claimed for the grant programs included in the scope of the audit. Had we been required to perform additional procedures or conduct an audit of financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the State of West Virginia.

While the audit work was performed and the report was prepared under contract, the audit results are being reported by the DHS Office of the Inspector General to appropriate FEMA and State of West Virginia officials.

**Appendix B
Organization Chart**

West Virginia Department of Military Affairs and Public Safety



**The State of West Virginia's Management of State Homeland Security Program Grants
Awarded During Fiscal Years 2005 through 2007**

Appendix C
Management Comments to the Draft Report



State of West Virginia
OFFICE OF THE CABINET SECRETARY
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY

State Capitol Complex
1900 Kanawha Blvd., E.
Charleston, West Virginia 25305
Telephone (304) 558-2930
Facsimile (304) 558-6221

JOE MANCHIN III
GOVERNOR

JAMES W. SPEARS
CABINET SECRETARY
STATE HOMELAND SECURITY ADVISOR

23 September 2009

Ms. Jocelyn Hill, CPA
Partner
Williams, Adley & Company, LLP
1250 H Street NW, Suite 1150
Washington, DC 20005

Re: Your Task Order No. TPDFIGBPA070013

Dear Ms. Hill:

I would like to take this opportunity to say it has been a pleasure working with you and your team during the course of the audit of the West Virginia's management of the U. S. Department of Homeland Security's State Homeland Security Program grants for Fiscal Years 2005 through 2007. It has been a valuable learning experience for the West Virginia Homeland Security State Administrative Agency (HSSAA) and will serve to make the program even better.

Enclosed please find comments addressing each of the recommendations as presented in the draft report. The HSSAA requests these comments be incorporated into the final report. These comments augment our discussions conducted in the exit conference 21 September 2009.

Again, thank you for the opportunity to participate in the process.

Very truly yours,

A handwritten signature in cursive script that reads "Christine F. Morris".

Christine F. Morris
Deputy Cabinet Secretary
Acting Director HS SAA

CFM:mwc

c: Martha Barksdale, DHS / OIG
James W. Spears, WVDMAPS Cabinet Secretary/WV HSA
SAA Audit File

Enclosure

Management Comments

Risk Assessment Was Not Documented (Recommendation #1)

West Virginia is currently in the process of revising its State Homeland Security Strategy. A clear and current understanding of the risk and threats to the state is fundamental to this process. To that end, the state has and continues to collect statewide risk information as a basis for the Strategy.

Furthermore, the state has begun assessing risk as a basis for individual grants. Beginning in FY 2007, a Project Concept application was developed and all local applicants are required to submit a completed document as part of the grant process. This document asks the applicant to identify and describe risk and capabilities and establish measurable outcomes. Additionally, eligibility criteria were established and implemented concurrently to ensure applicants were incorporating national doctrine (i.e., NIMS, HSEEP, continuity planning) in the identification and resolution of gaps in preparedness planning relative to specific risks.

Regional grant prioritization committees have been formed in each of the state's homeland security regions to provide recommendations of which Project Concepts to fund. These committees discuss threats and needs specific to the region and establish funding priorities as a precursor to reviewing the applications.

As to the Office of Inspector General's (OIG's) recommendation relating to the development and retention of data usage procedures in identifying and analyzing threats and vulnerabilities, we agree. Therefore, we will develop and implement a written policy and corresponding procedures in accordance with the OIG's recommendation.

Analysis of Capabilities and Performance Was Not Performed (Recommendation #2)

West Virginia understands the importance of analyzing capability and other data to measure progress. However it is also important to note that much of West Virginia's early grant applications were to advance local entities up to achieving a level playing field with other states. Whereas elsewhere in the country, equipment needs are outmoded and being updated and replaced utilizing homeland security funding streams, in many places in West Virginia, initial very basic critical purchases were still needed. Equipment such as radios, computers and the like are taken for granted in other parts of the country, but in West Virginia some of our state's cash-strapped communities have been in the position of having to share one or two radios if they have any at all, or couldn't afford even the most basic of computers, even if they had access to broadband service. These communities are now in a position of having moved from nonexistent capability to some.

Appendix C

Management Comments to the Draft Report

As explained elsewhere in this document, in the early years reported herein, the HSSAA used its very limited resources to implement the new grant procedures as best it could. With our hiring of the full-time on-site monitor the process has continued to evolve and improve.

Your recommendation to “develop and implement procedures analyzing capability and performance data to determine improvements in performance and progress towards achieving program goals” is a good one and we agree. Accordingly, although our Project Concept document referenced in the previous response includes a field for a description of current capabilities, West Virginia will revise the document to include how the proposal will improve the applicant’s capability in quantifiable measures. Additional procedures will be developed and implemented to include a method of review to measure progress in our on-site monitoring as well as our desk monitoring, in accordance with the OIG’s recommendation. Finally, we will expand our training to include additional education relating to the Target Capabilities and how to appropriately incorporate them in preparedness planning.

Subgrantee Monitoring Procedures and On-Site Visits Were Insufficient (Recommendations #3 and #4)

When the HSSAA was reorganized and “stood up” operations on September 1, 2005, there were no policies and procedures in place regarding monitoring of subgrants. The evolution began of slowly developing monitoring protocol and implementing procedures. The new protocol was developed fairly quickly and from September 2005 through December 2007 the HSSAA utilized limited available resources to implement the procedures the best it could. All subgrants were desk monitored monthly to ensure 100% compliance regarding allowable costs and on-site monitoring was conducted on a sampling of subgrantees.

In December 2007, the HSSAA hired a full-time on-site monitor with the primary responsibility of conducting on-site monitoring of subgrants. This process has continued to evolve and improve and this audit specifically points out that *“The State Administrative Agency has nonetheless made improvements in the number of on-site monitoring reviews performed.”*

The HSSAA will review its monitoring policy and procedures to incorporate the OIG’s recommendations. Moreover, it is the intent of the HSSAA to conduct at least one on-site monitoring visit to 100% of the 2007 HSGP subgrants and subsequently on-site monitor 100% of all future subgrants including the 2008 and 2009 HSGP. The HSSAA will continue to desk monitor on a monthly basis 100% of subgrants which will continue to ensure complete compliance with issues related to allowability of costs.

Grant Funds Were Not Obligated Timely (Recommendation #5)

As stated in the audit, “FEMA officials explained that there were extenuating circumstances that contributed to the grant funds not being obligated in a timely manner in FYs 2005 through 2007. In FY 2005, the State spent a significant amount of time working to resolve an audit finding that questioned millions of dollars, resulting in all programmatic expenditures being placed on hold for an extended period. In FY 2006 and 2007, the State struggled to establish the regionalization concept and needed to overcome initial resistance to this concept, delaying the budget submission and review process.”

The HSSAA ensures that the required 80% of funding is obligated to locals per the guidelines and that projects are implemented effectively and efficiently. While the HSSAA is very cognizant of the 60 day requirement, the HSSAA operates in a mode that the primary concern is not obligating funding quickly, but obligating funding as effectively and efficiently as possible for allowable costs with detailed budgets which ensure the State is as safe as possible. The HSSAA involves local jurisdictions in the development of the detailed budgets which takes time in the organization and implementation and in addition there are local customary procedures that counties must follow in order to officially apply for and accept subgrant funding.

Again, the HSSAA is very cognizant of this situation and will continue to strive to obligate funding as quickly as possible without jeopardizing public safety.

Detailed Equipment List Was Not Maintained (Recommendation #6)

Generally, the HSSAA did maintain equipment list forms in the subgrant files; however, it was discovered during the audit that some of the equipment list forms were missing from the subgrant files or incomplete. The auditors indicated that the form itself was fairly good and collected most information needed. As a result of discussion during the audit, a column indicating disposition has been added to the equipment list to capture date and reason for equipment retirement.

The HSSAA has revised and updated the policies and procedures related to the equipment list form. Specifically, the equipment list forms are now to be filed in a uniform location in the subgrant file and all equipment list forms must balance with the equipment category on the financial reports. To ensure there are not missing equipment list forms in the future, reimbursements to subgrantees for equipment are not processed until a completed equipment list form is submitted.

Financial Status Reports Were Submitted Late (Recommendation #7)

The HSSAA which “stood up” operations in September 2005 has been submitting SF 269s within a 45 day window after the close of the quarter which was the original requirement. The HSSAA did not know that the requirement had been changed to 30 days and therefore some reports were submitted a few days late. The HSSAA was never forbidden from drawing down funds from DHS, therefore subgrantee reimbursements were never held up. All future reports will be submitted within the required 30 day window.

Appendix D
Report Distribution

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Deputy Secretary
Chief of Staff for Operations
Chief of Staff for Policy
Deputy Chiefs of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs

Federal Emergency Management Agency

Administrator
Assistant Administrator, Grant Programs Directorate
Federal Emergency Management Agency Audit Liaison
Grant Programs Directorate Audit Liaison

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate



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Attention: Office of Investigations - Hotline,
245 Murray Drive, SW, Building 410,
Washington, DC 20528.

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