

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

Puerto Rico's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 Through 2011






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Department of Homeland Security

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

NOV 4 2013

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Puerto Rico's Management of Homeland Security Grant
Program Awards for Fiscal Years 2009 Through 2011*

Attached for your action is our final report, *Puerto Rico's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 Through 2011*. We incorporated the formal comments from the Office of Policy, Program Analysis and International Affairs and the Commonwealth of Puerto Rico Office of Homeland Security in the final report.

The report contains 15 recommendations aimed at improving the overall effectiveness of Puerto Rico's management of State Homeland Security Program and Urban Areas Security Initiative grants. Your office concurred with 15 of the 15 recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 through 6 and 9 through 15 resolved, and recommendations 7 and 8 closed. 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 recommendation(s). The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please email a signed PDF copy of all responses and closeout requests to OIGAuditsFollowup@oig.dhs.gov.

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



September 19, 2013

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

Dear Ms. Richards,

Williams, Adley & Company-DC, LLP performed an audit of the Commonwealth of Puerto Rico's management of the State Homeland Security Program and Urban Areas Security Initiative grants for Fiscal Years 2009 through 2011. The audit was performed in accordance with Contract Number TPDFIGBPA100008; Task Order 0003, dated September 24, 2012. This report presents the results of the audit, and includes recommendations to help improve the Commonwealth of Puerto Rico's management of the audited State Homeland Security Program and Urban Areas Security Initiative grants.

Our audit was conducted in accordance with applicable *Government Auditing Standards*, 2011 revision. The audit was a performance audit, as defined by Chapter 2 of the *Standards*, and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by the Commonwealth of Puerto Rico, we did not perform a financial audit, the purpose of which would be to render an opinion on the Commonwealth of Puerto Rico's financial statements, or the 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 need further assistance, please contact us at 202-371-1397.

Sincerely,

Williams, Adley & Company-DC, LLP

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

Jocelyn Hill
Partner



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table of Contents

Executive Summary	1
Background	2
Results of Audit	2
The Commonwealth of Puerto Rico’s Grant Management Practices	2
Fusion Center Operations	3
Recommendations	5
Management Comments and Auditor Analysis	5
Review and Approval of Grant Expenditures	7
Recommendations	9
Management Comments and Auditor Analysis	10
Homeland Security Strategies	10
Recommendations	13
Management Comments and Auditor Analysis	13
Subgrantee Monitoring	14
Recommendations	16
Management Comments and Auditor Analysis	16
Single Audit Services	17
Recommendations	18
Management Comments and Auditor Analysis	18
Financial Reporting Accuracy	19
Recommendation	20
Management Comments and Auditor Analysis	20
Obligation of Grant Funds to Subgrantees	20
Recommendation	21
Management Comments and Auditor Analysis	21



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendixes

Appendix A:	Objectives, Scope, and Methodology	23
Appendix B:	Management Comments to the Draft Report	26
Appendix C:	Description of the Homeland Security Grant Program	42
Appendix D:	Puerto Rico Homeland Security Office Organizational Chart	43
Appendix E:	Potential Monetary Benefits.....	44
Appendix F:	Threat and Hazard Identification and Risk Assessment	45
Appendix G:	Report Distribution	46

Abbreviations

BSIR	Biannual Strategy Implementation Report
CBRNE	Chemical, Biological, Radiological, Nuclear, and Explosives
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
HSGP	Homeland Security Grant Program
OIG	Office of Inspector General
OPSS	Office of Public Safety and Security
SHSP	State Homeland Security Program
THIRA	Threat and Hazard Identification and Risk Assessment
UASI	Urban Areas Security Initiative



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Department of Homeland Security

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' and territories' management of State Homeland Security Program and Urban Areas Security Initiative grants. This report responds to the reporting requirements for the Commonwealth of Puerto Rico and its State Homeland Security Program and Urban Areas Security Initiative grants.

The objectives of the audit were to determine whether the Commonwealth of Puerto Rico distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. We also addressed the extent to which grant funds enhanced the Commonwealth of Puerto Rico's ability to prevent and respond to hazards of all types on a local as well as territory-wide level. The audit included a review of approximately \$18 million in State Homeland Security Program and \$6 million in Urban Areas Security Initiative grants awarded to the Commonwealth of Puerto Rico during fiscal years 2009 through 2011.

In most instances, the State Administrative Agency did an effective and efficient job of administering the program requirements, distributing grant funds, and ensuring that all available funds were used. However, we identified seven areas for improvement in the Commonwealth of Puerto Rico: Fusion Center contingency planning, grant expenditures, strategic planning, subgrantee monitoring, Single Audits, financial reporting, and obligation of funds. Additionally we identified more than \$2 million in questioned costs, primarily resulting from unsupported costs, unauthorized equipment purchases, and improper use of funds by subgrantees in fiscal years 2009 through 2011.

We made 15 recommendations to the Federal Emergency Management Agency (FEMA), which, if implemented, should strengthen program management, performance, and oversight. FEMA concurred with all 15 recommendations and the Commonwealth of Puerto Rico concurred with 12 of the recommendations and partially concurred with another. Written comments to the draft report are incorporated as appropriate and are included in appendix B.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Background

DHS provides Federal funding through the Homeland Security Grant Program (HSGP) to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Within DHS, FEMA is responsible for administering the HSGP. FEMA supports preparedness by developing policies, ensuring that adequate plans are in place and validated, defining capabilities required to address threats, providing resources and technical assistance to States, and synchronizing preparedness efforts throughout the Nation. Appendix C contains a detailed description of the interrelated grant programs that constitute the HSGP.

HSGP guidance requires the Governor of each State and Territory to designate a State Administrative Agency to apply for and administer grant funding awarded under the HSGP. The State Administrative Agency is the only entity eligible to apply for HSGP funds. The Governor of Puerto Rico designated the Office of Public Safety and Security (OPSS) to serve as the State Administrative Agency for the Commonwealth of Puerto Rico (the Commonwealth). An organizational chart of the Puerto Rico Homeland Security Office is provided as Appendix D.

OPSS was awarded more than \$24 million in HSGP funds during fiscal years (FY) 2009 through 2011. This included approximately \$18 million in State Homeland Security Program (SHSP) funds and approximately \$6 million in Urban Areas Security Initiative (UASI) grant funds.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires DHS OIG to audit individual States and Territories' management of SHSP and UASI grants. This report responds to the reporting requirement for the Commonwealth. Appendix A contains details on the objectives, scope, and methodology of this audit.

Results of Audit

The Commonwealth of Puerto Rico's Grant Management Practices

In most instances, the Commonwealth distributed and spent SHSP and UASI awards in compliance with applicable laws and regulations. However, we identified areas in which FEMA and the Commonwealth can improve management of SHSP and UASI grant programs:



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- Fusion Center operations,
- Review and approval of grant expenditures,
- Homeland Security Strategies,
- Subgrantee monitoring,
- Single Audit services,
- Financial reporting accuracy, and
- Obligation of grant funds to subgrantees.

These deficiencies existed in the Commonwealth because FEMA and OPSS provided insufficient guidance and oversight for grant management. Additionally, we identified more than \$2 million in questioned costs, primarily resulting from unsupported costs, unauthorized equipment purchases, and improper use of funds by subgrantees in FYs 2009 through 2011.

Fusion Center Operations

The Commonwealth's Fusion Center does not have adequate management controls to ensure prudent and continuous operations in support of the primary objectives of a Fusion Center. Specifically, the Fusion Center did not have permanent staff dedicated to its operation and support, and the Commonwealth did not prepare contingency plans to ensure its continuity of operations.

Fusion Centers are information sharing centers established with the objective of promoting and achieving a wider exchange of information among federal, state, and local governments. The main purpose is to gather and analyze information to detect, prevent, and respond adequately to threats to the safety of state or territory residents, and avoid spreading these threats to the rest of the United States. State and major urban area Fusion Centers serve as focal points within the state and local environment for the receipt, analysis, gathering, and sharing of threat-related information. Fusion Centers are uniquely situated to empower front-line personnel to understand local implications of national intelligence, thus enabling local officials to protect their communities better. Fusion Centers conduct analysis and facilitate information sharing while assisting law enforcement and homeland security partners in preventing, protecting against, and responding to crime and terrorism.

The U.S. Department of Justice's Global Justice Information Sharing Initiative Fusion Center guidelines requires fusion centers to have contingency and continuity-of-operations plans to ensure sustained execution of mission-critical



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

processes and information technology systems during an event that causes these systems to fail.

The Commonwealth did not ensure that its Fusion Center was properly staffed to ensure adequate operation and support. In the second quarter of 2012, the Fusion Center had an organizational structure that included:

- An executive committee with officials from various Puerto Rico state agencies (the Emergency Management Agency, the Fire Department, the Homeland Security Office, the Police Department, the Department of Justice, and the National Guard);
- The director of the Center; and
- One analyst from OPSS plus seven analysts on temporary deployment from their respective agencies (one from National Guard, one from Forensic Sciences, two from Correctional Department, one from Fire Department, one from the 911 Emergency Service Center, and one from the Emergency Management Agency).

To facilitate intelligence gathering, the Fusion Center maintained collaborative agreements with numerous external agencies, including the Federal Bureau of Investigation and State Fusion Centers. Fusion Center analysts were trained on topics and disciplines such as Criminal Intelligence Systems Operating Policies, Protected Critical Infrastructure Information, and National Incident Management System.

At the time of our audit, the Fusion Center was fully equipped with telecommunications equipment and was working towards the ability to connect to all municipality police departments. However, the Fusion Center was not fully staffed, and therefore was not functional. It was staffed only with one employee, the Director of the Fusion Center, who was assigned to work on the premises. Other former Fusion Center employees served on a collateral basis, and according to information provided by the OPSS Director, in January 2013 were removed from duty and returned to their original agencies of employment because of the change in government administration.

The Commonwealth did not prepare contingency plans to ensure its continuity of operations. This has hindered its ability to produce a sustainable project on a long-term basis, especially during periods when Federal funds are not available, and reduced its ability to respond to potential threats. The Commonwealth and



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

its stakeholders are currently prevented from obtaining the benefits derived from the Fusion Center, including bilingual intelligence bulletins and collaborative information sharing that may deter or prevent criminal and terrorist acts in the Commonwealth.

For the most part, the Commonwealth did not provide sufficient attention to the operation of the Fusion Center commensurate to its critical mission. Also, the Commonwealth had not performed a thorough continuity of operations assessment to determine the effect of internal and external factors, such as a Federal funding shortfall, on the operations of the Fusion Center. Because the Fusion Center is not operational, we are questioning the \$501,430 in grant funds that the Commonwealth spent on the Fusion Center during FYs 2009 – 2011.

Recommendations

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Conduct an immediate onsite review of the Fusion Center to ensure it is operational.

Recommendation #2:

Monitor sustainability of the Fusion Center on a periodic basis.

Recommendation #3:

Require OPSS to develop a management plan for operation of the Fusion Center that addresses continuity of operations and sustainability without DHS funding.

Recommendation #4:

Require OPSS to return to FEMA the full cost of \$501,430 if FEMA determines the Fusion Center to be non-operational.

Management Comments and Auditor Analysis

FEMA concurred with recommendations 1 and 2. FEMA stated that the DHS Office of Intelligence and Analysis conducts an annual assessment of the Fusion



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Center and conducted two visits prior to our audit. The Office of Intelligence and Analysis has a full-time Intelligence Officer deployed to the Puerto Rico Fusion Center who will provide regular updates on the Fusion Center. The next assessment of the Fusion Center was not scheduled to be performed until August 2013 and the results will not be available until 90 days after that. The actions proposed by FEMA will satisfy the intent of recommendations 1 and 2, which are considered resolved and will remain open pending final implementation.

The Commonwealth of Puerto Rico concurred with recommendations 1 and 2. The Commonwealth stated that the Fusion Center was not fully staffed because of the changes in the government administration in January 2013.

FEMA concurred with recommendation 3. FEMA stated that it has no legal authority to mandate sustainment of the Fusion Center if the funding is no longer available, however it will work with the Office of Intelligence and Analysis to provide guidance and require OPSS to develop a management plan for the Fusion Center. FEMA will require an update from OPSS on progress within 90 days. The actions proposed by FEMA will satisfy the intent of, recommendation 3, which is considered resolved and will remain open until management plans have been formalized for the Fusion Center.

The Commonwealth of Puerto Rico concurred with recommendation 3. The Commonwealth has developed a draft of the Concept of Operations that will address what the National Security State Information Center will do to achieve effective collection, analysis, and dissemination of information related to all threats to the island and our nation. The Commonwealth has also developed a Business Continuity Plan to address sustainability of the Fusion Center.

FEMA concurred with recommendation 4. FEMA stated that if the Fusion Center is determined to be non-operational and remains unstaffed, and the Commonwealth does not use the Center for the intended purpose as supported by the Federal programs, FEMA will require the Commonwealth to make disposition of any grant-funded equipment and property, and return funds recouped through this process. FEMA planned to re-assess the Fusion Center in August 2013. FEMA requires an update to these corrective actions within 90 days. The actions proposed by FEMA will satisfy the intent of the recommendation, which is considered resolved and will remain open until such time as the corrective actions have been implemented.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The Commonwealth did not concur with recommendation 4. The Commonwealth states that the renovation projects and equipment purchased for the Fusion Center were evaluated and approved by FEMA through the Environmental and Historic Preservation compliance review. They also stated that the past administration may have misinterpreted the approval process and it will need to get more clarification from FEMA.

Review and Approval of Grant Expenditures

OPSS expended more than \$2 million that were not allowed according to the grant requirements. This occurred because OPSS did not have an effective internal control process in place to review and approve grant expenditures. This resulted in:

- Unsupported Costs - reimbursement of \$6,023 to subgrantees for costs that were not properly supported.
- Unauthorized Equipment Purchases - expenditures totaling \$9,669 for equipment that was not included on the DHS Authorized Equipment List.
- Improper and Unauthorized Use of Funds – expenditures totaling \$1,985,452 for equipment that was paid for in full prior to installation in accordance with the purchase contract, and purchases not in keeping with the strategy and investment justifications approved by FEMA.

The Commonwealth has a centralized procurement process administered and controlled by the Puerto Rico General Services Administration, whereby the Puerto Rico General Services Administration establishes state-wide procurement policies and approves vendors. At the subgrantee level, Puerto Rico General Services Administration's procedures are mirrored in the Autonomous Municipalities Act, 1991 of Puerto Rico: Act No. 81 of August 30, 1991, as amended (Chapter 10 - Purchase of Equipment, Supplies and Services). Subgrantees submit documentation to OPSS for review and approval by the Finance Officer prior to disbursement by the Treasury Department. The Finance Officer is responsible for reviewing documentation to determine compliance with grant terms. As noted in table 1 below, there were several instances when the Finance Officer approved expenditures that were unsupported, unauthorized by FEMA, or improper according to grant terms.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 1. Classification of Questioned Costs

Category/Questioned Cost	Unsupported Costs	Unauthorized Equipment Purchase	Improper, Unauthorized Use of Funds
Patrol Cars and/or Executive Transportation Vehicles – Not special-purpose vehicles for the transport of Chemical, Biological, Radiological, Nuclear, and Explosives (CBRNE) terrorism response equipment and/or personnel to the incident site.			
Location A			\$391,775
Location B			\$32,450
Location C			\$71,086
Fees Related to Telecommunications Services and Construction Materials			
Construction Material for Haiti Relief Effort		\$5,180	
Telecommunications Fees for Services Not Approved on DHS Authorized Equipment List		\$2,720	
Telecommunications Fees for Services Not Approved on DHS Authorized Equipment List		\$1,079	
Construction and Renovation Costs Without FEMA Approval - Video Surveillance System		\$690	
Various – Includes Equipment Not Installed and Expenditures Unrelated to Approved Strategy/Investment Justification			
Equipment Related to 2008 Grant			\$166,258
Firefighter Academy Cost - Unrelated to the Strategy or Investment Justification			\$182,874
Equipping Municipal Police HQ with Computer Aided Dispatch/Record System that Was Not Entirely Installed and Functional			\$1,013,906
Bidding Process Fees paid by a sub-grantee. Not allowable according to the DHS Authorized Equipment List			\$200
Ergonomic Chair Not Approved on DHS Authorized Equipment List			\$3,000
Video Surveillance System Installed on Non-Critical Infrastructure			\$75,738
Construction and Renovation Costs Without FEMA Approval – Fusion Center			\$48,862
Inadequate Supporting Documentation			
Inadequate Supporting Documentation for Expenditures – Training	\$3,784		
Inadequate Supporting Documentation for Expenditures – Video Surveillance	\$1,676		
Inadequate Supporting Documentation for Expenditures – Notification System and Diving Equipment	\$563		
Subtotals	\$6,023	\$9,669	\$1,986,149
Total			\$2,001,841

Source: Auditor analysis of Commonwealth provided expenditure data.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The Code of Federal Regulations (CFR) Title 44 § 13.42 *Retention and access requirements for records*, requires all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees to be retained for three years from the day the grantee submits its final expenditure report.

The Authorized Equipment List is designed as to assist State, local and tribal homeland security communities with equipment purchasing decisions. The Authorized Equipment List contains 21 allowable prevention, protection, response, and recovery equipment categories, and equipment standards for the FY 2009 to FY 2011 Homeland Security Grant Program.

Unless otherwise stated, equipment must meet all mandatory regulatory and/or DHS-adopted standards to be eligible for purchase using these funds. In addition, agencies are responsible for obtaining and maintaining all necessary certifications and licenses for the requested equipment.

In general, grantees should consult their FEMA Program Analyst prior to making any investment that does not clearly meet the allowable expense criteria established by the guidance.

OPSS did not have written policies for review and approval of expenditures. There was no supervisory review or follow-up with subgrantees, which was not effective in ensuring that disbursements were properly supported and equipment acquired was properly authorized. Unauthorized, improper, or unsupported expenditure of Federal grant funds results in the use of funds for purposes not intended and hinders the ability of DHS to achieve its goal of improved preparedness.

Recommendations

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #5:

Require the Director, Puerto Rico Office for Public Safety and Security, to develop policies and procedures for review and approval of grant expenditures that include procedures to:



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- Obtain approval from FEMA for purchases of equipment not included on the Authorized Equipment List.
- Ensure expenditures are in accordance with the approved strategy and investment justification.
- Consult the FEMA Preparedness Officer when there is ambiguity, uncertainty, or doubt about a potential purchase.
- File and maintain supporting documentation for expenditures.

Recommendation #6:

Require the Director, Puerto Rico Office for Public Safety and Security, to provide to FEMA sufficient support for the questioned costs totaling \$2,001,841 related to unsupported, unauthorized, or improper grant expenditures, or return the funds to FEMA.

Management Comments and Auditor Analysis

FEMA concurred with recommendations 5 and 6. FEMA stated that it will require the Commonwealth to develop policies and procedures for the review and approval of grant expenditures. FEMA also stated that it will conduct an analysis of the questioned costs, and upon completion of the analysis initiate steps to recover funds for unsupported or unauthorized costs. FEMA will require an update to these corrective actions within 90 days of the Commonwealth's notification letter. The actions proposed by FEMA will satisfy the intent of the recommendations, which are considered resolved and will remain open until such time that corrective actions have been implemented.

The Commonwealth concurred with recommendation 5 and stated that it is working to establish an effective internal control process to review and approve grant expenditures. The Commonwealth partially concurred with recommendation 6. The Commonwealth noted instances where it has already requested reimbursement from subgrantees for unsupported or unauthorized costs but also provided a different interpretation of guidance regarding some of the expenditures and will seek clarification from FEMA.

Homeland Security Strategies

The Commonwealth's State and UASI strategies did not include objectives that were specific, measurable, and time limited. Furthermore, the State strategy included dates that were not consistent with the period covered by the strategy, and the UASI strategy did not include any goals and objectives.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

DHS *State and Urban Areas Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, July 22, 2005, states that 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. To ensure the success of a strategy, the State or urban area must guarantee that it has an evaluation plan to monitor progress, compile key management information, track trends, and keep the strategy on track. The evaluation plan should include a process to review and analyze the steps being taken to achieve the goals and objectives of the strategy, as well as to determine whether the right elements are being used to measure progress.

According to the guidance, objectives should be:

- Specific, detailed, and focused - helping to identify what was to be achieved and accomplished;
- Measurable - quantifiable, providing a standard for comparison, and identifying a specific achievable result;
- Achievable - the objective is not beyond a state, region, jurisdiction, or locality's ability;
- Results oriented - identifies a specific outcome; and
- Time-limited - a target date exists to identify when the objective will be achieved.

The 2009 – 2012 State strategy, which the Commonwealth used to guide its program during FYs 2009 through 2011, included 9 broad-based goals and 115 objectives, but none were time-limited with completion dates. Furthermore, although the goals and objectives addressed the four mission areas and eight National Priorities, the steps to implement them were not always specific. Nor were all of the objectives measurable; that is, they did not provide a standard for comparison or identify an achievable result. Table 2 shows examples of deficiencies in the 2009 - 2012 State strategy's objectives.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Table 2. Examples of Deficiencies in the State Homeland Security Strategy

Goal	Objective	Deficiencies
1. Strengthen CBRNE Detection, Response, and Decontamination Capabilities	Objective 1.7 - Conduct multi-disciplinary, multi-jurisdictional Homeland Security Exercise and Evaluation Program-compliant exercises to test CBRNE plans, protocols, detection and response procedures.	The objective is not: <ul style="list-style-type: none">• Specific• Measurable• Time-limited
2. Protect Critical Infrastructure and Key Resources Implement the National Infrastructure Protection Plan	Objective 2.1 - Establish governance structures to guide public and private efforts to protect critical infrastructure and soft targets in Puerto Rico by creating a statewide critical infrastructure advisory committee and formalizing informal structures in order to create a Puerto Rico-wide Critical Infrastructure and Key Resources strategy.	The objective is not: <ul style="list-style-type: none">• Specific• Measurable• Time-limited
3. Strengthen Information Sharing, Collaboration and Intelligence Analysis Capabilities	Objective 3.1 - Receive, process, and disseminate homeland security information to stakeholders in a timely manner.	The objective is not: <ul style="list-style-type: none">• Specific• Measurable• Time-limited

Source: OPSS State Strategy Plan.

OPSS did not develop internal controls to ensure that requirements for a complete and comprehensive strategy were met, including a quality control review to identify deficiencies in the strategy prior to submitting to FEMA. According to the former OPSS director, OPSS was in the process of developing strategic planning procedures; however, constant staff turnover prevented completion.

Without specific, measurable, and time-limited goals and objectives, the Commonwealth was limited in its ability to link specific projects to the strategic goals and objectives specified in the strategies. Additionally, the Commonwealth could not effectively measure progress toward improving its preparedness, prevention, response, and recovery capabilities. Ultimately, DHS may not be able to properly determine program effectiveness and impact, and may report imprecise results to the Congress, Office of Management and Budget, and the President.

In April 2012, FEMA required State and local governments receiving FEMA preparedness grants to complete a Threat and Hazard Identification and Risk Assessment (THIRA) by December 31, 2012. The THIRA provides a comprehensive approach for identifying and assessing risks and associated impacts, using the core capabilities identified in the National Preparedness Goal.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

In addition to the THIRA, states and territories receiving FEMA preparedness grants are required to submit a State Preparedness Report annually. FEMA officials state that THIRA results and the State Preparedness Report will provide a quantitative summary of preparedness. However, we did not review the THIRA process because it was not within the scope of our review. See Appendix F for more information about the THIRA.

Recommendations

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #7:

Require that OPSS establish and implement internal controls and written policies and procedures for development of its strategies to ensure compliance with Federal guidance.

Recommendation #8:

Assist OPSS in updating its Homeland Security Strategies to ensure that the strategies include goals and objectives that are specific, measurable, and time-limited.

Management Comments and Auditor Analysis

FEMA concurred with recommendations 7 and 8. FEMA stated that because of these recommendations from the OIG, it has established and implemented a system that will help states, territories, and urban areas establish measurable goals and objectives. FEMA has released guidance that will assist in developing target capabilities, determining risks, and building and sustaining capabilities. States, territories, and urban areas can now prepare documentation that will assist in achieving a SMART strategy. The THIRA, State Preparedness Reports and Investment Justification are used as the basis for effective assessments and are required by FEMA. The Commonwealth submitted required information for FY 2012.

FEMA implemented procedures that went into effect after the last strategy was prepared, and requested that these recommendations be closed. The actions taken by FEMA satisfy the intent of the recommendations, which are considered resolved and closed.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The Commonwealth concurred with recommendations 7 and 8. The Commonwealth stated that it will focus on revising each objective to ensure compliance.

Subgrantee Monitoring

OPSS did not perform on-site subgrantee monitoring of the SHSP and UASI grants to ensure subgrantees' performance was in accordance with program goals, and that subgrantees were administering Federal awards in compliance with Federal and state requirements. OPSS indicated that it did not have policies and procedures governing subgrantee monitoring nor did it have sufficient, trained personnel to perform on-site monitoring visits. Although OPSS required the submission of financial and programmatic reports from its subgrantees, OPSS officials did not perform desk reviews of such information.

CFR Title 44 §13.40, *Monitoring and reporting program performance* states that 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 assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

Office of Management and Budget Circular A-133, Compliance Supplement, Part 3-M, March 2008, provides details of the grantee monitoring requirements stipulated in the Code of Federal Regulations. Part 3-M states that grantees are responsible for monitoring subgrantee use of Federal awards through reporting, site visits, regular contact, or other means. Grantee monitoring should provide reasonable assurance that the subgrantee administers Federal awards in compliance with laws and regulations, as well as the provisions of contracts or grant agreements. Monitoring should assure that performance goals are achieved.

We performed on-site visits at 24 of the 41 subgrantee locations and identified instances where subgrantees did not fully comply with property record requirements resulting in the inability to locate equipment totaling \$63,937 as shown in table 3:



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Department of Homeland Security

Table 3. Equipment Unable to be Located

Subgrantee	FY	Amount	Number of items
San Sebastian	2009	\$40,080	9
Lajas	2009	\$16,555	5
Florida	2009	\$5,225	7
Barceloneta	2009	\$2,077	5
Total		\$63,937	26

Source: Auditor generated from subgrantee provided inventory listing.

According to the CFR Title 44 § 13.32, 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, and cost of the property, percentage of Federal participation 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. Also, a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Property records for 8 of the 24 subgrantees visited did not contain serial or other identification numbers, source of property, location, use, and condition of the property. OPSS might have identified and resolved these issues through better monitoring of subgrantees.

Subgrantee monitoring weaknesses had been previously reported in Single Audit reports for FYs 2009 through 2011; however, the Commonwealth had not made progress in addressing this issue. In the Single Audit report for fiscal year end June 30, 2011, auditors reported that OPSS did not monitor the use of Federal funds for authorized purposes through site visits or other related procedures, and did not monitor the use of Federal funds for authorized purposes through reporting or other related procedures. Without subgrantee monitoring, OPSS had no reasonable assurance as to whether subgrantees were meeting program goals and adhering to grant requirements.

In addition, subgrantees did not spend a significant portion of grant funds obligated by the OPSS during FYs 2009 through 2011 as shown in table 4:

Table 4. Grant Expenditures in Relation to Grant Funding

Fiscal Year	Total Grant Funding	Actual Grant Expenditures	Status of Grant
2009	\$9,628,200	\$4,123,742	Closed 7/31/12
2010	\$9,721,625	\$1,860,534	Open
2011	\$5,137,205	\$257,181	Open

Source: Auditor analysis of Commonwealth provided expenditure data.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Effective and timely subgrantee monitoring by OPSS may have identified this slower than average expenditure rate and provided an opportunity for corrective action. Effective monitoring will also ensure that OPSS can direct or re-direct the funds to other programs that will benefit from the funding as needed. Additionally, without on-site monitoring visits, it is difficult to determine whether purchased assets will enhance the Commonwealth's first responder capabilities and are being used as intended. As such, OPSS may be hindered in its ability to assess future needs of subgrantees and effectively execute and properly manage grant fund activities.

Recommendations

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #9:

Require OPSS to develop policies and procedures for subgrantee monitoring that include:

- Monitoring program performance,
- Ensuring subgrantee compliance with appropriate guidance, including property records,
- Ensuring proper training for OPSS personnel on subgrantee monitoring, and
- Scheduling, staffing, and conducting on-site visits as appropriate.

Recommendation #10:

Require OPSS to visit subgrantee sites to locate equipment or to return to FEMA \$63,937 if the equipment cannot be located.

Management Comments and Auditor Analysis

FEMA concurred with recommendations 9 and 10. FEMA stated that in 2011 it provided Grants Management Technical Assistance to the Commonwealth that included templates to assist in drafting subgrantee monitoring procedures. FEMA will require use of the materials to draft procedures and visits to subgrantees in an effort to locate inventory. FEMA will also initiate the recovery of grant funds for any inventory not found. The Commonwealth is required to update FEMA with corrective actions within 90 days. The actions proposed by



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Department of Homeland Security

FEMA will satisfy the intent of the recommendations, which are considered resolved and will remain open until such time that corrective actions have been implemented.

The Commonwealth concurred with recommendations 9 and 10. The Commonwealth stated that effective June 2013 it started a subgrantee monitoring process beginning with the municipalities of Carolina, Canovanas, and Loiza. This monitoring will help identify the location of equipment and establish procedures to be used for all municipalities.

Single Audit Services

OPSS did not initiate and ensure the timely completion of its Single Audit Reporting Packages for FYs 2009 through 2011, as required by the Public Law 104-156, *the Single Audit Act*, and Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It was not until 2012 that OPSS contracted with an audit firm to perform all three Single Audits simultaneously and submitted the reports to the Federal Audit Clearinghouse in December 2012.

The Single Audit is an organization-wide audit or examination of an entity that expends \$500,000 or more of Federal assistance received for its operations. The results of a Single Audit can be an important management tool if the audited entity uses the information provided about its financial and compliance performance to implement needed improvements to its operations and internal controls.

FEMA Region II Grants Business Management Team reported the delinquent Single Audit Reporting Packages on June 18, 2012, based on the results of a May 2012 site visit. The letter specified that OPSS had not submitted the data collection forms and A-133 reporting packages within the earlier of 30 days after receipt of the auditor's report, or 9 months after the end of the period audited. FEMA's observation applied to all grants received by OPSS.

OPSS did not comply with Single Audit Act requirements because it did not have proper policies and procedures in place. According to the former OPSS director, staff turnover within OPSS also contributed to the delay in obtaining Single Audit services. The former director of OPSS, who resigned in December 2012, took the initiative to procure Single Audit services for FYs 2009 through 2011 once notified by FEMA Region II that the previous director had not complied with this requirement.



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Department of Homeland Security

By delaying its Single Audits for FYs 2009 through 2011, OPSS missed the opportunity to benefit from audit findings and implement corrective action to improve grant management within a meaningful time period. Noncompliance with Single Audit requirements may expose OPSS to disciplinary action by FEMA and other Federal grantors, such as withholding of Federal assistance and reduction in future grant awards.

Recommendations

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #11:

Require that OPSS establish policies and procedures for annual procurement of Single Audit services.

Recommendation #12:

Require that OPSS implement policies and procedures to ensure timely procurement of annual Single Audit services.

Recommendation #13:

Ensure that OPSS has complied with Single Audit Act requirements prior to draw-down of grant funds.

Management Comments and Auditor Analysis

FEMA concurred with recommendations 11, 12, and 13. FEMA stated that it will require the Commonwealth to establish policies and procedures for procuring Single audit services as well as restrict funds if the services are not procured within the specified timeframe. FEMA will also require an update from the Commonwealth on the corrective action within 90 days. The actions proposed by FEMA will satisfy the intent of the recommendations, which are considered resolved and will remain open until such time that corrective actions have been implemented.

The Commonwealth concurred with recommendations 11, 12, and 13. Officials stated that they have procured Single Audit services for 2013.



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Financial Reporting Accuracy

Amounts included in several Biannual Strategy Implementation Reports (BSIR) submitted by OPSS were not accurate and one BSIR was not provided for review during the audit as shown in table 5:

Table 5. Submission of Biannual Strategy Implementation Reports

Fiscal Year	Subgrantee	BSIR Reporting
2009	Vega Baja	Amount awarded to subgrantee was \$59,739 but the June 2009 BSIR did not report an amount obligated.
2009	Isabela	Amount awarded to subgrantee was \$55,295. Two versions of obligated and expended amounts for this subgrantee were presented in the BSIR. In one version the Commonwealth reported an erroneous amount as expended. In the other version the Commonwealth did not report an amount obligated or expended.
2010	All Subgrantees	No BSIR provided.
2011	All Subgrantees	Amounts awarded, as reported in the June 2012 BSIR, were amended by the Office of Public Safety and Security due to a change in distribution to Law Enforcement Terrorism Prevention activities. A BSIR showing a matching relationship between amounts obligated and expended was not provided.

Source: Auditor generated from Commonwealth provided BSIRs

CFR Title 44 § 13.20 provides standards for financial management systems. These include fiscal control and accounting procedures of the State, sufficient to prepare reports required by statutes authorizing the grant, and trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable statutes.

The Finance Department within OPSS did not have internal controls in place to ensure accurate reporting of grant obligations and expenditures. FEMA's ability to effectively and efficiently monitor the SHSP obligations and expenditures for the Commonwealth could be hindered by inaccurate Biannual Strategy Implementation Reports. Future awards and funds drawdowns may be withheld by FEMA if financial reporting is delinquent, thereby hampering disaster preparedness and prevention activities.



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Recommendation

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #14:

Require the Finance Department of the Puerto Rico Office for Public Safety and Security to establish internal controls to ensure accurate reporting of amounts obligated and expended in the Biannual Strategy Implementation Reports in accordance with grant guidance.

Management Comments and Auditor Analysis

FEMA concurred with recommendation 14. FEMA stated that it will require the Commonwealth to establish written internal controls to ensure accurate BSIR reporting in accordance with grant guidance. An update will be required from the Commonwealth within 90 days. The actions proposed by FEMA will satisfy the intent of the recommendation, which is considered resolved and will remain open until such time that corrective actions have been implemented.

The Commonwealth concurred with recommendation 14. The Commonwealth stated that it has developed internal control procedures in conjunction with the Finance Department and Program Managers to ensure accurate BSIR reporting. Additionally, the Commonwealth submitted the 2010 BSIR for review after the deadline for submission of information so it could not be considered for audit purposes.

Obligation of Grant Funds to Subgrantees

OPSS did not obligate funds to subgrantees within 45 days of grant award from FEMA, as mandated by law. We noted a reduction in the number of days to obligate funds during FY 2011 as compared to FY 2009 and FY 2010, but OPSS did not make funds available to subgrantees to expend until as many as 182 days after the date that OPSS was required to obligate the funds. Table 6 shows the number of days taken to obligate funds to subgrantees:



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Table 6. Days to Obligate Grant Funds to Subgrantees

Grant Year	Days After Grant Award That Funds Were Obligated to Subgrantees	Days in Excess of the 45 day Requirement to Obligate Grant Funds
2009	101	56
2010	227	182
2011	77	32

Source: Auditor generated from subgrantee notifications.

Public Law 110–53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, states that not later than 45 days after receiving grant funds, any State receiving a SHSP or UASI grant shall make available to local and tribal governments, consistent with the applicable State homeland security plan, not less than 80 percent of the grant funds, or, with the consent of local and tribal governments, items, services, or activities having a value of not less than 80 percent of the amount of the grant.

The Commonwealth did not have written internal controls policies and procedures, and procedures in place are not effective to ensure that funds are obligated to subgrantees within 45 days. Delays in obligating grant funds to subgrantees may limit subgrantees’ ability to make purchase decisions regarding their most critical needs, thereby hindering preparedness efforts.

Recommendation

We recommend that the FEMA Assistant Administrator, Grant Programs Directorate:

Recommendation #15:

Require the Puerto Rico OPSS to develop and enforce procedures to ensure that funds are obligated to subgrantees in accordance with grant guidance.

Management Comments and Auditor Analysis

FEMA concurred with recommendation 15. FEMA stated that it will require the grantee to establish written internal controls to ensure that funds are obligated to subgrantees within the timeframe established in the guidance. FEMA will require the grantee to update the progress of the corrective action within 90 days. The actions proposed by FEMA will satisfy the intent of the recommendation, which is considered resolved and will remain open until such time that the corrective action has been implemented.



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Department of Homeland Security

The Commonwealth did not concur with recommendation 15. The Commonwealth submitted information that indicated improvement during FY 2012 towards meeting the 45-day timeframe. The auditors forwarded the information to FEMA for its consideration as part of the Commonwealth's corrective action plan.



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Appendix A

Objectives, Scope, and Methodology

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

This report provides the results of our work to determine whether the Commonwealth of Puerto Rico distributed and spent SHSP and UASI grant funds (1) effectively and efficiently and (2) in compliance with applicable Federal laws and regulations. We also addressed the extent to which funds enhanced the Commonwealth's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

The 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, only SHSP and UASI funding, equipment, and supporting programs were reviewed for compliance.

The scope of the audit included the SHSP and UASI grant awards for FYs 2009, 2010, and 2011. We reviewed the strategies developed by the Commonwealth to improve preparedness and respond to all types of hazards, the goals and objectives set within those strategies, the measurement of progress toward the goals and objectives, and the assessments of performance improvement that result from this activity.

The scope of the audit included the following grants:

Table 7. Commonwealth of Puerto Rico's SHSP and UASI Awards FYs 2009 - 2011

Grant Type	FY 2009	FY 2010	FY 2011
State Homeland Security Program	\$ 6,524,500	\$ 6,613,200	\$ 5,137,205
Urban Areas Security Initiative	\$3,103,700	\$3,108,425	-
Total	\$ 9,628,200	\$ 9,721,625	\$ 5,137,205

Source: FEMA



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Department of Homeland Security

The audit methodology included work at the Commonwealth of Puerto Rico Office for Public Safety and Security (the State Administrative Agency) and the following:

Regional subgrantees:

- Aguas Buenas
- Arecibo
- Barceloneta
- Barranquitas
- Bayamon
- Caguas
- Canovanas
- Cayey
- Comerio
- Florida
- Guanica
- Guaynabo
- Gurabo
- Lajas
- Lares
- Manati
- Maricao
- Naranjito
- Orocovi
- Ponce
- Quebradillas
- San Juan
- San Lorenzo
- San Sebastian

Puerto Rico subgrantees:

- Fusion Center
- Puerto Rico Department of Justice
- Puerto Rico Emergency and Administrative Agency
- Puerto Rico Emergency and Medical Services
- Puerto Rico Emergency Management Agency
- Puerto Rico Police Department

We statistically selected 99.41 percent of the disbursements for fiscal years 2009 through 2011. To review both SHSP and UASI expenditures, OPSS provided the subgrantee agreements and supporting documentation for the sample selected. We reviewed 100 percent of these documents prior to visiting the subgrantee. At each location, we interviewed responsible officials, reviewed documentation supporting State and subgrantee management of grant funds, and inspected selected equipment procured with grant funds. We also conducted a fraud interview with subgrantee officials.



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Department of Homeland Security

We conducted this performance audit between October 2012 and April 2013, 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.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
Management Comments to the Draft Report

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



FEMA

AUG 14 2013

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General for Audits (OIG)
Department of Homeland Security

FROM: *for* David J. Kaufman *DJK*
Associate Administrator for
Policy, Program Analysis and International Affairs
Federal Emergency Management Agency (FEMA)

SUBJECT: FEMA's Response OIG-12-173-AUD-FEMA Draft Report
"Puerto Rico's Management of Homeland Security Grant Program
Awards for Fiscal Years 2009 through 2011".

Thank you for the work you and your team did to better inform us through this audit; as well as for the opportunity to review and comment on OIG-12-173-AUD-FEMA Draft Report "Puerto Rico's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 through 2011". The draft report contains 15 recommendations, of which FEMA concurs with all 15 recommendations. FEMA has provided a consolidated response for recommendations 1 and 2, recommendations 7 and 8, and recommendations 13-15.

OIG Recommendation 1: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate conduct an immediate on-site review of the Fusion Center to ensure it is operational.

FEMA Response to Recommendations 1: **Concur.** *(See consolidated response below for recommendations 1 and 2)*

OIG Recommendation 2: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate monitor sustainability of the Fusion Center on a periodic basis.

FEMA Consolidated Response to Recommendations 1 and 2: Concur. The Department of Homeland Security Office of Intelligence and Analysis (I&A) conducts an annual assessment of Puerto Rico's Fusion Center, including two iterations prior to the IG's visit. DHS I&A is scheduled to conduct another assessment starting in August 2013, and will advise FEMA if the staffing level remains the same as noted in the Inspector General's Report.

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Department of Homeland Security

In addition to the assessment, I&A has a full-time Intelligence Officer deployed to the Puerto Rico Fusion Center, which provides regular updates on their efforts and progress. FEMA will update OIG on the status of the Fusion Center within 90 days of the completion of the next assessment conducted by I&A.

FEMA requests that these recommendations be considered resolved and open.

OIG Recommendation 3: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require Office of Public Safety and Security (OPSS) to develop a management plan for operation of the Fusion Center that addresses continuity of operations and sustainability without DHS funding.

FEMA Response to Recommendations 3: Concur. FEMA has no legal authority to mandate sustainment of the fusion center if Federal funding is no longer available, however, FEMA will work in conjunction with I&A to provide guidance and require OPSS to develop a management plan that addresses the continuity of operations and sustainability of the Fusion Center, as well as how the center will be staffed during periods of transition. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.

OIG Recommendation 4: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require OPSS to return to FEMA the full cost of \$501,430 if FEMA determines the Fusion Center to be non-operational.

FEMA Response to Recommendations 4: Concur. To the extent that OPSS spent the \$501,430 used to equip the Fusion Center on costs that were reasonable, allocable, and allowable under the grant program, recovery of the full amount of the grant is not the appropriate remedy proscribed by regulation in the event OPSS is no longer using the Fusion Center for its intended purpose. If the Fusion Center is determined to be non-operational and remains unstaffed such that the grantee is not using it for the intended purposes supported by federal programs, FEMA will require OPSS to make appropriate use of the Fusion Center or to make disposition of any grant funded equipment and property as required by 44 C.F.R. §§ 13.31 – 13.33.

In the event OPSS cannot put the center to its appropriate use and makes disposition of grant funded property and equipment, FEMA will then require OPSS to return the funds recouped through the disposition process as provided for by regulation. FEMA will work jointly with I&A in monitoring the staffing of the Fusion Center. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Recommendation 5: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require the Director, Puerto Rico Office for Public Safety and Security, to develop policies and procedures for review and approval of grant expenditures that include procedures to:

- Obtain approval from FEMA for purchases of equipment not included on the Authorized Equipment List.
- Ensure expenditures are in accordance with the approved strategy and investment justification.
- Consult the FEMA Preparedness Officer when there is ambiguity, uncertainty, or doubt about a potential purchase.
- File and maintain supporting documentation for expenditures.

FEMA Response to Recommendation 5: Concur. FEMA will require the grantee to develop policies and procedures for the review and approval of grant expenditures. The policies and procedures shall include provisions for the purchase of equipment not included on the Authorized Equipment List, ensure expenditures are in alignment with an approved strategy and investment justification, to consult FEMA when necessary with questions prior to purchases, as well as maintain files and supporting documentation for expenditures. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.

OIG Recommendation 6: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require the Director, Puerto Rico Office for Public Safety and Security, to provide to FEMA sufficient support for the questioned costs totaling \$2,001,841 related to unsupported, unauthorized, or improper grant expenditures, or return the funds to FEMA.

FEMA Response to Recommendation 6: Concur. FEMA will conduct an analysis of the "Detailed List of Questioned Costs" provided by the OIG. Upon completion of the analysis FEMA will initiate steps to recover funds for any unsupported, unauthorized, or undocumented costs. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.

OIG Recommendation 7: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require that OPSS establish and implement internal controls and written policies and procedures for development of its strategies to ensure compliance with federal guidance.

FEMA Response to Recommendation 7: Concur. *(See consolidated response below recommendations 7 and 8)*



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Recommendation 8: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate assist OPSS in updating its Homeland Security Strategies to ensure that the strategies include goals and objectives that are specific, measurable, and time-limited.

FEMA Consolidated Response to Recommendations 7 and 8: Concur. The OIG has recommended that FEMA help states, territories and urban areas establish measurable goals and objectives that will enable them to systematically measure improvements in first responder capabilities and statewide preparedness. FEMA has established and implemented a system to do exactly that, as described below.

FEMA has made substantial progress in the measurement of grant effectiveness. Among other changes, the National Preparedness Goal (The Goal) and the National Preparedness System now serve as the framework for assessing grant effectiveness. FEMA's strategy for developing metrics and assessing grant performance begins with the Goal. The Goal defines the core capabilities necessary to prepare for the threats and hazards that pose the greatest risk to the security of the Nation, and includes concrete, measurable objectives to manage these risks. The Goal's capability targets provide concrete statements of the Nation's requirements in each core capability.

Measuring Grant Effectiveness

As part of the National Preparedness System, FEMA has developed and is implementing performance assessments that measure progress toward achieving the Goal. FEMA's strategy is to base assessments on the principles that the Nation needs to understand existing risks, use those risks to determine required capabilities, assess current capability levels against those requirements, and track its progress in closing identified capability gaps.

In 2012, FEMA released a consistent methodology for determining risks in the *Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide (CPG-201)*. CPG-201 details a five-step process jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. This approach allows a jurisdiction to establish its own capability targets based on the risks it faces.

On December 31, 2012, states, territories, and major urban areas receiving Homeland Security Grant Program (HSGP) funds were required to submit their THIRAs to FEMA. Once each jurisdiction has determined capability targets through the THIRA process, it estimates its current capability levels against those targets. Also in 2012, states and territories were required to submit State Preparedness Reports (SPRs) to FEMA. The THIRA and SPR processes are scalable to allow sub-jurisdictions, sub-grantees and subject matter experts to provide input to the state or territory. Taken together, the THIRA results and the SPR identify capability needs and gaps. The THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report (NPR).



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Department of Homeland Security

Sustaining, Building and Delivering Capabilities

Having estimated capability requirements, the next component of the National Preparedness System is to build and sustain capabilities. This step ties grant investments directly to needs and shortfalls. Grantees address documented capability requirements and gaps in their grant applications. In the Investment Justifications (IJ) submitted in the grant application, grantees must specifically identify the core capability or capabilities, the priority of the core capability as well as the capability gaps noted in their SPR that investment intends to address. In addition, the grantee must identify the specific outcome(s) that the investment will yield. FEMA verifies completion of the investment/project through its programmatic monitoring and spending on the investment through the Biannual Strategy Implementation Report (BSIR), also a tool used in the monitoring process. Since the period of performance for the Homeland Security Grant Program is two years, a time limit is set for completion of the project once it is funded.

FEMA addressed the OIG recommendation for States to establish SMART goals and objectives that will enable States and Territories to systematically measure improvements in first responder capabilities and statewide preparedness by requiring states to use a set of tools including the THIRA, SPR, and IJs. Strategy updates are encouraged but not required as the THIRA, SPR and IJ methodology provide the goals and assessment of progress against those goals.

FEMA addressed the recommendation for assessment and reporting systems by requiring States and Territories to use the THIRA, SPR, and IJs as the basis for statewide assessment and reporting. The methodology and tools for THIRA and SPR are scalable and available to local jurisdictions and sub-grantees.

PR has submitted its FY 2012 THIRA and SPR. In its FY 2013 Homeland Security Grant Program application, PR indicated that it intended to use grant funding to support citizen preparedness initiatives identified in the SPR and to exercise the capabilities outlined in their THIRA.

FEMA believes that use of the THIRA, SPR and IJ satisfies the intent of these recommendations and requests that these recommendations be closed.

OIG Recommendation 9: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require OPSS to develop policies and procedures for subgrantee monitoring that include:

- Monitoring program performance,
- Ensuring subgrantee compliance with appropriate guidance, including property records,
- Ensuring proper training for OPSS personnel on subgrantee monitoring, and
- Scheduling, staffing, and conducting on-site visits as appropriate.

FEMA Response to Recommendation 9: Concur. In 2011 FEMA provided the grantee with on-site Grants Management Technical Assistance (GMTA). As part of the GMTA, the grantee was provided with templates to assist in drafting subgrantee monitoring policies and procedures. FEMA will require OPSS review materials provided during the GMTA and draft subgrantee



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

monitoring procedures accordingly. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.

OIG Recommendation 10: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require OPSS to visit subgrantee sites to locate equipment or to return to FEMA \$63,937 if the equipment cannot be located.

FEMA Response to Recommendation 10: Concur. FEMA will require OPSS to visit subgrantees in an effort to locate and inventory equipment purchased with homeland security grant funds. FEMA will initiate steps to recover grant funds for any equipment that OPSS is unable to locate and properly inventory. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.

OIG Recommendation 11: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate require that OPSS establish policies and procedures for annual procurement of Single Audit services.

FEMA Response to Recommendation 11: Concur. *(See consolidated response below recommendations 11, 12, and 13)*

OIG Recommendation 12: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate Require that OPSS implement policies and procedures to ensure timely procurement of annual Single Audit services.

FEMA Response to Recommendation 12: Concur. *(See consolidated response below recommendations 11, 12, and 13)*

OIG Recommendation 13: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate Ensure that OPSS has complied with Single Audit Act requirements prior to draw-down of grant funds.

FEMA Consolidate Response to Recommendations 11, 12, and 13: Concur. FEMA will require OPSS to establish and implement written policies and procedures for annual procurement of Single Audit services. FEMA will restrict access to funds if Single Audit services are not procured within the timeframe prescribed in the corrective action. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter. FEMA requests that these recommendations be considered resolved and open.

OIG Recommendation 14: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate Require the Finance Department of the Puerto Rico Office for Public Safety and Security to establish internal controls to ensure accurate reporting of amounts



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Department of Homeland Security

obligated and expended in the Biannual Strategy Implementation Reports in accordance with grant guidance.

FEMA Response to Recommendation 14: Concur. FEMA will require OPSS to establish written internal controls to ensure accurate reporting of obligated and expended amounts in the Biannual Strategy Implementation Reports in accordance to grant Guidance. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.

OIG Recommendation 15: We recommend that the FEMA Assistant Administrator, Grant Programs Directorate Require the Puerto Rico OPSS to develop and enforce procedures to ensure that funds are obligated to subgrantees in accordance with grant guidance.

FEMA Response to Recommendation 15: Concur. FEMA will require the OPSS to develop written policies and procedures to ensure that funds are obligated to subgrantees within the timeframe established in the Guidance. FEMA will require an update from the grantee on the progress of implementing the corrective action within 90 days of the grantee notification letter.

FEMA requests that this recommendation be considered resolved and open.

Thank you again for the opportunity to comment on OIG-12-173-AUD-FEMA Draft Report: "Puerto Rico's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 through 2011" and for the work that you and your team have done to better inform us throughout this audit so that we may enhance the program's overall effectiveness. We look forward to your final report for this audit. Please direct any questions regarding this response to FEMA's Chief Audit Liaison; Gary McKeon. His number is 202-646-1308.



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Department of Homeland Security

See WP AS5.d



Hon. Alejandro J. García Padilla
Governor

Commonwealth of Puerto Rico
Puerto Rico Homeland Security Office



Miguel A. Rios Torres/SAA
Sally Garrafa Echevarria
Executive Director

July 22, 2013

Jocelyn A. Hill
Partner
Williams Adley & Company
1030 15th Street
N.W., Suite 350 West
Washington, DC 20005

Dear Ms. Hill:

I would like to thank you for the courtesies extended to us during your last visit to Puerto Rico. Attached you will find our comments on the draft report that Williams, Adley & Company presented of the results of the auditing of the Homeland Security Grant Program Awards for Fiscal Years 2009 through 2011.

The Puerto Rico Office for Public Safety and Security has the compromise to be in compliance with laws, regulations and federal guidance to assure our ability to prevent and respond to all hazards of all types. We will be working to improve the grant managements to ensuring the measurement of progress toward the goals and objectives. That will be our main goal.

Respectfully,



Sally Garrafa Echevarria
Executive Director

C: Miguel A. Rios-Torres
SAA

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Hon. Alejandro J. García Padilla
Governor

**Commonwealth of Puerto Rico
Puerto Rico Homeland Security Office**



Miguel A. Ríos Torres/SAA
Sally Garrala Echevarría
Executive Director

**PUERTO RICO'S MANAGEMENT OF
HOMELAND SECURITY
GRANT PROGRAM AWARDS**

FOR FISCAL YEARS 2009-2011

DRAFT REPORT COMMENTS JULY 2013

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3



Table of Contents

Results of Audit

Fusion Center Operation Comments.....	4
Fusion Center unauthorized funds.....	4
Review Grant Expenditures.....	5
Questioned Cost.....	5-8
Homeland Security Strategies.....	8
Subgrantee Monitoring.....	8
Single audit.....	9
Financial Reporting (BSIR).....	9
Obligate funds to subgrantees.....	9
Appendix (attached via e-mail)	

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4



FUSION CENTER OPERATION COMMENTS:

At the time of the audit, the Fusion Center was not fully staffed, because of the change in Government administration in January 2013. In fact, we are in the process that the Center will be managed under The Department of Justice by our supervision. In the week of July 22-26, Hon. Alejandro Garcia-Padilla, Governor will be sign the Executive Order to establish this requirement.

We have develop a draft of the Concept of Operations (CONOPS) that will address what the National Security State Information Center (NSSIC) will do to achieve an effective collection, analysis and dissemination of information related directly or indirectly to all threats to the island and our Nation. In addition, we developed a draft of Business Continuity Plan to address that gap. Once the Fusion Center Executive Order (EO) is signed, we will be hiring the company that will be developing the Continuity of Operation Plan. In addition, the EO establishes that the Puerto Rico Commonwealth has to support the Fusion Center operations and sustainability including the State contribution.

In January 2013, DHS assigned to our Fusion Center Mr. Kory Edwards to support us in all things we can do to make the center fully operational and compliance with the guidance. The OPSS with Mr. Edwards conducted the analyst interviews to choose the new staff for the Center. Once personnel have been approved by the Department of Justice we will be coordinating the trainings fort these personnel either in Puerto Rico or in the mainland depending upon availability. As the NSSIC begins to produce valuable products, other Federal agencies will work closely with the center and at some point assign personnel to work there. In the meantime, they have all pledged their remote support.

The NSSIC is aligned with other State Fusion Centers nation-wide. Mr. Edwards through the Center support several of them, in give information that they request to us about criminal activities, among others.

UNAUTHORIZED USE OF FUNDS:

1. As mentioned in page #7 in the table of the questioned cost of \$48,862.00 for construction and renovation for the Fusion Center, we still have doubt about this finding.

As mentioned in the application kit, the Grantees must comply with all applicable EHP laws. Any projects that involve ground disturbing activities, new construction, including modification, renovation of existing buildings or structures must be under FEMA EHP review. These renovations projects was evaluated and approved by FEMA through the

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Department of Homeland Security

5



EHP submitted. In addition, the approval letter mentioned that the State may authorize the identified jurisdiction to proceed with the procurement and implementation of the project. Also, I think the past administration thought that if the EHP was approved the Office can execute the project without any problems.

We need clarify this issue to be in compliance and avoid in the future additional findings.

REVIEW AND APPROVAL GRANT EXPENDITURES:

The OPSS is working to establish an effective internal control process to review and approve the grants expenditures.

Actually, we are implementing internal controls and supervise the disbursements were properly supported and the equipment acquired by the subgrantees was properly authorized in the Authorized Equipment List (AEL). I contracted a new finance officer that helps us in develop written policies to assure the reimbursement to subgrantees following the financial and programmatic guidance, in addition of the Code of Federal Regulations (CFR).

Furthermore, we develop an Operational Policies and Procedures Manual, which is under final revision for approval and execution.

QUESTIONED COSTS:

Table 1.

1. PATROL CARS:

The OPSS authorized the acquisition of the purchase of vehicles for the municipalities based on the investment justification # 9, submitted to DHS. The characteristics of the vehicle were selected taking into consideration the different emergencies that the first responders attend daily, in addition to the topography of Puerto Rico. The Authorized Equipment List doesn't specify how should be the vehicle. The Office use the reference number: 12VE-OO-SPEC with the following description: Specialized vehicles for emergency management operations. This category includes special-purpose vehicles to transport of response equipment and personnel to incident sites which may have limited or restricted access as a result of an emergency or disaster.

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6



Puerto Rico as a tropical Island has exposed every day to emergencies related to acts of God such as hurricanes, the recently events of floods (photo attached), search and rescue incidents in inaccessible places, among others.

In addition, many companies carry flammable liquids such oil, gasoline and others, which can cause a major emergency if an accident happens and the emergency cannot address immediately. Our first responders are the first in arrive in an emergency involving several of the above situations including a WMD and CBRNE events; they need a rapid response unit to help respond any emergency and transport equipment and people from one place to another. The emergency management responders have knowledge and participated in HAZMAT trainings, and they are the first to be exposed to a toxicity level, they can analyze the risk and establish the perimeter area until the Agencies in charge arrive to the scene.

2. FEES RELATED TO TELECOMMUNICATIONS SERVICES: (\$3,800.00)

Regarding the telecommunications services fee reimbursement for Municipalities of San Lorenzo and Barceloneta, the office uses the OMB #87 as reference. This circular provides policy interpretations and assistance for cost to insure effective and efficient implementation.

In 2010, our programmatic staff takes the Basic Fundamental Grant Management Technical Assistance in San Juan, P.R. In this training Mrs. Lisa Nine Accordini, indicated that we can use the OMB circulars as standards to determining cost for federal award carried out through grants, cost reimbursement, contracts and other agreements. In this case, we use the OMB as a reference, because in the Authorize Equipment List (AEL) in RKB only 21 categories are posted and do not includes services only equipment. In page number 16 in the communications item, mention that the cost of telephone, mail, messenger and similar communication services are allowable.

3. Construction Materials for Haiti Relief Efforts for the amount of \$5,180.00, we are totally agree that this cost is not allowable. As mentioned before, we are established new policies for review and approvals of expenditures to avoid this situation.
4. Construction and renovation cost /Video Surveillance system and ergonomic chair our office request to the Municipality of Comerio returns the amount of \$3,690.00 regarding this unauthorized equipment purchase. (Check attached)

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Department of Homeland Security

7



5. Equipment related to 2008 grants / amount \$ 166,258.00

This reimbursement is part of the continuity project of the Puerto Rico Police Department for the Bomb squad, through the UASI funds. The office paid the reimbursement through the FY 2010 grant, using the Bulletin number 379, should mention that the grantees will have additional flexibility to accelerate the spending of their remaining FY 2007-2011 DHS funds consistent with the programmatic objectives. The acquisition equipment and trainings are a continuity project for the PRPD compliance with the National Priorities of the Strengthen Chemical, Biological, Radiological/Nuclear and Explosive detection response. The project is under the UASI Investment Justification (IJ).

6. Firefighter Academy cost/amount \$182,874.00

I verify the Investments justifications number 10 and do not include the Firefighter training. I can only attach this course to the Puerto Rico Strategic 2009-2012, Goal number 8.

Expand Regional Collaboration by effective coordination of training and exercises to allow the possibility of having greater impact on more people with less funding. This strategy prioritizes regional training and exercise needs and encourages greater collaboration. The South Region the last year broke the record of forest fire. The region has only two or three Municipal Firefighter Stations, which difficult the rapid response in mitigate this natural or man-made hazard.

This plan was approved for our last Planner and Past Director. We request your consideration on this finding, because is a good project to attend this emergencies, also this first responder will be activate for the state in a mayor disaster.

7. Region Metro I- Computer Aid Dispatch System (CAD) amount of \$1,013.906

We are totally agreed with this finding, we will assure this not happened again. On March, 15 2013, I had a meeting with the San Juan Emergency Management Director, Mr. Nazario Lugo Burgos and explained the situation. At this moment, the Metro I Region indicated that the CAD system was installed, they are in the process to coordinate a meeting with the supplier to establish the trainings and the parameters to start the operation of the system.

We request your consideration on this finding.

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8



8. Bidding process- Amount \$200

The OPSS understand that this cost is allowable because the municipalities need to have their own procurement process for the acquisition equipment and it will be including as part of the funds.

9. Inadequate supporting documents for:

a. Department of Justice/ amount \$3,784.00

The sub-grantees returned the amount of \$656.79, for the travel expenses that they don't use

- i. The different of \$3,784.49 was an error that the financial division made in the chart of the FY 2010 obligated and expended amount.
- ii. This reimbursement should be reflected in the M&A allocation

b. Municipalities of Adjuntas and Guanica/ amount of \$2,239

- i. As we requested to the Municipality of Comerio, we will be sending a communication to the Municipalities, to return the amount the OPSS paid in excessive

HOMELAND SECURITY STRATEGY:

Regarding this finding, we have to work hard with your recommendations to be compliance in this matter. We will be focus in revise each one, step by step to achieved and accomplished the goals and objectives of each strategy, as well to determine the measure progress.

SUBGRANTEE MONITORING:

We are agreeing with this finding. On June 20, we start to monitor the different subgrantess. We choose the municipality of Carolina, Canovanas and Loiza for our first on-site visits.

Our Finance Officer and our Property Manager was in charge of it. This first monitoring helps us to improve the process and identify where the subgrantees did not fully comply with the record requirement that help us in create a standard procedures to improve this and be compliance with the federal guidance. This is part of my commitment. (attached sample)

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9



SINGLE AUDIT:

For the single audit ends in June 2013, we signed the contract with the Audit Firm, to initiate and ensure the timely completion of this Single Audit reporting.

Biannual Strategy Implementation Reports (BSIR):

Enclosed you will find the FY 2010 BISR for your evaluation. We started an internal control with the Financial Department and the Program Managers to comply with this requirement on time and with the real amount of the funds expended.

Regarding FY 2011 Law Enforcement funds, we will be sending letters to the subgrantees to pass through this balance and will be fix the BSIR with the correct amount. This change will be reflected for the next BSIR report on January 2014.

Obligation of Grant funds to subgrantees:

The last year as Planner Officer, I sent the letter for the FY 2012 funds, to the subgrantees in the 45 days period, as mandated by law. Actually the funds are obligated and reflected in the BSIR report.

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Appendix C

Description of the Homeland Security Grant Program

The HSGP provides Federal funding to help State and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The HSGP encompasses several interrelated Federal grant programs that together fund a range of preparedness activities, including planning, organization, equipment purchase, training, and exercises, as well as management and administration costs. Programs include the following:

- **The 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 and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address identified planning, equipment, training, and exercise needs.
- **The Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas, and to assist in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism and other disasters. Allowable costs for the urban areas are consistent with the SHSP. Funding is expended based on the Urban Area Homeland Security Strategies.

The HSGP also includes other interrelated grant programs with similar purposes. Depending on the fiscal year, these programs include the following:

- Metropolitan Medical Response System
- Citizen Corps Program
- Operation Stonegarden (beginning FY 2010)

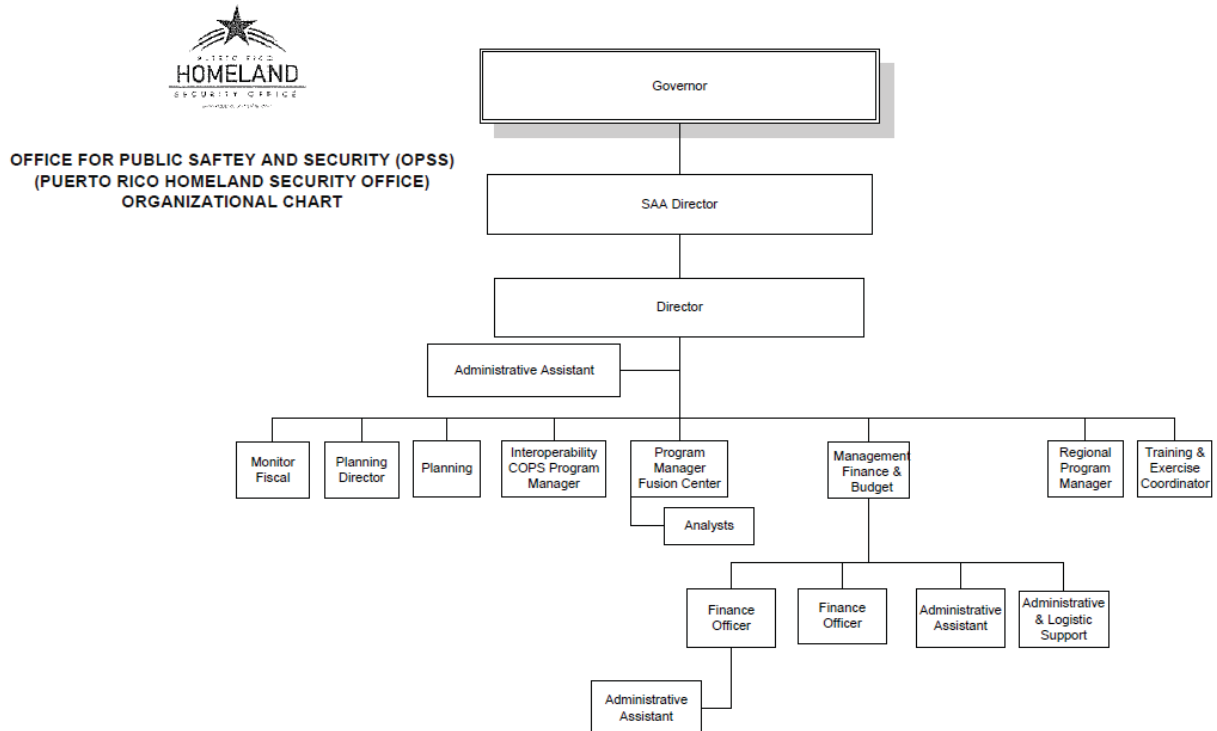


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Appendix D

Puerto Rico Homeland Security Office Organizational Chart





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Appendix E

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
Patrol cars and/or executive transportation vehicles	6			\$495,311	\$495,311
Fees related to telecommunications services and construction materials	6			\$9,669	\$9,669
Various, including equipment not installed and expenditures unrelated to the approved strategy and investment justification	6			\$1,490,838	\$1,490,838
Inadequate supporting documentation for claimed expenditures	6		\$6,023		\$6,023
Total			\$6,023	\$1,995,818	\$2,001,841

Source: Auditor analysis of data.



Appendix F

Threat and Hazard Identification and Risk Assessment

The National Preparedness System establishes the process to define and achieve specific capability targets and meet the National Preparedness Goal. One of the six components of the National Preparedness System includes identifying and assessing risk. The Threat and Hazard Identification and Risk Assessment (THIRA) provides a comprehensive approach for identifying and assessing risks and associated impacts, using the core capabilities identified in the National Preparedness Goal and employing the following five-step process:

1. Identify threats and hazards;
2. Give threats and hazards context (assess vulnerability, how they affect the community);
3. Examine core capabilities using the threats and hazards (estimate consequences, impacts to the community);
4. Set capability targets; and
5. Apply the results (use results for planning and preparedness activities, identify means to deliver target level of capability).

THIRA submission is required of all 56 States and territories receiving HSGP and Emergency Management Performance Grant funds and 31 eligible UASIs. The first THIRA submission was due December 31, 2012. Subsequent submissions will be an annual performance requirement for FEMA preparedness grant awards.

In addition to the THIRA, States and territories receiving FEMA preparedness grants are required to annually submit a State Preparedness Report. FEMA officials state that THIRA results and the State Preparedness Report will provide a quantitative summary of preparedness, document current capabilities and potential shortfalls, and set priorities for addressing shortfalls. FEMA officials also state that the State Preparedness Report results will be used by the States to identify funding requirements and set priorities for subgrantee project applications. The grant application (investment justification) must demonstrate how proposed projects address gaps and deficiencies in delivering one or more core capabilities outlined in the National Preparedness Goal, and as FEMA officials state, address capability gaps reported in the State Preparedness Report.

FEMA officials said that the FY 2013 Homeland Security Grant Program funding announcement will require applicants to map proposed investments to specific core capabilities and capability gaps identified in the State Preparedness Reports, linking investments to actions that build and sustain capabilities aligned with the National Preparedness Goal. We have not had the opportunity to audit this process or the outcomes for this State.



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Appendix G

Report Distribution

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