Audit of the Office of Emergency Management and Homeland Security: FEMA Urban Area Security Initiative Grant Management 2012 through 2014

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September 2015

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September 10, 2015

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, Wisconsin 53202

Dear Mayor and Council Members:

As a component of Internal Audit's comprehensive work plan, Grant Thornton LLP was engaged to provide audit services to the City of Milwaukee, specifically for the audit of the Office of Emergency Management and Homeland Security: FEMA Urban Area Security Initiative Grant Management 2012 through 2014. The City recently received the enclosed final report, detailing the results of the testing Grant Thornton LLP performed, from April through June 2015. The report contains findings and recommendations to improve Homeland Security administration, as well as to better plan, document, and track grant activity and program outcomes.

Grant Thornton LLP has extensive experience and subject-matter expertise in industry standards and best practices for all aspects of city-emergency management and homeland security. The audit included examining evidence that supported the following: the City's compliance with Homeland Security Act of 2002 regulations; design and operating effectiveness of controls over grant accounting and grant expenditures; effectiveness and efficiency of meeting program objectives, goals, and mission; and follow-up on prior audit recommendations.

It was concluded that the City of Milwaukee's Office of Emergency Management and Homeland Security, with the support of the Fire, Health, and Police Departments, did an efficient and effective job in managing the Urban Area Security Initiative grant funds. The audit identified several opportunities for improvement, and made the following recommendations:

- TIMELINESS OF CLOSEOUT REPORTING:
  1. To improve timeliness, the City should develop procedures for cross-training individuals who can carry out the task of submitting final reports when the individual normally charged with that responsibility is not available.

- STANDARD OPERATING PROCEDURES:
  1. The Fire, Health, and Police Departments should develop, retain, and implement Standard Operating Procedures (SOP) for grants management.
  2. Training on the established SOPs should be provided to appropriate City employees within the Fire, Health, and Police Departments.

- TIMELY USE OF GRANT FUNDS:

  1. The City's Office of Emergency Management and Homeland Security should establish and implement monitoring procedures for tracking the use rate of grant funds, comparing the use of the funds to the planned spending submitted in the grant application, and alerting appropriate City officials when the use of funds will not be met within a sub-grant's performance period.

- TRACKING AND ACCOUNTING FOR AWARDED FUNDS:

  1. The Director of the City's Office of Emergency Management and Homeland Security ("Director") should analyze the circumstances surrounding the award and use of $98,000 (from 2009 funding), in order to provide an accounting for these funds.

  2. The Director should develop and implement procedures to ensure that future awarded funds are appropriately monitored and used as originally intended.

- IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS:

  1. The Director should sign the revised, July 2014 Strategic Operations Plan and submit it to the Mayor for his review and approval.

  2. The finalized Strategic Operations Plan should be submitted to the Wisconsin Office of Justice Assistance as the City's response to the open Department of Homeland Security and the Office of the Inspector General Audit finding.

The Director and the representatives from the Fire, Health, and Police Departments provided a response for the recommendations, and those responses follow the detailed report.

We would like to thank everyone that provided information used to prepare this report.

Sincerely,

Stacey Mazmanian, CIA, CGAP
Audit Manager

SM:gjl

City of Milwaukee Office of Emergency Management and Homeland Security: FEMA Urban Area Security Initiative Grant Management 2012 Through 2014

Grant Thornton
RFP #: 14-15
Professional Auditing Services
Thursday, July 13, 2015

Grant Thornton

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Abbreviations:

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
ISIP	Initial Strategy Implementation Plan
OIG	Office of Inspector General
UASI	Urban Area Security Initiative

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON CITY OF MILWAUKEE, OFFICE OF EMERGENCY MANAGEMENT AND HOMELAND SECURITY MANAGEMENT OF THE FEMA URBAN AREA SECURITY INITIATIVE GRANT FUNDS 2012 THROUGH 2014

City of Milwaukee
Stacy Mazmanian, Audit Manager
City of Milwaukee Internal Audit
200 East Wells Street
Milwaukee, Wisconsin 53202

Dear Ms. Mazmanian:

Under contract with the City of Milwaukee, Grant Thornton LLP audited the City of Milwaukee, Office of Emergency Management and Homeland Security, management of FEMA Urban Area Security Initiative (UASI) 2009 and 2010 grant funds expended during calendar years 2012 through 2014. The objective of the audit was to determine whether the City of Milwaukee managed and used Homeland Security Grant Program/UASI Program grant funds properly, effectively and in compliance with laws and regulations.

The Office of Emergency Management and Homeland Security is responsible for coordinating emergency planning, disaster preparedness and response training for the City of Milwaukee and its partners in the adjoining five-county region, known as the Milwaukee Urban Area Security Initiative (UASI). The scope of the audit encompassed the City of Milwaukee's Office of Emergency Management and Homeland Security program, thus limiting it to the City's activity and responsibility for Homeland Security matters and not that of the City's other UASI partners. The attached report presents the results of the audit and includes recommendations to help improve the Office's management of its UASI funds.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 on the audit objectives.

The audit included examining, on a test basis, evidence supporting the City's (1) compliance with Homeland Security Act of 2002 regulations, (2) design and operating effectiveness of controls over grant accounting and grant expenditures, (3) effectiveness and efficiency of meeting program objectives, goals and mission and (4) follow up on prior audit recommendations. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit does not provide a legal determination on City of Milwaukee's UASI program's compliance with specified requirements. A performance audit also includes consideration of internal control over compliance requirements as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of City of Milwaukee's UASI program's internal control over compliance. Accordingly, we express no such opinion related to UASI's internal controls. Although the audit report comments on financial management aspects of the City's management activities, we did not perform a financial audit, the purpose of which is to render an opinion on the City's financial statements. As a result, we are not rendering an opinion on Milwaukee's financial statements.

Executive summary

The City of Milwaukee (City) receives federal grant funds from the Department of Homeland Security (DHS) Homeland Security Grant Program (HSGP) as a member of the Milwaukee UASI team. The Milwaukee UASI team includes the City of Milwaukee and its partners in the adjoining five-county region. The allocations to the partners are made by the UASI Working Group in conjunction with Wisconsin's Office of Justice Assistance and Wisconsin Emergency Management. The City of Milwaukee's Office of Emergency Management and Homeland Security is responsible for coordinating emergency planning, disaster preparedness and response training for the City of Milwaukee and its partners in the adjoining five-county region. The City's Homeland Security mission is to create a multi-jurisdictional, multi-disciplinary network of government agencies and community stakeholders in order to prevent, prepare for, respond to and recover from major disruptive events, thereby mitigating impact on southeastern Wisconsin.

The scope of this audit was limited to the City's expenditure of UASI grant funds during the period 2012 through 2014. UASI grant funds were not awarded to the City after 2010. However, because the period-of-performance for the grants was 36 months, funds were available from the 2009 and 2010 UASI awards for the City to expend during the period 2012 through 2014.

The performance audit evaluated the City's management of the 2009 and 2010 UASI grant funds by performing certain procedures over the City's compliance with federal regulations, an evaluation of the City's internal controls over grant accounting and expenditures, and an assessment of the City's effectiveness and efficiency in managing the UASI funds. We also followed-up on the City's corrective actions in response to findings reported from a January 2013 DHS Office of Inspector General audit.

The City of Milwaukee's Office of Emergency Management and Homeland Security, with the support of the Fire, Health and Police Departments, did an efficient and effective job in managing the UASI grant funds. However, the audit identified improvement opportunities needed in the (1) timeliness of closeout reporting; (2) development of standard operating procedures; (3) timely use of grant funds; (4) tracking and accounting for awarded funds and (5) implementation of corrective actions from the January 2013 DHS Office of Inspector General audit.

Our eight recommendations present corrective actions the City should execute to resolve the findings noted during the audit and improve its management of UASI grant funds. The City's comments on the findings from the audit are included in Appendix A.

Background

The City of Milwaukee's Office of Emergency Management and Homeland Security is responsible for coordinating emergency planning, disaster preparedness, and response training for the City of Milwaukee and its partners in the adjoining five-county region, known as the Milwaukee Urban Area Security Initiative. The Milwaukee UASI works with the Office of Justice Assistance and Wisconsin Emergency Management to evaluate the needs of all regional partners and jurisdictions, prioritize those needs, and access available funding opportunities for initiatives and projects throughout the region. UASI's goal is to continue creating effective partnerships while maximizing the efficient use of resources in order to enhance the safety of residents of southeastern Wisconsin.

Each year from 2004 through 2010, the Milwaukee UASI received federal grant funds under the Department of Homeland Security Homeland Security Grant Program. Funds were not awarded to the Milwaukee UASI after 2010. The funds awarded to the Milwaukee UASI were allocated by the UASI Working Group to the City of Milwaukee and its five UASI partners. Because the period-of-performance for the UASI awards was 36 months, the only UASI funds available for expenditure by the City of Milwaukee during the 2012 to 2014 period were funds remaining from the Fiscal Year 2009 and 2010 grant awards.

Table No. 1 presents the UASI funds awarded in 2009 and 2010 and the amount subsequently allocated (subgrants) to the City of Milwaukee Fire & Police Commission, Fire Department, Police Department and Health Department. Following the allocation of the funds, Legislative Resolutions were approved by the Common Council[1] for each award year. The Legislative Resolutions identified the amounts approved (budgeted) for each Department for personnel, equipment, training, exercises and management and administrative expenses. The Legislative Resolutions authorized the City of Milwaukee Controller to establish appropriate accounts for the use of the grant funds.

Table No. 1
UASI Grants – City Allocations

Grant Year	Period of Performance		UASI Awards	City of Milwaukee Allocation	City Fire & Police Commission Allocation	City Fire Department Allocation	City Police Department Allocation	City Health Department Allocation
	From	To						
2009	7/9/09	6/30/12	$4,159,850	$2,378,000	$298,000	$860,000	$920,000	$300,000
2010	7/1/10	6/30/13	$4,159,850	$2,029,921	$207,992	$436,645	$1,175,000	$210,284

[1] The Milwaukee Common Council is the lawmaking body of the City of Milwaukee. It comprises 15 elected members serving four year terms from 15 council districts throughout the city. The Common Council exercises all policy-making and legislative powers of the city, including the adoption of ordinances and resolutions, the approval of the city's annual budget, and the enactment of appropriation and tax levy ordinances.

Table No. 2 shows the amount of funds available at January 1, 2012 for each subgrant.

Table No. 2
City Allocations Available For
2012 through 2014 Expenditures

Grant Year	Subgrant No.	2009 Funds Available at 01/01/12
2009	7525	$304,313.45
2009	8711	$100,123.89
2009	8706	$68,411.81
2009	8265	$802.70
2009	8709	$118,171.82
Total 2009		**$ 591 ,823.67**
Total 2009 + 2010		**$2,215,117.61**

Grant Year	Subgrant No.	2010 Funds Available at 01/01/12
2010	8506	$31,265.00
2010	8655	$849,061.35
2010	9636	$90,000.00
2010	8590	$63,280.00
2010	8652	$27,767.27
2010	8627	$39,310.00
2010	8628	$47,500.00
2010	9649	$119,065.00
2010	8651	$85,000.00
2010	8520	$92,538.32
2010	8897	$7,690.00
2010	9639	$170,817.00
Total 2010		**$1,623,293.94**

Objective, scope and methodology

Objective

The **objective** of the audit was to determine whether the City of Milwaukee managed and used Homeland Security Grant Program/UASI Program grant funds properly, effectively and in compliance with laws and regulations. The four objectives of the audit were:

1. Determine whether the City of Milwaukee's Office of Emergency Management and Homeland Security program complied with the Homeland Security Act of 2002 regulation, including program monitoring, documentation, proper use of funds, inventory records, risk assessment, security plan and the appropriate basis for fund expenditures.

2. Determine whether proper design and effective operation of the controls over grant accounting and grant expenditures were established.

3. Evaluate the overall effectiveness and efficiency of the program, in terms of meeting program objectives, goals and mission, and also identify opportunities for improvement.

4. Follow up on the audit recommendations made by the DHS Office of Inspector General (OIG) and determine whether each recommendation has been fully implemented and remains in effect.

Scope

The **Scope** of the audit encompassed only the City of Milwaukee's management and expenditure of grant funds during 2012 through 2014. The scope did not include the activities of the City's other UASI partners. UASI funds were not awarded to the City after the 2010 award. Because the period-of-performance for the UASI awards was 36 months, the only UASI funds available for expenditure during the 2012 to 2014 period were funds remaining from the Fiscal Year 2009 and 2010 grant awards.

Methodology

Our **Methodology** included walk-throughs with the current and most recent Chairmen of the UASI Working Group. The Working Group Chairman also served as the Director of the City of Milwaukee's Office of Emergency Management and Homeland Security. The audit team also conducted walk-throughs with key representatives from the City's Office of Administration and the Fire, Health and Police Departments. During the walk-throughs we obtained an understanding of the requirements, processes and activities involved in the management of the UASI grant funds for the City overall and within the individual Departments. In addition, the representatives provided copies of key documentation relative to the financial and operational management of the UASI funds.

With the support of the City's Internal Audit staff, we obtained and reviewed program application, management and expenditure documentation prior to and during the audit. We tested internal controls related to procurement activities, the financial management system and other administrative processes to identify the design of appropriate controls and to determine if the controls were operating effectively. We conducted internal control testing by sampling transactions with the audit team determining the size of the sample and the sample selection methodology.

From City of Milwaukee representatives, we obtained and reviewed a listing of all subgrants with unexpended funds remaining during the period 2012 through 2014. In addition, we used the Wisconsin Division of Emergency Management's E-grants system to verify the listing provided and ensure the completeness of our audit population.

The audit team judgmentally selected seven grants to test the total population of 17 grants (41%) that spanned across the Fire, Health and Police Departments. For each of the sampled grants, we selected transactions from quarterly reports and determined that the sample included coverage across all cost categories including payroll and personnel, training, equipment, supplies and consulting services. For each of the sampled grants, the audit team obtained and reviewed the signed grant award documents from the State that stipulated the grant award amount, agreements, commitments and restrictions.

For the transactions selected for testing, the audit team obtained and reviewed the supporting documentation, such as invoices, purchase orders, bid information, check copies, time sheets, pay

stubs and expense reports. We compared the selected transactions to the grant requirements to assess compliance with the City of Milwaukee's policies, procedures and grant requirements.

With the support of the City's Internal Audit staff, we performed physical inspections of selected equipment procured with the grant funds to determine if proper inventory records were maintained. We also observed if appropriate security measures existed to safeguard the equipment. The condition of the equipment was also observed. The Internal Audit staff also assisted with the work in support of Objective #4 – follow-up on DHS/OIG recommendations.

We conducted the audit between April and July 2015, in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the United States. 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 on our performance audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our performance audit objectives.

Results of the audit

Generally, the City of Milwaukee's Office of Emergency Management and Homeland Security with the support of the Fire, Health, and Police Departments did an efficient and effective job in managing the UASI grant funds. However, the performance audit identified the following improvement opportunities: (1) timeliness of closeout reporting; (2) development of Standard Operating Procedures; (3) timely use of grant funds; (4) tracking and accounting for awarded funds; and, (5) implementation of corrective actions from the January 2013 DHS Office of Inspector General audit.

We made eight recommendations to the City that, if implemented, would resolve the exceptions noted during the audit and improve the City's management of UASI grant funds.

Objective #1 – Compliance with regulations

Exceptions were not identified with the City's compliance with federal regulations regarding application processing; accounting and quarterly reporting; procurement activities, and inventory management. However, we identified the following exception related to the lack of timeliness of the final closeout report submissions.

1.1.1 Lack of timeliness of closeout reporting

Condition

Audit testing of closeout reports showed that two of seven reports submitted for grant ID's 8651 and 8520 were submitted after the due date, which constituted 28.6% of the sample selection. The final report for 8651 was six days late, and the final report for 8520 was submitted two days late.

Criteria
The grant agreement requires that closeout report are to be submitted within 30 days of the end of the respective subgrant's approved period-of-performance.

Cause
The delay in filing the reports with the State prior to the due date was due to the responsible individual having been promoted to a different role at the time the narrative reports became due. The lack of documented standard procedures contributed to the delay when the change in staffing occurred and the responsibility was reassigned.

Effect
The City was not in compliance with the 30-day requirement for the filing of closeout reports. If the non-compliance continues, the effect will increase and could become a consideration affecting future awards.

1.1.2 Recommendation:

1. We recommend that the City develop procedures for cross training individuals who can step into the role for submitting final reports when the individual charged with the responsibility is not available.

1.1.3 Management comments and auditor analysis:

City of Milwaukee officials concurred with this recommendation. If properly implemented, the corrective actions proposed by the City should resolve the condition identified in the audit.

Objective #2 - Design and operations of controls over expenditures

Exceptions were not identified in the City's information system controls or the controls over the authorization, approval, reconciliation and reporting of expenditure transactions. An exception was identified related to the lack of standard operating procedures (SOPs).

1.1.4 Lack of standard operating procedures

Condition
The City has accounting and procurement standard operating procedures (SOPs) that apply City-wide. However, the Fire and Police Departments did not have documented, defined and standardized assignment of duties, responsibilities and processes for the management of grant funds. The Health Department had draft procedures that were used for training purposes but the draft had not been finalized as the Department's SOPs.

During the audit, we observed several opportunities for improved grants management if SOPs had been established and implemented.

- **Document retention** – The application for the 2009 UASI grant (Investment Justification) could not be found. The 2009 Investment Justification supported the City's need for grant funds and defined what, how and when the grant funds would be used. DHS/Federal Emergency Management Agency (FEMA) documentation requirements include that supporting documentation, such as the grant application, be retained for three years following the submission of the final financial report.

- **File maintenance** – Delays were experienced in the identification and retrieval of documentation needed for the audit. The delays affected the timeliness of the City's providing documentation throughout the audit as well as in response to questions raised during the audit. An effective, documented file management system with an indexing system would have expedited the identification and retrieval of the documents requested.

- **Expenditure review and approval – Our testing** of travel reimbursement requests identified an error in the per diem paid to a City employee. The error was not detected during the review and approval process. The erroneous per diem claim was based on out-of-state travel even though the travel was within Wisconsin. The error occurred in one of the seven reimbursement requests tested (17% error rate). Sufficiently documented procedures to clarify per-diem rates for out-of-state versus in-state travel did not exist.

Criteria
The need for established SOPs is included in the City's Operations Plan[2] as well as in FEMA Directive 9570 – SOPs. The City's Operation Plan states that the Departments must develop and maintain SOPs in such detail as necessary to result in successful activation and completion of the Department's responsibilities.

As stated in FEMA Directive 9570, SOPs are developed to clearly document business processes and train personnel toward achieving the Program goal of providing assistance in a more consistent, efficient, and effective manner.

Cause
Based upon our discussions with representatives from the Fire, Health and Police Departments, SOPs for the Fire and Police Departments were not prepared, and the draft procedures from the Health Department had not been finalized because of staff availability, workload, and/or other competing higher priorities.

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[2] The **Comprehensive Emergency Management Plan (Operations Plan)** provides the framework for City of Milwaukee government and partner entities to respond to public emergencies within the jurisdiction and regionally. The Plan establishes a unified command and control structure for emergency response operations to ensure a coordinated and effective response. The Plan incorporates concepts and processes of the National Incident Management System (NIMS) as the standard for emergency response operations.

Effect
Because SOPs had not been prepared, documented business processes and training of personnel on the procedures within each Department were not defined and standardized. Management inefficiencies resulted from the lack of standard procedures. For example, a clearly documented and centralized filing system could prevent documentation from being lost and expedite the retrieval of documents when subsequently needed for audits or other purposes. SOPs are also an important part of succession planning and the accomplishment of consistent, efficient and effective management of awarded grant funds. SOPs can strengthen internal controls and reduce the risk that errors, like the error in per diem approval, might continue to occur.

1.1.5 Recommendations:

1. We recommend that the City Departments (Fire, Health and Police) develop, retain and implement SOPs for grants management.

2. We recommend that training on the established SOPs be provided to appropriate City employees within the Departments.

1.1.6 Management comments and auditors' analysis:

City of Milwaukee officials concurred with these two recommendations. If properly implemented, the corrective actions proposed by the City should resolve the condition identified in the audit.

Objective #3 - Effectiveness and efficiency in program management

Exceptions were not noted in the effectiveness and efficiency of the City's program management activities in (1) assessing capability gaps (vulnerabilities and risks) versus terrorist attacks; (2) identifying equipment, training and needs; (3) establishing goals and objectives that reflected the results of the vulnerability and risk assessments and (4) establishing milestones that were specific, measurable, achievable, results oriented and time limited as required. However, two exception were identified that related to the effective and efficient use of grant funds.

1.1.7 Timely use of grant funds

Condition
Seventeen subgrants were closed during the period 2012 through 2014. Five were from the UASI 2009 grant and 12 were from the 2010 grant. Nine of the 12 subgrants from the 2010 UASI award had funds remaining (unspent) when the grants were closed. The total funds remaining for these nine grants was $115,696. Six of the 9 had small amounts remaining. The unused funds for the other three subgrants totaled approximately $108,220, or 94% of the $115,696 returned to the State. The table below identifies the three subgrants with the larger amounts remaining at closure.

Table No. 3
Funds Remaining at Subgrant Closeout

Health Department	Subgrant # 8520 (2010)	$20,115.55
Health Department	Subgrant # 8651 (2010)	$21,585.24
Police Department	Subgrant # 8655 (2010)	$66,520.31
		$108,221.10

Of the $66,520.31 returned by the Police Department, we noted that $61,479 was budgeted for "Supplies and Operating Expenses" ($18,389) and "Consultants/Contractual" ($43,090).

City representatives recognized that reprogramming of funds for other uses is difficult but it can be done if enough time is available to process the requests and to get the required approvals.

Criteria
The City applied for and was awarded UASI grant funds based upon the need for improved capabilities to prevent, protect against, respond to and recover from threats or acts of terrorism. The capability gaps were identified by the UASI Working Group committees based upon threat analyses and related vulnerability and risk assessments. The grant awards include periods of performance within which the grant funds were to be used. The grant applications established the need for the funds and projected that these funds would be used.

Cause
Detailed explanations were provided for why subgrants 8520 and 8651 funds were not spent in accordance with the original grant document. Due to changes in personnel, the City's Office of Emergency Management and Homeland Security did not have documentation to explain why subgrant 8655 funds were not spent in accordance with the original grant document. The changes in personnel also contributed to why the variances from the planned spending included in the grant application were not documented.

Effect
The City was unable to maximize the usage of the UASI grant funds. We believe enhanced monitoring and tracking procedures by the City Office of Emergency Management and Homeland Security could have identified when the use of awarded funds within the approved period-of-performance was in jeopardy of not being used. With enough time to consider reprogramming, the City could have determined if a grant's funds were going to be used, could be used (reprogrammed) for other needs, or should be returned to the State. Use of the funds awarded is important to maximize the benefit of the City's efforts to be prepared if terrorist attacks were to occur.

1.1.8 Recommendation:

1. We recommend that the City Office of Emergency Management and Homeland Security establish and implement monitoring procedures for tracking the rate of use of grant funds, comparing the use of the funds to the planned spending submitted in the grant application and alerting appropriate City officials when the use of funds will not be met within a subgrant's period-of-performance.

1.1.9 Management comments and auditors' analysis:

City of Milwaukee officials concurred with this recommendation. If properly implemented, the corrective actions proposed by the City should resolve the condition identified in the audit.

1.1.10 Tracking and accounting for awarded funds

Condition
The 2009 UASI award included $98,000 to the City of Milwaukee's Health Department to fund a planning position However, when the City's Legislative Resolution for 2009 was approved by the Common Council, it did not include the $98,000. The 2009 UASI award to the Health Department was $398,000. The total amount approved in the Resolution was $300,000. The Health Department's expenditures of the 2009 award were limited to the $300,000.

The Health Department representative point of contact for the audit confirmed that the $98,000 was not included in the 2009 Legislative Resolution. The representative explained that the planning position had been authorized in the 2006 UASI award and was funded through the 2008 UASI award. The position was vacated prior to the award of the 2009 UASI funds. We made an inquiry to the Director of the City's Office of Emergency Management and Homeland Security to obtain an answer as to why the awarded $98,000 was included in the award but not in the Resolution and if the $98,000 had been reprogrammed for other City needs. The City's Office of Emergency Management and Homeland Security did not have documentation to support the change in funding amounts.

Criteria
44 CFR 13.20 *Standards for financial management systems* requires that "Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the … tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."

Cause
Documentation presenting the disposition of the $98,000 awarded to the Health Department was not provided during the performance audit. Without such documentation, the disposition of these funds could not be identified. The City's Office of Emergency Management and Homeland Security did not note or document the change in funding levels when the award was processed.

Effect
Without sufficient documentation of all grant funds received, the City cannot demonstrate that the funds were used for their intended purpose according to the Federal statutes, regulations and terms and conditions of the federal award.

1.1.11 Recommendations:

We recommend that the Director of the City's Office of Emergency Management and Homeland Security:

1. Analyze the circumstances surrounding the award and use of the $98,000 in order to provide an accounting for the funds.

2. Develop and implement procedures to ensure that future awarded funds are appropriately monitored and used as intended.

1.1.12 Management comments and auditors' analysis:

City of Milwaukee officials concurred with these two recommendations. If properly implemented, the corrective actions proposed by the City should resolve the condition identified in the audit.

Objective #4 - Follow-up on DHS/OIG recommendations

In January 2013, the Department of Homeland Security, Office of Inspector General (DHS/OIG) issued a report on "*Wisconsin's Management of Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010 (OIG-13-33).*" The report contained 5 recommendations; 1 of which was directed toward the City of Milwaukee. The recommendation directed toward the City was: "Update the 2010 UASI Homeland Security strategic operational plan to include the goals and objectives of the FEMA-approved strategy and incorporate into it current plans for sustaining Milwaukee UASI operations." The DHS/OIG reported that Milwaukee's UASI Homeland Security strategic operational plan, used to implement day-to-day operations, had not been finalized and did not completely reflect the strategy the State submitted and FEMA approved. As a result, the OIG report concluded that the City may be pursuing goals and objectives and implementing day-to-day operations that are not aligned with those approved by FEMA.

1.1.13 Implementation of audit report recommendations

Condition
During our audit, we followed up on the DHS/OIG recommendation to determine the status of the City's corrective actions. The follow-up work found that, while the revised City of Milwaukee's Homeland Security Strategic Operational Plan had been updated as recommended in July 2014, it had not been signed by the Director of Emergency Management and Homeland Security or approved by the Mayor.

Criteria
The criteria referenced in the DHS/OIG report was the State and Urban Area Homeland Security Strategy, Guidance on Aligning Strategies with the National Preparedness Goal. The Guidance stated that "… Urban Areas Homeland Security Strategies should have strong foundations that support an ongoing process of review and refinement as new lessons are learned, new priorities are realized and new homeland security guidance is released."

Follow-up on audit findings is required by 2 CFR 200.511 *Audit findings follow-up*. Section (a) *General* states that the auditee is responsible for follow-up and corrective action on all audit findings.

Cause
The Director of the City's Office of Emergency Management and Homeland Security had not signed the Strategic Operations Plan as revised in July 2014 and submitted it to the Mayor for approval. . The reason for the delay was not provided by the Office of Emergency Management and Homeland Security.

Effect
As a result, the DHS/OIG recommendation remain partially open and unresolved until the plan is finalized.

1.1.14 Recommendations:

1. We recommend that the Director of Emergency Management sign the Revised Plan and submit it to the Mayor for review and approval.

2. We recommend that the finalized plan be submitted to the Wisconsin Office of Justice Assistance (OJA) as the City's response to the open DHS/OIG finding.

1.1.15 Management comments and auditors' analysis:

City of Milwaukee officials concurred with these recommendations. If properly implemented, the corrective actions proposed by the City should resolve the condition identified in the audit.

We appreciate the opportunity to have conducted this performance audit. Should you have any questions, or if we can be of any further assistance, please contact Jack Reagan at 703.637.2730.

Partner
Grant Thornton, LLP
Alexandria, VA

September 8, 2015

Appendix A - City of Milwaukee comment

City of Milwaukee

Office of Emergency Management
& Homeland Security

Tom Barrett
Mayor

Steven Fronk
Director

August 31, 2015

Stacey Mazmanian, Audit Manager
Internal Audit
City of Milwaukee, City Hall Room 404
200 East Wells Street
Milwaukee, WI 53202

RE: 2015 Audit of the City of Milwaukee Office of Emergency Management and Homeland Security: FEMA Urban Area Security Initiative Grant Management 2012 through 2014.

Dear Ms. Mazmanian:

The City of Milwaukee Office of Emergency Management and Homeland Security appreciates the opportunity to work with your staff and values the audit's recommendations for improvement with grant administration and monitoring. We have reviewed the audit and offer the following responses to its recommendations. This is the written response to the Audit of the City of Milwaukee Office of Emergency Management and Homeland Security: FEMA Urban Area Security Initiative Grant Management 2012 through 2014. Below are the specific responses to the recommendations cited in the audit pertaining to the City of Milwaukee Office of Emergency Management and Homeland Security.

Objective #1 – Compliance with Regulations
Recommendation – We recommend that the City develop procedures for cross training individuals who can step into the role for submitting final reports when the individual charged with the responsibility is not available.

This recommendation does not apply to the Office of Emergency Management and Homeland Security. I believe that the necessary responses have been provided by the Fire, Health and Police departments.

Objective #2 – Design and operations of controls over expenditures
Recommendation #1 – We recommend that the City Departments (Fire, Health and Police) develop, retain and implement SOPs for grants management.

Room 605 – City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202
E-mail ohs@milwaukee.gov Phone (414) 286-5136 Fax (414) 286-5141

This recommendation does not apply to the Office of Emergency Management and Homeland Security. I believe that the necessary responses have been provided by the Fire, Health and Police departments.

Recommendation #2 – We recommend that training on the established SOPs be provided to appropriate City employees within the Departments (Fire, Health and Police).

This recommendation does not apply to the Office of Emergency Management and Homeland Security. I believe that the necessary responses have been provided by the Fire, Health and Police departments.

Objective #3 – Effectiveness and efficiency in program management
Section 1 - Recommendation 1 – We recommend that the City Office of Emergency Management and Homeland Security establish and implement monitoring procedures for tracking the rate of use of grant funds, comparing the use of the funds to the planned spending submitted in the grant application and alerting appropriate City officials when the use of funds will not be met within a subgrant's period-of-performance.

We concur with the recommendation and will establish and implement monitoring procedures for tracking the rate of use of grant funds as indicated.

Implementation Date: March 31, 2016

Section 2 - We recommend that the Director of the City's Office of Emergency Management and Homeland Security: Recommendation 1 - Analyze the circumstances surrounding the award and use of the $98,000 in order to provide an accounting for the funds.

We concur with the recommendation and will analyze the circumstances surrounding the award and expenditure of the aforementioned $98,000 and provide an accounting.

Implementation Date: March 31, 2016

Recommendation 2 - Develop and implement procedures to ensure that future awarded funds are appropriately monitored and used as intended.

We concur with the recommendation and will develop and implement additional procedures for monitoring allocation of funds to ensure that future awarded fund allocations are more fully documented in order to show use as intended.

Implementation Date: March 31, 2016

Objective #4 – Follow-up on the Department of Homeland Security / Office of Inspector General prior audit recommendations:

Recommendation 1 – We recommend that the Director of Emergency Management sign the Revised Strategic Operations Plan and submit it to the Mayor for review and approval.

We concur with the recommendation. The Comprehensive Emergency Management Plan (CEMP) has been re-submitted to the Mayor for signature.

Implementation Date: October 31, 2015

Recommendation 2 – We recommend that the finalized Strategic Operations Plan be submitted to the Wisconsin Office of Justice Assistance as the City's response to the open Department of Homeland Security / Office of Inspector General Audit finding.

We concur with the recommendation. A signed electronic copy of the CEMP will be submitted to Wisconsin Emergency Management (WEM), the successor agency to the Wisconsin Office of Justice Assistance (OJA).

Implementation Date: October 31, 2015

Respectfully submitted,

Steven Fronk, Director
Office of Emergency Management and Homeland Security
City of Milwaukee

City of Milwaukee
Tom Barrett
Mayor
Bevan K. Baker, FACHE
Commissioner of Health
Health Department Office of the Commissioner
www.milwaukee.gov/health
Frank P. Zeidler Municipal Building, 841 North Broadway, 3rd Floor, Milwaukee, WI 53202-3653 phone (414) 286-3521 fax (414) 286-5990

August 26, 2015

Stacey Mazmanian, Audit Manager
Internal Audit
City of Milwaukee, City Hall Room 404
200 East Wells Street
Milwaukee, WI 53202

RE: 2015 Audit of the City of Milwaukee Office of Emergency Management and Homeland Security: FEMA Urban Area Security Initiative Grant Management 2012 through 2014.

Dear Ms. Mazmanian:

This is the written response to the Audit of the City of Milwaukee Office of Emergency Management and Homeland Security: FEMA Urban Area Security Initiative Grant Management 2012 through 2014. Below are the specific responses to the recommendations cited in the audit pertaining to the Health Department.

Objective #1 – Compliance with Regulations
Recommendation – City develop procedures for cross training individuals who can step into the role for submitting final reports when the individual charged with the responsibility is not available.

We concur with this recommendation as it relates to grant reporting and will include this procedure in our final Standard Operating Procedures (SOP) as will be developed as a result of the recommendations under Objective #2 below.

Implementation Date: March 31, 2016

Objective #2 – Design and operations of controls over expenditures
Recommendation #1 – City Departments (Fire, Health and Police) develop, retain and implement SOPs for grants management.
Recommendation #2 – Training on the established SOPs is provided to appropriate City employees within the Departments.

We concur with these recommendations. The Health Department has already developed a DRAFT SOP that was presented to all Grant Managers in November of 2014. The Health Department will strive to finalize these SOPs by March 31, 2016 and train/orient departmental grant managers on an annual basis or as new grant managers are hired.

Implementation Date: March 31, 2016

Objective #3 – Effectiveness and efficiency in program management
Section 1 - Recommendation 1 – City Office of Emergency Management and Homeland Security establish and implement monitoring procedures for tracking the rate of use of grant funds, comparing the use of the funds to the planned spending submitted in the grant application. Section 2 - We also recommend that the Director of the City's Office of Emergency Management and Homeland Security: Recommendation 1 - Analyze the circumstances surrounding the award and use of the $98,000 in order to provide an accounting for the funds. Recommendation 2 - Develop and implement procedures to ensure that future awarded funds are appropriately monitored and used as intended.

This recommendation does not apply to the City of Milwaukee Health Department.

Objective #4 – Follow-up on DHS/OIG recommendations
Recommendation 1 – The Director of Emergency Management sign the Revised Plan and submit it to the Mayor for review and approval.
Recommendation 2 – Finalized plan be submitted to the Wisconsin Office of Justice Assistance (OJA) as the City's response to the open DHS/OIG finding.

This recommendation does not apply to the City of Milwaukee Health Department.

Please direct any questions on the above responses to Yvette Rowe, Business Operations Manager, at X3997.

Sincerely,

Bevan K. Baker, FACHE
Commissioner of Health

City of Milwaukee

Fire Department

Mark Rohlfing
Chief

Gerard Washington
Assistant Chief
Daniel Lipski
Assistant Chief

August 25, 2015

Stacey Mazmanian, Audit Manager
Internal Audit
City of Milwaukee, City Hall Room 404
200 East Wells Street
Milwaukee, WI 53202

Dear Ms. Mazmanian,

Thank you for your audit of the City of Milwaukee, Office of Emergency Management and Homeland Security, management of FEMA Urban Area Security Initiative (UASI) 2009 and 2010 grant funds expended during calendar hears 2012 through 2014 to determine whether program grant funds were managed and used properly, effectively and in compliance with laws and regulations. The Milwaukee Fire Department (MFD) appreciates the opportunity to work with your staff and appreciates and values the audit's recommendation for documenting standard operating procedures for grant management. We have reviewed the audit and offer the following responses to its recommendation.

Recommendation 1.1.5-1: City Departments develop, retain and implement SOPs for grant management.

The Milwaukee Fire Department agrees with this recommendation. Currently, the Project Directors and Financial Officer performance are conducted in accordance with federal, state and local grant laws. However, the procedure is not a documented process. Going forward, the Fire administration will review templates of tried SOPs and take those examples under consideration so we develop written SOPs for grant management. The first draft will be completed by November 1st and the final draft is expected to be published and distributed by December 31, 2015.

Recommendation 1.1.5-2: Training on the established SOPs be provided to appropriate City employees within the Department.

The Milwaukee Fire Department agrees with this recommendation. We are currently in transition due to our Financial Officer accepted another job opportunity. Once her replacement joins our team, they along with our Project Directors are expected to complete phase 1 of the training no later than March 31, 2016 and the final phase no later than September 30, 2016.

711 West Wells Street, Milwaukee, Wisconsin 53233 Phone (414) 286-8948 Fax (414) 286-8996

We appreciate you sharing the audit and extending us the opportunity to respond. You may direct further concerns to me at 286-8982.

Sincerely,

Daniel Berendt
Assistant Fire Chief

City of Milwaukee

Police Department

Edward A. Flynn
Chief of Police

August 25, 2015

Stacey Mazmanian, Audit Manager
Internal Audit
City of Milwaukee, City Hall Room 404
200 East Wells Street
Milwaukee, WI 53202

RE: Response to Draft Audit Report on the Management of the Homeland Security Grant Program/UASI Program

Dear Ms. Mazmanian:

Thank you for the opportunity to respond to the draft audit report on the management of the Homeland Security Grant Program/UASI Program grant funds received by the Milwaukee Police Department during calendar years 2012 through 2014. We have reviewed the draft audit and provide the following responses to the recommendations:

Recommendation 1.1.5 #1: Develop, retain and implement SOPs for grants management.

The Milwaukee Police Department agrees with this recommendation.

Implementation Date: Started drafting procedures. Anticipated completion of February 29, 2016.

Recommendation 1.1.5 #2: Training on established SOPs be provided to appropriate employees.

The Milwaukee Police Department agrees with this recommendation.

Implementation Date: Once procedures are established the recommended training will be provided.

Sincerely,

EDWARD A. FLYNN
CHIEF OF POLICE

DANIEL F. ROTAR
BUDGET & ADMINISTRATION MANAGER

Police Administration Building, 749 West State Street, Post Office Box 531, Milwaukee, Wisconsin 53201-0531 (414) 933-4444
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