

Oversight of the Colorado Emergency Management Performance Grant Program Needs Improvement





DHS OIG HIGHLIGHTS

Oversight of the Colorado Emergency

Management Performance Grant Program Needs Improvement

December 10, 2015

Why We Did This Audit

We conducted this audit to determine whether the Federal Emergency Management Agency (FEMA) and the Colorado Division of Homeland Security and Emergency Management (DHSEM) were sufficiently monitoring the Emergency Management Performance Grant (EMPG) program to ensure that funds were used in accordance with grant program guidelines and other applicable state and Federal laws.

What We Recommend

We made five recommendations to improve financial controls and subgrantee monitoring, and maintain adequate documentation for expenditures. These recommendations, when implemented, should improve the efficiency and effectiveness of Colorado's EMPG program.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

DHSEM needs to improve its grants management and internal controls over its financial systems. In addition, it needs to improve its maintenance of supporting documentation for all EMPG transactions, and monitoring of subgrantees.

Without adequate grants management, financial controls, and retention of detailed supporting documentation for transactions and EMPG expenditures were not always recorded timely; inaccurate amounts were recorded; grants were improperly closed out; and financial reports submitted to FEMA were inaccurate. We also question approximately \$458,000 in costs for which DHSEM was unable to provide adequate supporting documentation. Finally, during fiscal years 2012 and 2013, DHSEM only monitored 28.7 percent of its subgrantees.

DHSEM needs better grant oversight to ensure that the program is managed in the most effective and efficient manner to improve Colorado's emergency management preparedness and performance.

FEMA Response

FEMA concurred with all five of our report recommendations and provided a corrective action plan to address them.



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Department of Homeland Security

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

DEC 10 2015

MEMORANDUM FOR: Brian E. Kamoie
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency

Robert Farmer
Acting Regional Administrator – Region VIII
Federal Emergency Management Agency

FROM: Mark Bell *Mark Bell*
Assistant Inspector General for Audits

SUBJECT: *Oversight of the Colorado Emergency
Management Performance Grant Program Needs
Improvement*

For your action is our final report, *Oversight of the Colorado Emergency Management Performance Grant Program Needs Improvement*. We incorporated the formal comments provided by your office.

The report contains five recommendations aimed at improving the State of Colorado's EMPG program. Your office concurred with all five recommendations. Based on information provided in your response to our draft report, we consider all five 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.

Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to 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 Brooke Bebow, Director for Grants Management, at (303) 236-2877.



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Background

The Federal Emergency Management Agency (FEMA) administers the Emergency Management Performance Grant (EMPG) program. EMPG funds assist state, local, and tribal governments in preparing for all hazards, as authorized by the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended (42 U.S.C. §§ 5121–5207). Title VI of this Act authorizes FEMA to make grants for the purpose of providing a system of emergency preparedness for the protection of life and property in the United States from hazards. It also authorizes FEMA to vest responsibility for emergency preparedness jointly in the Federal Government, states, and their political subdivisions.

In July 2012, the State of Colorado established the Colorado Division of Homeland Security and Emergency Management (DHSEM). DHSEM is part of Colorado’s Department of Public Safety, and comprises three offices: Office of Emergency Management, Office of Preparedness, and Office of Prevention and Security.

Colorado’s EMPG program provides necessary direction, coordination, and guidance so that a comprehensive emergency preparedness system exists for all hazards. EMPG funds retained at the state level are used to support local and tribal programs through activities such as state-sponsored training and conferences, maintenance of field offices, technical assistance on response operations, hazard mitigation, interoperable communications, planning, and exercises.

Colorado was awarded approximately \$11.6 million in EMPG funds for fiscal years (FY) 2012 and 2013. Each grant had a local fund matching requirement of 50 percent, had a 2-year period of performance, and all expenditures were to occur within a 90-day grace period following the period of performance.

Table 1. Colorado EMPG Awards for FYs 2012 and 2013

Award Year	Award Amount	Grant Period of Performance	Original Grant Closeout Date	Extended Closeout Date
2012	\$5,846,103	October 1, 2011, through March 31, 2014*	June 30, 2014	August 31, 2014***
2013	\$5,746,316	October 1, 2012, through December 31, 2014**	March 31, 2015	September 30, 2015****
Total	\$11,592,419			

Source: FEMA

* FEMA granted a 6-month extension on the grant period of performance

** FEMA granted a 3-month extension on the grant period of performance

*** FEMA granted a 2-month extension on the grant closeout date

**** FEMA granted a 6-month extension on the grant closeout date



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Results of Audit

DHSEM needs to improve its grants management and internal controls over its financial systems. In addition, it must maintain adequate supporting documentation for all EMPG transactions, and it should improve its monitoring of subgrantees.

Without adequate grants management, financial controls, and retention of detailed supporting documentation for transactions, EMPG expenditures were not always recorded timely, inaccurate amounts were recorded, grants were improperly closed out, and financial reports submitted to FEMA were inaccurate. We also question approximately \$458,000 in costs for which DHSEM was unable to provide adequate supporting documentation. Finally, during FYs 2012 and 2013, DHSEM monitored only 28.7 percent of its subgrantees.

DHSEM needs better grant oversight to ensure that the EMPG program is managed in the most effective and efficient manner to improve Colorado's emergency management preparedness and performance.

Grant Management and Internal Controls Need Improvement

Colorado's DHSEM grants management practices and controls over its financial management systems were inadequate. In addition, DHSEM did not maintain adequate supporting documentation for all EMPG-related expenditures. A lack of sufficient coordination and communication among Colorado's various grant oversight personnel and ongoing challenges with the implementation of a new financial accounting system contributed to these conditions. As a result, grant expenses were not always recorded timely, inaccurate amounts were recorded, and grant periods of performance expired without proper close out. We also identified approximately \$458,000 in unsupported costs.

Financial Management System

During our audit, DHSEM personnel provided inaccurate information and were not forthcoming with support for grant expenditures. In July 2014, Colorado transitioned to a new financial accounting system—CORE—and several challenges and delays occurred during the conversion process. Initially, CORE did not have the functionality to properly record certain types of transactions. In addition, a DHSEM official stated that DHSEM did not implement adequate compensating controls to minimize the potential limitations of CORE. As a result, not all costs were accurately maintained in CORE. According to 44 CFR § 13.20(b) *Standards for Financial Management Systems*, the financial management systems of grantees and subgrantees must, among other things, be accurate, current, and able to meet grant financial reporting requirements. When we attempted to reconcile CORE to the final Federal Financial Reports submitted by DHSEM, we noted significant discrepancies, and found a large



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number of adjusting entries and additional charges in CORE made to both EMPGs subsequent to the expiration of the grants. We asked DHSEM officials about the discrepancies between what was reported to FEMA and what Colorado's official financial system contained, and they revealed that a number of EMPG costs were incorrectly charged to other EMPG grants. In addition, they provided us with a reconciliation spreadsheet of EMPG transactions that were misallocated to other grants during the transition to CORE. There was no formal review or approval of the reconciliation by DHSEM personnel to ensure it was accurate or correct.

In July 2015, we issued a Notice of Findings and Recommendations (NFR) to FEMA, and we questioned just under \$1 million in unspent grant funds for unexplained adjusting entries and for other charges made subsequent to each grant's expiration. After the NFR was issued, we were then provided documents showing DHSEM had filed for, and received, a 2-month extension for the 2012 EMPG grant closeout period in June 2014. In addition, after our NFR was issued, DHSEM requested a 6-month extension for the 2013 grant closeout period. Because this grant expired in March 2015, this request was more than 3 months after the original grant period had closed and was made only after we brought the questioned costs to DHSEM's attention in our NFR. FEMA granted the extension in July 2015 because there is no limitation in the regulations regarding when an extension can be granted. Because of the extension of the grant closeout period for the 2012 and 2013 grants, the questioned costs for expenditures recorded after the grants had expired were virtually eliminated. However, the Office of Inspector General (OIG) contends that simply extending the grant closeout period and thereby eliminating the questioned costs does not mitigate the poor internal controls and inadequate grant oversight of Colorado's EMPG program.

In addition, DHSEM's final Federal Financial Reports submitted to FEMA to close out the 2012 and 2013 EMPGs were inaccurate. The reports certified that virtually all grant funds had been spent and both grants were closed. However, according to Colorado's official financial records, and after the 2-month extension had expired, there was still an immaterial amount of unspent funds remaining for the 2012 grant. At the time of our audit, the 2013 grant closeout period was re-opened due to the 6-month extension granted by FEMA and is supposed to be closed out by September 30, 2015.

Supporting Documentation

DHSEM did not maintain adequate supporting documentation for all EMPG-related expenditures. A DHSEM official, who has participated in FEMA monitoring reviews of the EMPG program in the past, stated that he did not recall ever being asked to provide detailed support to verify the expenses allocated to the EMPG program. According to 44 CFR § 13.20(b)(6), grantees and subgrantees must maintain accounting records that are supported by such source documentation as canceled checks, paid bills, payrolls, time and



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attendance records, contract and subgrant award documents, etc. In addition, it is sound grant management practice to always maintain detailed supporting documentation for all expenditures made with grant funds.

During our audit, we judgmentally selected 24 EMPG transactions in order to obtain and review the supporting source documentation. We were unable to obtain adequate supporting documentation for 11 of the 24 transactions. Moreover, in some instances it took weeks and repeated emails and inquiries to obtain the support for some of the 13 transactions we were able to verify. As a result, we question \$457,895 in unsupported costs, as summarized in table 2.

Table 2. Unsupported Costs

DATE	EXPENSE DESCRIPTION	UNSUPPORTED AMOUNT
8/29/14	Payroll expenses	\$100,782
9/30/14	Payroll expenses	\$100,384
7/31/14	Payroll expenses	\$100,301
7/31/14	Payroll expenses	\$10,134
8/29/14	Payroll expenses	\$6,069
6/17/13	Centrally billed IT* expenses	\$63,885
6/12/13	2 Ford Expeditions	\$60,300
11/8/12	Lease agreement for fleet vehicles	\$7,750
10/4/13	IT equipment	\$5,205
12/7/12	Lease agreement for fleet vehicles	\$1,607
5/2/13	IT equipment	\$1,478
Total Unsupported Costs		\$457,895

Source: OIG analysis

* Information Technology (IT)

Monitoring and Oversight Need Improvement

DHSEM did not conduct the required level of monitoring on its subgrantees to ensure compliance with state and Federal guidance. This occurred because of staffing shortages along with the unforeseen Colorado flood disaster in 2013. According to 44 CFR § 13.40(a), grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and to ensure that performance goals are being achieved. Without adequate monitoring by DHSEM, there is the risk that EMPG funds are not being properly spent on allowable EMPG expenditures, or that the program is not being managed in the most effective and efficient manner to improve emergency management preparedness and performance.

Although DHSEM has implemented a formal monitoring program to ensure subgrantees are performing and administering the grants in compliance with required Federal and DHSEM grant terms and conditions, it has not followed that program. Colorado’s EMPG guidance for 2012 required DHSEM to monitor subgrantees once every 3 years. In 2013, the monitoring requirement was more stringent and required DHSEM to monitor all subgrantees every 2 years.



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Therefore, all subgrantees for 2012 and 2013 should have been monitored at least once by the end of 2014.

During the 2012 and 2013 grant years, there were 73 EMPG subgrantees that should have been monitored. However, DHSEM was only able to provide us 21 monitoring reports, or approximately 28.7 percent, for onsite monitoring conducted between October 1, 2011 (beginning of the 2012 grant period of performance), and December 31, 2014 (end of the 2013 grant period of performance). According to the EMPG program manager, there was insufficient monitoring because in FY 2012, DHSEM had only five field managers to monitor nine EMPG regions, and it was not reasonable to expect more monitoring visits be done. DHSEM did not conduct any onsite EMPG monitoring in 2013 because of the Colorado flood disaster response.

The same DHSEM official also said there is not a formal planned schedule for monitoring visits; field managers plan monitoring visits according to their current workload and the availability of the local subgrantee. Currently, DHSEM has eight field managers and one deputy field services manager. The program manager believes that going forward DHSEM should be able to conduct all required future monitoring visits.

DHSEM could also improve the quality of its report monitoring. The reports include numerous checklists with questions the field managers must complete during their site visits. There is also a comments area for documenting certain issues or deficiencies. For example, during our review, we noted a few field managers' comments, which included:

- *“Payroll amounts do not match payroll records;”*
- *“Some expenses could not be tracked,”* and
- *“It was difficult to match numbers with what is written on the claim.”*

The EMPG program manager said that field managers generally follow up on prior comments during the next monitoring visit. However, we were unable to find any evidence that the field managers conducted follow-up with the subgrantees to ensure that prior issues or deficiencies were addressed or corrected.

Other Matter

Matching Requirement

During our audit, we noted that DHSEM used a practice called “global match” to satisfy the EMPG’s required 50-percent cost match. To determine whether this practice was allowable under the grant guidelines, we obtained an opinion from the OIG’s Office of Counsel (OC). OC’s opinion was that DHSEM could apply funds spent by subgrantees on federally-funded emergency preparedness projects, over and above the subgrantees’ own matching requirements, toward the state’s matching requirements. All such funds, whether credited to the



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state grantee or the local subgrantee, represent project costs not borne by the Federal government and thus qualify as matching funds.

Recommendations

Recommendation 1: We recommend that the Acting Regional Administrator – FEMA Region VIII, remedy the \$457,895 in unsupported costs.

Recommendation 2: We recommend that the Acting Regional Administrator – FEMA Region VIII, ensure the DHSEM implements improved financial controls so that all future grant expenditures are accounted for accurately and timely, and that future financial reports submitted to FEMA are complete and accurate.

Recommendation 3: We recommend that the Acting Regional Administrator – FEMA Region VIII, require DHSEM to improve its process and controls for retaining source documents of all EMPG expenditures.

Recommendation 4: We recommend that the Acting Regional Administrator – FEMA Region VIII, ensure that the DHSEM conducts monitoring visits on subgrantees at least once every 2 years, as required.

Recommendation 5: We recommend that the Acting Regional Administrator – FEMA Region VIII, ensure that the DHSEM implements a policy to follow up on and document the resolution of issues or deficiencies found during prior subgrantee monitoring visits.

Management Comments and OIG Analysis

In its response to our draft report, FEMA concurred with all five of our report recommendations. A summary of FEMA's response and our analysis follows. We have included a copy of the management comments in their entirety in appendix A. FEMA also provided technical comments to our draft report, which we incorporated as appropriate.

Management Comments:

Management Comments to Recommendation #1. FEMA concurred with the recommendation and stated that DHSEM will provide remedy for the unsupported costs cited in the report. FEMA Region VIII and DHSEM will use data from the updated CORE system. Estimated completion: March 31, 2016.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved, and will remain open pending the completion of the proposed corrective action and submission of adequate supporting documentation.



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Management Comments to Recommendation #2. FEMA concurred with the recommendation and stated that DHSEM will work with FEMA Region VIII to implement further financial control improvements. DHSEM has instituted improvements and the State Controller provided additional capacity in the new CORE system. Estimated completion: March 31, 2016.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved, and will remain open pending the completion of the proposed corrective action and submission of adequate supporting documentation.

Management Comments to Recommendation #3. FEMA concurred with the recommendation and stated that DHSEM will work with FEMA Region VIII for improving process and controls for retaining source documents of all EMPG expenditures. DHSEM is currently reviewing options for a new document control system. Estimated completion: March 31, 2016.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved, and will remain open pending the completion of the proposed corrective action and submission of adequate supporting documentation.

Management Comments to Recommendation #4. FEMA concurred with the recommendation and stated that in order to meet the new 2 CFR, DHSEM recently implemented a new sub-recipient monitoring program for all of its Federal pass-through programs, EMPG included. The new DHSEM monitoring program's onsite sub-recipient monitoring is risk-based and the new requirements at 2 CFR Part 200 supersedes the DHSEM requirement for on-site monitoring every 24 months. FEMA Region VIII will work with DHSEM to implement the new monitoring program. Estimated completion: March 31, 2016.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved, and will remain open pending the completion of the proposed corrective action and submission of adequate supporting documentation.

Management Comments to Recommendation #5. FEMA concurred with the recommendation and stated that it will ensure that DHSEM follows up, resolves, and documents the resolution of any recommendations from sub-recipient monitoring. This includes, but is not limited to, recommendations/comments cited in the draft OIG report and any documented in previous monitoring. Estimated completion: March 31, 2016.

OIG Analysis. We consider FEMA's proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved,



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and will remain open pending the completion of the proposed corrective action and the submission of adequate supporting documentation.

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We conducted an audit of Colorado's EMPG program to determine whether FEMA and Colorado's DHSEM were sufficiently monitoring the EMPG program to ensure that funds were used in accordance with the grant program guidelines and other applicable state and Federal laws. The audit covered the Colorado EMPG program from October 2011 through August 2015.

To achieve our audit objective, we identified and reviewed applicable Federal laws and regulations, and FEMA and state policies and procedures regarding the EMPG program. We interviewed FEMA personnel responsible for overseeing the Colorado's EMPG program. We also interviewed DHSEM officials responsible for administering the EMPG program including, but not limited to, the program manager, contract manager, field manager, division budget officer, and division grant accountant. We made a site visit to the Jefferson County subgrantee and met with the controller of Department of Public Safety.

We judgmentally selected 24 EMPG expenditure transactions made by DHSEM to verify the supporting documentation. Additionally, we obtained legal assistance from our Office of Counsel to the Inspector General in order to obtain its opinion on whether DHSEM's matching practice was permissible.

We conducted this performance audit between February and August 2015 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.

The Office of Audits major contributors to this report are Brooke Bebow, Director; Patrick Tobo, Audit Manager; Jeanette Hyatt, Co-Auditor-In-Charge; Frank Lucas, Co-Auditor-In-Charge; Toni Johnson, Auditor; Michael Staver, Program Analyst; Sandra Ward-Greer, Auditor; Kevin Dolloson, Communications Analyst; Victor Leung, Independent Referencer.



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Appendix A
FEMA Comments to the Draft Report

U.S. Department of Homeland Security
Region VIII
Denver Federal Center, Building 710
P.O. Box 25267
Denver, CO 80225-0267

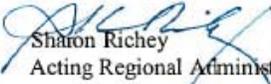


FEMA

R8-ORD

October 23, 2015

MEMORANDUM FOR: Mark Bell
Assistant Inspector General for Audits
Office of Inspector General

FROM: 
Sharon Richey
Acting Regional Administrator

SUBJECT: Management's Response to Office of the Inspector General (OIG)
Draft Report: "Oversight of the Colorado Emergency Management
Performance Grant Program Needs Improvement"
(OIG Project No. 15-082-AUD-FEMA)

Thank you for the opportunity to review and comment on this Draft Report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

FEMA is pleased to note OIG's positive recognition of the significant challenges the Colorado Department of Homeland Security and Emergency Management (DHSEM) has had during the multi-year implementation of the state wide accounting system transition from the Colorado Financial Reporting System (COFRS) to the Colorado Operations and Resource Engine (CORE) and the accounting and processing issues delayed during this transition as described by the Colorado State Controller in memo to Federal Agencies. The unfortunate timing of the transition to a new accounting system during the audit accounted for accounting coding errors that could not be addressed during the audit.

The draft report contained 5 recommendations with which FEMA concurs. Specifically:

Recommendation 1: We recommend that the Acting Regional Administrator FEMA Region VIII remedy the \$457,895 in unsupported costs.

Response: Concur. DHSEM will provide remedy for the unsupported costs cited in the report. FEMA Region VIII and DHSEM will use data from updated CORE system as DHSEM has adequate level of supporting documentation available for review.

Estimate Completion Date (ECD): March 31, 2016.

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October 23, 2015
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Recommendation 2: We recommend that the Acting Regional Administrator FEMA Region VIII, ensure DHSEM implements improved financial controls so that all future grant expenditures are accounted for accurately and timely, and that future financial reports submitted to FEMA are complete and accurate.

Response: Concur. DHSEM will work with FEMA Region VIII to implement further financial control improvements. DHSEM has instituted improvements and the State Controller provided additional capability in the new CORE system.

ECD: March 31, 2016.

Recommendation 3: We recommend that the Acting Regional Administrator FEMA Region VIII, require DHSEM to improve its process and controls for retaining source documents of all EMPG expenditures.

Response: Concur. DHSEM will work with FEMA Region VIII for improving process and controls for retaining source documents of all EMPG expenditures. DHSEM is currently reviewing options for a new document control system.

ECD: March 31, 2016

Recommendation 4: We recommend that the Acting Regional Administrator FEMA Region VIII, ensure that DHSEM conducts monitoring visits on subgrantees at least once every 2 years, as required.

Response: Concur. At the time of the audit DHSEM had a monitoring plan to comply with the requirements at 44 CFR 13.40(a). On December 26, 2014 new regulations for grants and agreements at 2 CFR became effective for awards issued after that date. To meet the new regulations DHSEM recently implemented (effective July 1, 2015) a new sub-recipient monitoring program for all of its federal pass-through programs, EMPG included. The new DHSEM monitoring program's on-site sub-recipient monitoring is risk-based and the new requirements at 2CFR Part 200 supersedes the DHSEM requirement for on-site monitoring every 24 months. FEMA Region VIII will work with DHSEM to implement the new monitoring program.

ECD: March 31, 2016



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Recommendation 5: We recommend that the Acting Regional Administrator FEMA Region VIII, ensure that DHSEM implements a policy to follow up on and document the resolution of issues or deficiencies found during prior subgrantee monitoring visits.

Response: Concur. FEMA Region VIII agrees with this recommendation and will ensure that DHSEM follow-ups, resolves and documents the resolution of any recommendations from sub-recipient monitoring, including recommendations/comments cited in the draft OIG report and any documented in previous monitoring.

ECD: March 31, 2016

Again, thank you for the opportunity to review and comment on this draft report and review for possible updates. Technical comments are available for your review under the attachment. We look forward to working with you and staff OIG in the future.

Attachment: Technical Comments



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Appendix B Potential Monetary Benefits

Classification of Monetary Benefits					
Finding	Rec. No.	Funds To Be Put to Better Use	Questioned Costs – Unsupported Costs	Questioned Costs – Other	Total
Colorado's DHSEM does not maintain adequate supporting documentation for EMPG-related expenditures.	1	\$0	\$457,895	\$0	\$457,895
Total			\$457,895	\$0	\$457,895

Source: DHS OIG



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Appendix C **Report Distribution**

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