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**PERFORMANCE REVIEW**  
**DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY**  
**DIVISION OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT**

**AUDIT OVERVIEW**

The Division of Homeland Security and Emergency Management Did Not Establish an Effective Internal Control Environment Over the Administration of Federal Grants, Which Resulted in Frequent Untimely Submissions of Important Financial Data and Being Placed on Manual Reimbursement by the Federal Government.



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*Note: On Monday, February 6, 2017, the Legislative Manager/Legislative Auditor's wife, Elizabeth Summit, began employment as the Governor's Deputy Chief Counsel. Most or all the actions discussed and work performed in this report occurred after this date. However, the Governor's Deputy Chief Counsel was not involved in the subject matter of this report, nor did the audit team have any communications with her regarding the report. As Deputy Chief Counsel, the Legislative Auditor's wife is not in a policy making position within the Executive Branch. Therefore, the Performance Evaluation and Research Division does not believe there are any threats to independence with regard to this report as defined in A3.06.a and A3.06.b of the Generally Accepted Government Auditing Standards. Furthermore, the Legislative Auditor has instructed the Director of Performance Evaluation and Research Division to document and discuss any issues he believes are a threat to the division's independence with the President of the Senate and the Speaker of the House due to Ms. Summit's position.*



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## EXECUTIVE SUMMARY

The Legislative Auditor conducted an Agency Review of the Department Military Affairs and Public Safety (DMAPS) pursuant to W.VA Code §4-10-8(b)(2). As part of this review, a performance audit was conducted on the Division of Homeland Security and Emergency Management (DHSEM) within the DMAPS. The purpose of the DHSEM, as established in W. Va. Code §15-5-3, is to ensure the protection of life and property by providing coordination, guidance, support and assistance to local emergency managers and first responders. The highlights of this review are discussed below.

### Frequently Used Acronyms in this Report

CAFR:	Comprehensive Annual Financial Report
DHSEM:	Division of Homeland Security and Emergency Managements
DMAPS:	Department of Military Affairs and Public Safety
DOF:	Division of Finance
FEMA:	Federal Emergency Management Agency
PERD:	Performance Evaluation and Research Division
SEFA:	Schedule of Expenditures of Federal Awards

### Report Highlights

#### **Issue 1: The Division of Homeland Security and Emergency Management Has Not Established an Effective Internal Control Environment Over the Administration of Federal Grants, Which Resulted in Frequent Untimely Submissions of Important Financial Data and Being Placed on Manual Reimbursement by the Federal Government.**

- The DHSEM submitted the Schedule of Expenditures of Federal Awards information late four of the last six years. Two of the submissions were more than 170 days late.
- Since 2011, the DHSEM has not corrected sub-recipient monitoring problems, which led to the Federal Emergency Management Agency placing DHSEM on manual reimbursement in 2015.
- The DSHEM is three years behind drawing down more than \$8.3 million of federal grants funds. Of this \$8.3 million, \$5.4 million is owed to local jurisdictions (e.g. counties and cities).
- The DHSEM did not apply for more than \$12 million of federal money available for staffing and training needs.

## Recommendations

1. *The Legislature should consider statutory amendments that clarify the oversight responsibility of the DHSEM director is solely the secretary of the Department of Military Affairs and Public Safety.*
2. *The Legislative Auditor recommends the DHSEM leadership develop policies and procedures governing, at a minimum, grants management and financial reporting.*
3. *The Legislative Auditor recommends the DHSEM leadership implement internal controls to ensure prompt remediation of audit findings.*
4. *The Legislative Auditor recommends the DHSEM leadership timely address the issues outlined by FEMA.*
5. *The Legislative Auditor recommends that the DHSEM report to the Legislature on a regular basis to detail all corrective actions taken to address the findings of FEMA and this report.*
6. *The Legislative Auditor recommends the Legislature require the DHSEM to report annually on agency operations after the corrective actions are complete.*
7. *The Legislative Auditor recommends the DHSEM segregate federal funds from state funds for the HMEP program.*
8. *Legislative Auditor recommends the DHSEM leadership establish and operate monitoring activities for grants management and take prompt corrective action when findings are identified.*
9. *The Legislative Auditor recommends the DHSEM apply for the additional Category Z funds to hire and train additional personnel and help ensure compliance with grants management requirements.*
10. *The Legislative Auditor recommends that the DHSEM leadership take steps to evaluate the internal control system on a continual basis to maintain effectiveness.*
11. *The Legislative Auditor recommends that the Department of Military Affairs and Public Safety oversee the establishment of an effective internal control environment within the DHSEM. Alternatively, the Legislature should consider the Governor's proposal as outlined in the agency's response.*



## **PERD's Response to the Agency's Written Response.**

On November 29, 2018, PERD received a written response from the Director of the Division of Homeland Security and Emergency Management (Appendix G). The DHSEM agrees with most of the recommendations in the report. Moreover, the agency's response notes progress towards addressing issues identified by PERD: *"We believe we are on track, the correct steps have been taken, and fully expect to resolve these issues in the next year. However, situations such as large-scale disasters may inhibit this process."* The agency does suggest changes to two recommendations. One agency proposed change is addressed within the conclusion of the report, the second is as follows:

**Agency Response to Recommendation 1:** *WV DHSEM believes that the organization and lines of authority established by the Governor in his October 3, 2018 directive allow for the best synchronization and synergy of key emergency response assets. The West Virginia National Guard and West Virginia Military Authority provide WV DSHEM the best opportunity to increase professional staff and institutionalize appropriate processes, procedures, and internal review. In addition, it allows for creating efficiencies and effectiveness to best serve the citizens of the West Virginia.*

*Further, it is the intention for legislation to codify the structure and alignment of WV DHSEM within the Adjutant General's Department outlined in the Governor's directive to be introduced in the 2019 regular legislative session*

**PERD's Response:** PERD has modified the recommendation to indicate the Legislature should also consider the Governor's proposal as outlined in the agency's response.



## ISSUE 1

### **The Division of Homeland Security and Emergency Management Has Not Established an Effective Internal Control Environment Over the Administration of Federal Grants, Which Resulted in Frequent Untimely Submissions of Important Financial Data and Being Placed on Manual Reimbursement by the Federal Government.**

#### **Issue Summary**

The Division of Homeland Security and Emergency Management (DHSEM) submitted the Schedule of Expenditures of Federal Awards (SEFA) late in four of the last six years from FY 2012-17. Untimely submission of the SEFA can lead to penalties from the federal government, and it delays the financial audit of the agency's SEFA, which in turn delays the completion of the State's Comprehensive Annual Financial Report (CAFR). The Performance Evaluation and Research Division's (PERD) audit objective to determine the cause for DHSEM's frequent delays in submitting its SEFAs. PERD finds that the DHSEM has not developed an effective internal control environment. The agency's leadership did not address repeated findings from the financial audits of its SEFAs, and the agency did not correct repeated findings identified by the Federal Emergency Management Agency (FEMA) within the U.S. Department of Homeland Security. The agency's leadership has allowed grants management issues in two programs to continue unabated for several years, resulting in significant delays in drawing down millions of federal funds (including those owed to subrecipients). Although the former director cited lack of personnel as a factor in these issues, PERD finds that certain federal funds were available to support additional staff and that FEMA recommended that the agency examine this option. However, there is no evidence that the DHSEM availed itself of federal funds to employ additional staff. PERD also found that due to the agency not appropriately addressing federal grant requirements related to subrecipient monitoring, FEMA placed the DHSEM on manual reimbursement, which requires the agency to provide FEMA all documentation (e.g. invoices, receipts, audits, etc.) for approval before drawdown of federal funds. **Consequently, the Legislative Auditor recommends that the Department of Military Affairs and Public Safety oversee the establishment of an effective internal control environment within the DHSEM.**

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*The agency's leadership did not address repeated findings from the financial audits of its SEFAs, and the agency did not correct repeated findings identified by the Federal Emergency Management Agency (FEMA) within the U.S. Department of Homeland Security.*

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## Background

The DHSEM, created in 2005, falls under the West Virginia Department of Military Affairs and Public Safety. The agency has seven sections that report directly to the director. The agency’s mission is “to provide coordination to assist local emergency managers and first responders in providing for the protection of life and property.”

The DHSEM receives funds from state appropriations, federal grants, collections of hazardous materials fees, and enhanced 911 fees. The three largest sources of funding are federal grants, state appropriations and enhanced 911 fees. In FY 2017, federal grants totaled \$76 million and represented 75 percent of the agency’s revenue (see Table 1).

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Fiscal Year	Federal Funds Disbursed
2012	\$13,894,339
2013	\$27,669,243
2014	\$12,203,554
2015	\$18,304,514
2016	\$57,105,390
2017	\$76,028,374

*Source: The DHSEM as presented in the State of West Virginia Executive Budgets for fiscal years 2014-2019.*

The Federal Emergency Management Agency (FEMA), the U.S. Department of Transportation, and the National Telecommunications and Information Administration provide federal grants to the DHSEM. FEMA is the largest source of federal funding, providing grants for a variety of operations:

- The Emergency Management Preparedness Grant supports efforts to build and sustain core capabilities across the Prevention, Protection, Mitigation, Response, and Recovery mission areas.
- The Public Assistance grants provide federal assistance to governments following a Presidential disaster declaration.
- The Hazard Mitigation Grant Program provides funding to enact mitigation measures that reduce the risk of loss of life and property from future disasters.
- The Pre-Disaster Mitigation awards planning and project grants provide opportunities for raising public awareness

about reducing future losses.

- The Flood Mitigation Assistance grants provide funding for projects and planning that reduces or eliminates long-term risk of flood damage to structures insured under the National Flood Insurance Program.

### The DHSEM Submitted the Schedule of Expenditures of Federal Awards Late in Four of Six Years.

According to 2 C.F.R. §200.501, a non-federal entity spending \$750,000 or more in federal funds during the non-federal entity’s fiscal year must have a single audit. The DHSEM meets this threshold because it has been awarded millions in federal funds. The auditing process, according to the West Virginia Division of Finance, requires that most agencies submit a Schedule of Expenditures of Federal Awards (SEFA) by July 31 after the close of a state fiscal year while some agencies, including the higher education system, are due by October 31. Next, the Division of Finance provides the SEFA to financial auditors, who return to the agency to verify the accuracy of the reported information. The State’s Comprehensive Annual Financial Report (CAFR) aggregates the audited financial information.

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*The DHSEM reported the data late four out of six years, often being one of the last state agencies to submit the necessary information.*

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PERD staff reviewed the dates the DHSEM submitted the SEFA from FY 2012-17. The DHSEM reported the data late four out of six years, often being one of the last state agencies to submit the necessary information. Table 2 shows the dates the DHSEM submitted the SEFA to the Division of Finance for fiscal years 2012-2017 as well as the number of days late.

<b>Fiscal Year</b>	<b>Submission Date</b>	<b>Number of Days Late</b>
2012	July 31, 2012	0
2013	October 28, 2013	89
2014	February 11, 2015	195
2015	August 20, 2015	20
2016	January 18, 2017	171
2017	July 28, 2017	0

*Source: West Virginia Department of Administration Finance Division Closing Books*

To determine why the DHSEM did not submit the SEFA timely,

PERD staff interviewed both the Division of Finance and the DHSEM employees. The employees stated they did not know why the DHSEM was late and that the one individual who may know is no longer with the agency. Program management staff within the DHSEM indicated to the audit team that financial staff did not communicate with program staff and thus they have limited knowledge of SEFA reporting issues. Conversely, the DHSEM's leadership indicated through interviews the problems with the late submissions stemmed from DHSEM's former director of Administration. However, according to the Division of Finance, the agency did not work with the director of Administration, but rather an individual who reported straight to the administration director for the SEFA submissions until October 2014. The director of Administration<sup>1</sup> was responsible for the SEFA submissions in FY 2016. Consequently, PERD questions how much involvement the former director of Administration had in the SEFA preparation and submission. **PERD concludes that, despite the assignment of responsibility to subordinate staff, the agency leadership is ultimately responsible for late submissions as management did not intervene to ensure timely transmission of the SEFA.**

A contributing factor for the late SEFAs identified by PERD is that the agency has no policies or procedures governing grants management or financial reporting. PERD requested copies of the DHSEM's policies and procedures, but none were provided. According to the Government Accountability Office, "*management is responsible for designing the policies and procedures to fit an entity's circumstances and building them in as an integral part of the entity's operations.*" Furthermore, two principles of internal control relate directly to policies and procedures:

- Principle 10: Management should design control activities to achieve objectives and respond to risks; and,
- Principle 12: Management should implement control activities through policies.

Policies and procedures institutionalize financial management practices that outlive staff. Moreover, policies and procedures would promote stability and prevent the need to re-invent responses to recurring issues. **The Legislative Auditor is concerned the DHSEM's leadership did not promulgate policies or procedures necessary to address grants management and financial reporting and allowed staff to submit the SEFA late in four out of six years.**

Although the DHSEM submitted the SEFA late in multiple

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*PERD concludes that, despite the assignment of responsibility to subordinate staff, the agency leadership is ultimately responsible for late submissions as management did not intervene to ensure timely transmission of the SEFA.*

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*The Legislative Auditor is concerned the DHSEM's leadership did not promulgate policies or procedures necessary to address grants management and financial reporting and allowed staff to submit the SEFA late in four out of six years.*

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<sup>1</sup>The two DHSEM employees responsible for the SEFA submission during the scope of the audit are no longer employees of the agency and the audit team was unable to interview them.

years, the agency received no penalties. However, other agencies received penalties for delays brought on by late audits and/or reporting. For example, the U.S. Department of Education recently placed West Virginia's colleges and universities on Heightened Cash Monitoring for a minimum of five years due to the third late submission of the annual audit and financial statements. Heightened Cash Monitoring requires the colleges and universities to use institutional funds to provide grants to students, then seek reimbursement. **The late submission of the CAFR is not solely the fault of the DHSEM.** According to the DOF, in order to complete the audit and CAFR, the Division compiles the information from 155 state agencies. Consequently, one agency could delay the entire process and trigger financial penalties. In FY 2016 alone, 126 agencies were late submitting the SEFA information; however, this does not eliminate the need for the DHSEM to ensure timely reporting. **Consequently, the Legislative Auditor recommends the DHSEM leadership develop policies and procedures governing, at a minimum, grants management and financial reporting.**

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### **Single State Audits Found Significant Deficiencies in Internal Controls.**

PERD is not the only entity that identified the DHSEM's lack of policies and procedures as an issue needing addressed by the DHSEM's leadership. As shown in Table 3, Single State Audits for fiscal years 2006, 2008, 2010, 2011, 2013, 2016, and 2017 consistently note the agency lacks policies and procedures for several areas.

**Table 3  
West Virginia Single Audit Statements Concerning the DHSEM  
FY 2006-2017**

<b>Fiscal Year</b>	<b>Comments</b>
2006	<ol style="list-style-type: none"> <li>1. Develop policies and procedures to track subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to ensure accuracy of SEFA reporting.</li> <li>3. Develop policies to ensure federal funds are obligated on time.</li> <li>4. Develop policies and procedures to ensure federal reports are accurate, complete and have supporting documentation.</li> <li>5. Develop policies and procedures to ensure proper federal grant drawdowns.</li> <li>6. Develop policies and procedures to document tracking report notifications.</li> <li>7. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> </ol>
2007	<ol style="list-style-type: none"> <li>1. Develop policies and procedures to track subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to ensure accuracy of SEFA reporting.</li> <li>3. Develop policies and procedures to ensure federal reports are accurate, complete and have supporting documentation.</li> <li>4. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> </ol>
2008	<ol style="list-style-type: none"> <li>1. Develop policies and procedures to track subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> </ol>
2010	<ol style="list-style-type: none"> <li>1. Develop policies and procedures to track subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> <li>3. Develop policies and procedures to monitor the federal cash on hand to subrecipients and ensure interest earned is remitted back to federal grant program.</li> </ol>
2011	<ol style="list-style-type: none"> <li>1. Develop policies and procedures to track subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> <li>3. Develop policies and procedures to monitor federal cash on hand to subrecipients.</li> </ol>
2013	<ol style="list-style-type: none"> <li>1. Lacks policies and procedures to support subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Develop policies and procedures to support subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> <li>3. Inadequate policies and procedures to review and approve federal financial reports.</li> </ol>
2017	<ol style="list-style-type: none"> <li>1. Develop policies and procedures to support subrecipient monitoring and on-site monitoring.</li> <li>2. Develop policies and procedures to resolve subrecipient compliance or internal control findings.</li> <li>3. DHSEM has not implemented internal controls to ensure the SEFA information is accurate.</li> <li>4. Implement policies and procedures to ensure federal funds are tracked and returned to the federal government.</li> </ol>

*Source: West Virginia Single Audit: FY 2006, FY 2007, FY 2008, FY 2010, FY 2011, FY 2013, FY 2016, FY 2017.*



PERD also notes the agency’s consistent response to findings in the audits: the DHSEM will implement policies to address the issues. However, as indicated by the repeat findings in Table 3, the agency did not follow through with its corrective action plans. According to the Government Accountability Office, one principle of internal control is the remediation of identified internal control deficiencies on a timely basis, including the resolution of audit findings. **The Legislative Auditor finds it concerning that the DHSEM leadership failed to address multiple repeat audit findings over an 11-year period. The Legislative Auditor recommends DHSEM leadership implement internal controls to ensure prompt remediation of audit findings.**

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*The Legislative Auditor finds it concerning that the DHSEM leadership failed to address multiple repeat audit findings over an 11-year period.*

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## **Deficiencies in Internal Control Resulted in Financial Penalty by FEMA.**

Although no oversight agency penalized the DHSEM over the late SEFA submissions or repeated audit findings, PERD found that FEMA did penalize the DHSEM for similar issues, but in work unrelated to the SEFA. Beginning in 2011, FEMA noted the DHSEM “*could not demonstrate that it had a subrecipient system in place.*” Per FEMA, the DHSEM needed a financial monitoring plan for subrecipients, a monitoring schedule for subrecipients, and evidence the agency followed both the plan and schedule.

However, the DSHEM failed to address FEMA’s findings. Consequently, in a letter dated November 12, 2015 (Appendix E), FEMA placed the DHSEM on manual reimbursement and provided 60 days to appeal the decision. While the DSHEM had the right to appeal, FEMA stated in an e-mail, “*No response was provided and on January 12, 2016 manual reimbursement for WVDHSEM’s FEMA grants was enforced.*” **Importantly, at no point during the events leading to the manual reimbursement penalty did the DHSEM leadership inform the Cabinet Secretary of these issues.**

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*At no point during the events leading to the manual reimbursement penalty did the DHSEM leadership inform the Cabinet Secretary of these issues.*

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The manual reimbursement penalty requires the DHSEM to submit a reimbursement request form to FEMA, with appropriate backup documentation (e.g. invoice, proof of payment, receipts, etc.) before receiving reimbursement for expenditures. However, while the process is regularly one-step, due to issues with the DHSEM adhering to the work plan, FEMA required an additional step of the DHSEM submitting all information to FEMA for approval to spend prior to submission of the reimbursement request.

Table 4 provides a timeline of events leading to the manual reimbursement penalty. As shown, FEMA made a significant effort to aid the DHSEM by allowing multiple extensions of deadlines, conducting site visits, and allowing multiple submissions of corrective action plans prior to imposing the penalty.

<b>Table 4</b>	
<b>DHSEM Manual Reimbursement Timeline</b>	
<b>Date</b>	<b>Event</b>
June 9, 2011	FEMA's site visit finds DHSEM has inadequate subrecipient financial monitoring. FEMA requests Corrective Action Plans (CAPs).
September 5, 2012	FEMA completes a second on-site visit. DHSEM could not provide adequate subrecipient monitoring program plans.
June 25-27, 2013	FEMA conducts third on-site visit to review if the CAPs DHSEM submitted May 17, 2013 were implemented.
August 9, 2013	FEMA letter states DHSEM not following plans submitted in May. New CAPs due to FEMA October 1, 2013.
December 5, 2013	DHSEM fails to reply by deadline, therefore FEMA sends a second notice requesting the new CAPs.
December 10, 2013	DHSEM provides a partial plan.
January 28, 2014	FEMA establishes a new due date of February 28, 2014 to complete all the CAPs.
April 2, 2014	FEMA closes three correction actions based on DHSEM's February submissions. Requests two monitoring reports by May 15, 2014.
July 17, 2014	DHSEM submits the two plans more than two months past the deadline.
August 28, 2014	FEMA closes two CAPs. Although the CAPs were closed, FEMA has concerns about DHSEM's processes and procedures for subrecipient monitoring. An on-site visit is scheduled for November 2014 to finalize the CAPs. DHSEM requests delaying the meeting until March 5, 2015.
April 20, 2015	FEMA sent Correct Action Plan letter requesting financial monitoring plans based on risk assessment.
June 30, 2015	DHSEM submits financial monitoring plans. FEMA determines plans are not adequate.
July 30, 2015	FEMA requests DHSEM submit financial monitoring plans a second time by August 31, 2015.
September 1, 2015	DHSEM submits financial monitoring plans to FEMA.
November 12, 2015	FEMA sends a third notice for financial monitoring plans. DHSEM submitted no plans. FEMA places DHSEM on manual reimbursement. DHSEM has 60 days to appeal FEMA's manual reimbursement decision.
January 2016	FEMA notifies DHSEM director that the agency failed to appeal FEMA's decision and began Manual Reimbursement.

*Source: Federal Emergency Management Agency Letter Dated November 12, 2015, FEMA e-mail July 20, 2018.*

As Table 4 indicates, FEMA made the agency aware of subrecipient monitoring deficiencies more than seven years ago and requested the DHSEM develop and implement plans to correct subrecipient issues with the grants program. The FEMA findings mirror those of other financial auditors: the DHSEM does not have policies and procedures in place for subrecipient monitoring. Again, similar to the response to the financial audit findings, the DHSEM leadership failed to comply fully with FEMA's requirements. However, unlike the late SEFA submissions and repeated audit findings, the agency's inability to address FEMA's concerns resulted in financial consequences through enforcement of the manual reimbursement penalty.

*The agency's inability to address FEMA's concerns resulted in financial consequences through enforcement of the manual reimbursement penalty.*

To date, the DHSEM is still under the manual reimbursement enforcement action. Removal from the manual reimbursement enforcement action requires the DHSEM to provide a subrecipient monitoring plan and evidence of the agency's adherence to said plan. Table 5 provides a timeline of actions taken after the DHSEM's placement on manual reimbursement.

<b>Date</b>	<b>Action/Event</b>
April 21, 2016	FEMA notifies DHSEM about the requirements for removal from Manual Reimbursement.
August 30, 2016	DHSEM sends monitoring letters for FEMA to review.
September 2, 2016	FEMA replies the letters did not satisfy DHSEM's removal from the Corrective Action Plan (Manual Reimbursement). FEMA requests additional information by September 19, 2016.
September 22, 2016	DHSEM responds, but FEMA determines DHSEM's plans were still not adequate.
November 14, 2016	FEMA conducts a three-day on-site visit with DHSEM officials to review Corrective Action Plan.
December 22, 2016	DHSEM submits revised financial monitoring plans.
January 25, 2017	FEMA stated Emergency Management Performance Grants plan was sufficient, but no other financial monitoring plans were submitted from DHSEM's other grants programs.
April 28, 2017	FEMA visits DHSEM a third time. DHSEM provides financial monitoring plans for the other grants programs. FEMA reviews the plans and request more information.
October 6, 2017	DHSEM submits additional information about the plans for FEMA to review. FEMA again requests additional information.
October 17, 2017	DHSEM provides FEMA additional information.
<i>Source: Federal Emergency Management Agency Letter Dated November 12, 2015, FEMA e-mail July 20, 2018.</i>	

Beyond the attempts noted in Tables 4 and 5, the DHSEM made other efforts to address the issues noted by FEMA. First, the agency promulgated a Grant Monitoring and Risk Assessment Policy effective September 27, 2017. The policy requires an annual grant-monitoring schedule and provides criteria for selecting the subrecipients the agency will monitor in any given year. The second step the DHSEM initiated is a contract with a Certified Public Accounting (CPA) firm for subrecipient monitoring. The contract, effective March 1, 2017 requires the firm “to provide professional services for grant administration activities related to federally funded disaster grant programs.”

While PERD acknowledges that these efforts begin to address the issues cited by both FEMA and financial auditors; the agency must take additional steps before the issues are fully remedied. For example, the DHSEM still must address financial reporting issues identified in the single state audits. Moreover, a large portion of the work by the CPA firm thus far is a forensic audit of timesheets. The audit covered multiple operational areas, including the Watch Center and the Integrated Flood Observing and Warning System, neither of which are associated with federal grants nor have subrecipients. Thus, PERD concludes that the efforts by the DHSEM are insufficient to fully correct the deficiencies identified by other oversight entities. **Consequently, the Legislative Auditor recommends the DHSEM leadership address the issues outlined by both FEMA and the financial auditors timely. Moreover, the Legislative Auditor recommends that the DHSEM report to the Legislature on a regular basis to detail all corrective actions taken to address the findings of FEMA and this report. The Legislative Auditor also recommends the Legislature require the DHSEM to continue reporting annually on agency operations after the corrective actions are complete.**

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*The Legislative Auditor recommends that the DHSEM report to the Legislature on a regular basis to detail all corrective actions taken to address the findings of FEMA and this report.*

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*The Legislative Auditor also recommends the Legislature require the DHSEM to continue reporting annually on agency operations after the corrective actions are complete.*

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## **The DHSEM Management Must Address Other Grant-Related Issues.**

Beyond the issues regarding the SEFA and the manual reimbursement enforcement action, PERD identified other substantial issues regarding the grants managed by the DHSEM. The first issue is the management of the Hazardous Materials Emergency Preparedness (HMEP) grant provided by the U.S. Department of Transportation (DOT). According to the DOT, “the HMEP grant program is designed to allow grantees the flexibility to implement training and planning programs that address differing needs for each location based on demographics, emergency response capabilities, commodity flow studies, and hazard

analysis.” The grant is relatively small, with expenditures under \$200,000 annually.

As shown in Table 6, since FY 2015, for the HMEP grant, the DHSEM drew down \$256,799 while recording expenditures of \$277,776. However, the deposit in 2015 reflects the federal match for expenditures from grant year 2013, while the 2016 deposit reflects the federal match for expenditures from grant year 2014. This is a significant delay in drawing down federal revenue. Furthermore, the expenditures recorded for fiscal years 2016 through 2018, totaling \$101,254, relate to the 2016 federal grant. Consequently, based on the absence of deposits for fiscal years 2016 through 2018, the DHSEM failed to draw down approximately \$81,003<sup>2</sup> in federal matching funds.

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*The DHSEM failed to draw down approximately \$75,000 in federal matching funds.*

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Fiscal Year	Revenue	Expenditures
2015	\$153,480	\$176,522
2016	\$103,319	\$32,599
2017	\$0	\$31,008
2018	\$0	\$37,647
<b>Total</b>	<b>\$256,799</b>	<b>\$277,776</b>

*Source: DHSEM's Fund 6254 Revenue and Expenses for FY 2015-18.*

The delay in federal drawdowns could result in consequences for the DHSEM. First, any federal deadline for accessing the funds may expire, resulting in the use of state funds instead of federal grants. Second, 31 CFR 205.33(a) requires that “*The timing and amount of funds transfers must be as close as is administratively feasible to a State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees.*” Thus, the agency may be in violation of the grant agreement.

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*Moreover, PERD found the DHSEM comingles the HMEP grant money with fees from the Right-to-Know program. As a result, the DHSEM staff noted, state funds may pay for expenses that should come from federal funds.*

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Moreover, PERD found the DHSEM comingles the HMEP grant money with fees from the Right-to-Know program.<sup>3</sup> As a result, the DHSEM staff noted, state funds may pay for expenses that should come from federal funds. Moreover, the comingling of funds could violate federal law as 2 CFR 200.303(a) requires that a non-federal entity must

<sup>2</sup> The HMEP grant is a 80 percent federal and 20 percent non-federal matching grant.

<sup>3</sup> The state Right-to-Know funds serve as the matching funds for the HMEP grant.

*“establish and maintain effective internal controls over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with the federal statutes, regulations, and the terms and conditions of the federal award.”* However, as the spending is below the \$750,000 threshold, this program has not been subject to a financial audit. **The Legislative Auditor recommends the DHSEM segregate federal funds from state funds for the HMEP program.**

The Emergency Management Performance Grant (EMPG) is another program PERD identified as having grant management issues. The EMPG supports efforts to build and sustain core capabilities across the prevention, protection, mitigation, response, and recovery mission areas. However, the program is significantly behind in paying subrecipients and closing out prior fiscal years. In fact, the DHSEM closed the FY 2014 grant on June 30, 2018, while fiscal years 2015, 2016, and 2017 remain open. The agency has taken steps to address the issues, primarily the July 2017 transfer of Homeland Security State Administrative Agency staff into the DHSEM and the subsequent assignment of the EMPG grant management responsibilities to the group. While the newly transferred staff did close out FY 2014 within approximately one year of arrival, **the DHSEM still has not drawn down over \$8.3 million in federal reimbursement for monies already spent.** In fact, given that FEMA awarded the FY 2015 grant on October 1, 2014, the agency is now four years behind and, as shown in Table 7, these amounts include over \$5.4 million in funds owed to subrecipients.

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*The Legislative Auditor recommends the DHSEM segregate federal funds from state funds for the HMEP program.*

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*The DHSEM still has not drawn down over \$8.3 million in federal reimbursement for monies already spent.*

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**Table 7**  
**Jurisdictions Owed EMPG Reimbursements over \$150,000**  
**FY 2015-2017**

<b>Jurisdiction*</b>	<b>Amount to be Reimbursed from FY 2015</b>	<b>Amount to be Reimbursed from FY 2016</b>	<b>Amount to be Reimbursed from FY 2017</b>	<b>Total Amount Due</b>
Kanawha County	\$0	\$178,107	\$150,800	\$328,907
Raleigh County	\$1,261	\$139,118	\$132,163	\$272,542
Cabell County	\$12,369	\$132,556	\$112,861	\$257,786
Berkeley County	\$0	\$106,308	\$131,882	\$238,190
Fayette County	\$82,499	\$77,045	\$63,846	\$223,390
Hancock County	\$18,417	\$91,562	\$86,984	\$196,963
Jefferson County	\$6,634	\$94,599	\$89,870	\$191,103
City of Charleston	\$0	\$96,835	\$91,994	\$188,829
Monongalia County	\$8,325	\$54,302	\$120,761	\$183,388
Webster County	\$64,444	\$58,898	\$55,954	\$179,296
Marion County	\$12,114	\$90,885	\$76,059	\$179,058
Nicholas County	\$60,202	\$57,192	\$54,332	\$171,726
Putnam County	\$12,014	\$80,344	\$76,492	\$168,850

*Source: West Virginia Division of Homeland Security and Emergency Management*  
*\*See Appendix C for the complete list of jurisdictions owed EMPG reimbursements.*

Since the DHSEM is four years behind on the EMPG, it is clear there are deficiencies in the internal control system. It is also clear management allowed this problem to continue unabated until July 2017, when the Homeland Security State Administrative Agency merged with the DHSEM and responsibility transferred to the new personnel. According to the Government Accountability Office, *“Internal control monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. Corrective actions are a necessary complement to control activities in order to achieve objectives.”* **To ensure the agency remains current with grant drawdowns and fulfills obligations to subrecipients, the Legislative Auditor recommends the DHSEM leadership establish and operate internal controls to assess the performance of grants management staff and take prompt corrective action when findings are identified.**

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*The Legislative Auditor recommends the DHSEM leadership establish and operate internal controls to assess the performance of grants management staff and take prompt corrective action when findings are identified.*

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### **The DHSEM Management Did Not Apply For More Than \$12 Million in Federal Funding.**

Throughout interviews, the DHSEM staff and leadership cited *inadequate staffing* as a barrier to completely addressing both audit

findings and FEMA citations. The DHSEM’s former director noted the agency did not hire additional staff because of the State’s hiring freeze and the length of time it takes the Division of Personnel to process hiring actions. However, funding for hiring staff is available under the Public Assistance grants program. Specifically, Section 324 of the Stafford Act<sup>4</sup> allows FEMA to contribute funds to grantees for disaster management costs. The DHSEM commonly refers to these funds as Category Z. Category Z is 100 percent federal funds that covers a recipient’s management costs, including salary and benefits, office supplies and rent.

*DSHEM could have received more than \$13.8 million of Category Z funds. However, the DHSEM only applied for \$1.1 million in funding.*

As shown in Table 8, from FY 2012-17 the DSHEM could have received more than \$13.8 million of Category Z funds. These funds would have allowed the DHSEM leadership to reallocate state resources to other programs to address staffing issues across the agency. However, the DHSEM only applied for \$1.1 million in funding.

**Table 8**  
**Category Z Funds Available to the DHSEM**  
**FY 2012-2017**

Year	Disaster or Emergency	Funds Available	Funds Awarded	Funds Spent	Difference Between Available and Awarded
2012	DR4059	\$290,790	\$45,504	\$45,504	\$245,286
	DR4061	\$129,588	\$31,784	\$31,784	\$97,804
	DR4071	\$391,294	\$99,453	\$39,923	\$291,841
	DR4093	\$537,915	\$89,467	\$75,654	\$448,448
2013	DR4132	\$111,313	\$21,980	\$9,507	\$89,333
2014	EM3366	\$63,707	\$14,140	\$22,340	\$49,567
2015	DR4210	\$1,078,907	\$167,494		\$911,413
	DR4219	\$341,111	\$85,321		\$255,790
	DR4220	\$236,759	\$50,410		\$186,349
	DR4221	\$261,981	\$51,298		\$210,683
	DR4236	\$302,786	\$38,828		\$263,958
2016	DR4273	\$10,099,343	\$427,105		\$9,672,238
<b>Total</b>		<b>\$13,845,493</b>	<b>\$1,122,784</b>	<b>\$224,712*</b>	<b>\$12,722,710</b>

*Sources: PERD calculations from Section 324 Management Costs and Direct Administrative Costs from the Federal Emergency Management Agency and West Virginia Division of Homeland Security and Emergency Management.*

*\*Final amount spent has not been determined because 2015 and 2016 disasters remain open.*

While an agency must use Category Z funds for the specific event it is awarded, if an agency tracks an employee’s time properly,

<sup>4</sup> FEMA caps Category Z for the Public Assistance program for each Major Disaster Declaration at 3.34 percent and Emergency Declarations at 3.90 percent of the total projected federal share.



that individual could work on multiple disasters and record the time to the appropriate disaster or emergency. Thus, had the DSHEM applied for and received the additional money available during this timeline, the DHSEM would have been able to hire personnel to address the issues cited by FEMA.

PERD notes the DHSEM did apply for Category Z funds in October 2017. Specifically, the agency requested Category Z funds from the 2015 and 2016 disasters. While this is well outside the 120-day window to apply for the funds, FEMA approved the agency's request. As noted, the agency can use these additional funds to hire additional Public Assistance program employees to provide support in managing the day-to-day functions necessary, helping the program operate as intended. Hiring additional staff should provide the DHSEM enough personnel to conduct and document on-site monitoring visits, as well as develop policies and procedures for the program, complete necessary risk-assessments of subrecipients and correct other prior Public Assistance program audit findings. In addition, this also allows the agency to reallocate other state and federal funds to address staffing or any other issues the agency leadership deems a priority. **The Legislative Auditor recommends the DHSEM apply for the additional Category Z funds to hire and train additional personnel and help ensure compliance with grants management requirements.**

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*The Legislative Auditor recommends the DHSEM apply for the additional Category Z funds to hire and train additional personnel and help ensure compliance with grants management requirements.*

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## **The Lack of Clear Oversight of the DHSEM May Be a Contributing Factor in Its Ineffectiveness.**

Another potential cause for issues within the DHSEM is overlapping and ambiguous oversight responsibility of the DHSEM director between the governor and the secretary of the Department of Military Affairs and Public Safety. Under the law, the director of DHSEM is appointed by the governor (W. Va. §15-5-3(b)). However, this code section places the DHSEM director under both the governor and the Department secretary. The following statutory citations found in W. Va. Code §15-5-3(e) highlight the overlapping and ambiguous oversight responsibilities between the governor and the Department secretary:

- *The Director, subject to the direction and control of the Governor through the Secretary of the Department of Military Affairs and Public Safety . . .*
- *shall be responsible to the Governor and the Secretary of the Department of Military Affairs and Public Safety for carrying out the program for homeland*

- security and emergency management in this State.*
- *The Director **in consultation with the Secretary of the Department of Military Affairs and Public Safety** shall coordinate the activities of all organizations for homeland security and emergency management . . .*
  - *and shall have additional authority, duties and responsibilities authorized by this article as may be prescribed by **the Governor or the Secretary** of the Department of Military Affairs and Public Safety. [emphasis added]*

There is concern that this overlap and ambiguity of oversight responsibilities may cause issues with the accountability and supervisory control of the DHSEM director. **It is the opinion of the Legislative Auditor that West Virginia Code should provide the secretary of the Department of Military Affairs and Public Safety sole supervision and control over the director of DHSEM.**

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*The DHSEM must implement change to improve the agency’s accountability and ensure the agency can adapt to shifting environments, evolving demands, changing risks, and new priorities.*

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## Conclusion

Given the issues cited by the financial auditors, FEMA and PERD, the Legislative Auditor recommends that the Department of Military Affairs and Public Safety needs to oversee the establishment of an effective internal control environment in the DHSEM. It should be noted the agency has offered a modified version of this recommendation in response to the audit. The agency’s recommendation and rationale are as follows:

*“Based on current alignment between WV National Guard and WV DHSEM, this finding would be better stated as “recommends that the WV National Guard and WV DHSEM establish oversight of internal controls within WV DHSEM.”*

*The Adjutant General worked with Director, WV DHSEM to establish an Internal Review Section (reporting directly to the Director). Currently WV DHSEM is in process of appointing a well experienced Certified Public Accountant (CPA) to lead this section. Also, in process is the hiring of a quality control individual. Both these individuals should begin work in the next several weeks. In addition to existing monitoring staff, consisting of a senior accounting*

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*The DHSEM leadership should take steps to evaluate the internal control system on a continual basis to maintain effectiveness.*

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*specialist and a monitoring coordinator is a planned (within the next 45 days) additional grants monitor positions. To enhance this newly established Internal Review section, the Adjutant General established the Military Authority financial and audit teams to work directly with Director of DHSEM and the Internal Review section.”*

For more than a decade, the DHSEM’s leadership did not correct repeat findings in audits nor did agency leadership address similar issues identified by FEMA, or the management of the HMEP and EPMG programs. Mismanagement and deficiencies in internal controls resulted in late submissions of SEFAs, and FEMA’s penalty of placing the DHSEM on manual reimbursement. This mismanagement impacts not only the agency, but also the citizens, counties and other entities the DHSEM is charged with assisting. The Legislative Auditor finds that the Department of Military Affairs should assume greater oversight of the DHSEM and impose accountability on the agency. The Department of Military Affairs should have sole oversight over the DHSEM and this should be clarified given the statutory ambiguity.

## **Recommendations**

- 1. The Legislature should consider statutory amendments that clarify the oversight responsibility of the DHSEM director is solely the secretary of the Department of Military Affairs and Public Safety.*
- 2. The Legislative Auditor recommends the DHSEM leadership develop policies and procedures governing, at a minimum, grants management and financial reporting.*
- 3. The Legislative Auditor recommends the DHSEM leadership implement internal controls to ensure prompt remediation of audit findings.*
- 4. The Legislative Auditor recommends the DHSEM leadership timely address the issues outlined by FEMA.*
- 5. The Legislative Auditor recommends that the DHSEM report to the Legislature on a regular basis to detail all corrective actions taken to address the findings of FEMA and this report.*

6. *The Legislative Auditor recommends the Legislature require the DHSEM to report annually on agency operations after the corrective actions are complete.*
7. *The Legislative Auditor recommends the DHSEM segregate federal funds from state funds for the HMEP program.*
8. *Legislative Auditor recommends the DHSEM leadership establish and operate monitoring activities for grants management and take prompt corrective action when findings are identified.*
9. *The Legislative Auditor recommends the DHSEM apply for the additional Category Z funds to hire and train additional personnel and help ensure compliance with grants management requirements.*
10. *The Legislative Auditor recommends that the DHSEM leadership take steps to evaluate the internal control system on a continual basis to maintain effectiveness.*
11. *The Legislative Auditor recommends that the Department of Military Affairs and Public Safety oversee the establishment of an effective internal control environment within the DHSEM. Alternatively, the Legislature should consider the Governor's proposal as outlined in the agency's response.*

## Appendix A Transmittal Letter

### WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0610  
(304) 347-4890  
(304) 347-4939 FAX



John Sylvia  
Director

November 26, 2018

Mike Todorovich, Director  
West Virginia Division of Homeland Security and Emergency Management  
1900 Kanawha Blvd., E  
Building 1, Room EB-80  
Charleston, WV 25305-0360

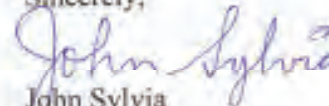
Dear Director Todorovich,

This is to transmit a draft copy of the Performance Review of the Division of Homeland Security and Emergency Management. This report is tentatively scheduled to be presented during the December 9-11 interim meetings of the Joint Committee on Government Operations, and the Joint Committee on Government Organization. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions committee members may have during or after the meeting.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please contact us. Please notify us to schedule a time. In addition, we need your written response by noon on Friday, November 30, 2018 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 304-340-3192 by Thursday, December 6, 2018 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

  
John Sylvia

c: Jeff Sandy, Cabinet Secretary, West Virginia Department of Military Affairs and Public Safety

*Joint Committee on Government and Finance*



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## Appendix B

### Objective, Scope and Methodology

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted this performance review of the West Virginia Division of Homeland Security and Emergency Management (DHSEM) as part of the agency review of the Department of Military Affairs and Public Safety as required by W. Va. Code §4-10-8(b)(1). The purpose of the DSHEM as established in W. Va. Code §15-5-3, is to ensure the protection of life and property by providing coordination, guidance, support and assistance to local emergency managers and first responders.

#### Objective

The objective of this audit is to determine why the Division of Homeland Security and Emergency Management was unable to transmit data necessary for the Schedule of Expenditures of Federal Awards to the Division of Finance on time from FY 2013 to FY 2017.

#### Scope

The scope of Issue 1 was initially limited to an analysis of the DHSEM's Schedule of Expenditures of Federal Awards submissions to the Division of Finance from fiscal years 2012-17. The scope expanded to include grants management practices for fiscal years 2012-2017, as well as the Agency's response to issues identified by the Federal Emergency Management Authority.

#### Methodology

The primary source of information for Issue 1 is the Division of Homeland Security and Emergency Management. Specifically, PERD interviewed the DHSEM's leadership and several staff members to determine why the agency was unable to transmit the SEFA information timely. PERD then interviewed staff within the Department of Administration's Division of Finance staff to validate explanations from the DHSEM. PERD was unable to interview the staff members cited as the reasons for late submission as they were no longer employees of the agency. PERD also reviewed the results of the Single State Audits to attempt to identify why there were delays in reporting the necessary information to the Division of Finance and to identify grants related issues within the DHSEM. As part of the review of SEFA submissions, PERD requested all the DHSEM's policies and procedures, including those for financial reporting and grants management.

PERD also reviewed DHSEM's internal documents and OASIS data (deposits and expenditures) for specific grants: the Hazardous Material Emergency Preparedness Grant and the Emergency Management Performance Grant to corroborate statements made in interviews regarding issues with grants management. PERD also reviewed federal grant guidelines (including agency specific requirements and the requirements identified by the Code of Federal Regulations) to identify the appropriate federal requirements. PERD then compared the DHSEM's practices, internal documents, and OASIS information to the federal requirements to identify deficiencies.

During the course of the audit, PERD became aware that FEMA placed DHSEM on manual reimbursement, a form of financial penalty. As the cause of the penalty related directly to issues identified in PERD's review of late SEFA submissions, PERD then reviewed e-mails, letters and memos between the DHSEM and Federal Emergency Management Agency, as well as between the DHSEM and the U.S. Department of Transportation. PERD interviewed DHSEM staff to gain understanding of the grants process and determine how the agency works with federal grant subrecipients for the distribution and oversight of federal grant. PERD also interviewed FEMA Region III staff to corroborate statements made by the DHSEM regarding the financial penalty, the specific circumstances leading to the penalty, and the necessary steps to be removed from the penalty.

As lack of staff was cited by the agency as one of the causes for the grants management and sub-recipient monitoring issues, PERD reviewed the provisions associated with the FEMA grants to identify any sources of administrative funding the agency could have used to hire additional staff. After the audit team identified that the federal grants did provide administrative funding, PERD interviewed grants management staff to determine the total amount available to the agency, the amount the agency applied for, and amount spent. PERD corroborated the information with internal documents from the DHSEM, as well as through data provided by FEMA.

Lastly, PERD reviewed West Virginia Code to identify conflicts of oversight responsibility of the DHSEM director between the Department of Military Affairs and Public Safety and the Governor.

We conducted this performance audit in accordance with 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



## Appendix C

### Jurisdictions Owed EMPG Reimbursements FY 2015-2017

<b>Jurisdictions Owed EMPG Reimbursements FY 2015-2017</b>				
<b>Jurisdiction</b>	<b>Amount to be Reimbursed from FY 2015</b>	<b>Amount to be Reimbursed from FY 2016</b>	<b>Amount to be Reimbursed from FY 2017</b>	<b>Total Amount Due</b>
Kanawha County	\$0	\$178,107	\$150,800	\$328,907
Raleigh County	\$1,261	\$139,118	\$132,163	\$272,542
Cabell County	\$12,369	\$132,556	\$112,861	\$257,786
Berkeley County	\$0	\$106,308	\$131,882	\$238,190
Fayette County	\$82,499	\$77,045	\$63,846	\$223,390
Hancock County	\$18,417	\$91,562	\$86,984	\$196,963
Jefferson County	\$6,634	\$94,599	\$89,870	\$191,103
City of Charleston	\$0	\$96,835	\$91,994	\$188,829
Monongalia County	\$8,325	\$54,302	\$120,761	\$183,388
Webster County	\$64,444	\$58,898	\$55,954	\$179,296
Marion County	\$12,114	\$90,885	\$76,059	\$179,058
Nicholas County	\$60,202	\$57,192	\$54,332	\$171,726
Putnam County	\$12,014	\$80,344	\$76,492	\$168,850
Ohio County	\$9,689	\$74,998	\$62,430	\$147,117
Logan County	\$16,818	\$65,009	\$53,750	\$135,577
Wood County	\$25,273	\$0	\$103,471	\$128,744
Greenbrier County	\$4,062	\$66,799	\$56,000	\$126,861
Preston County	\$4,473	\$65,075	\$54,468	\$124,016
Marshall County	\$7,962	\$62,849	\$52,096	\$122,907
Lincoln County	\$9,891	\$57,037	\$54,186	\$121,114
Randolph County	\$7,962	\$59,691	\$49,804	\$117,457
Hampshire County	\$6,461	\$55,808	\$53,018	\$115,287
Mineral County	\$270	\$58,475	\$55,552	\$114,297
Mingo County	\$20,718	\$47,864	\$45,366	\$113,948
Mason County	\$0	\$57,220	\$47,914	\$105,134
McDowell County	\$13,000	\$48,514	\$39,962	\$101,476
Hardy County	\$338	\$49,826	\$47,335	\$97,499
Brooke County	\$0	\$52,860	\$43,761	\$96,621
Upshur County	\$0	\$44,827	\$45,688	\$90,515
Morgan County	\$5,498	\$41,600	\$39,228	\$86,326
Barbour County	\$0	\$45,897	\$38,095	\$83,992
Jackson County	\$10,842	\$16,975	\$49,986	\$77,803
Doddridge County	\$7,625	\$36,359	\$30,532	\$74,516
Tyler County	\$0	\$36,992	\$30,756	\$67,748
Grant County	\$0	\$32,492	\$33,495	\$65,987
Tucker County	\$261	\$34,674	\$28,964	\$63,899

**Jurisdictions Owed EMPG Reimbursements  
FY 2015-2017**

<b>Jurisdiction</b>	<b>Amount to be Reimbursed from FY 2015</b>	<b>Amount to be Reimbursed from FY 2016</b>	<b>Amount to be Reimbursed from FY 2017</b>	<b>Total Amount Due</b>
Pendleton County	\$7,217	\$26,250	\$29,042	\$62,509
Mercer County	\$2,457	\$21,351	\$23,378	\$47,186
Braxton County	\$0	\$17,807	\$28,048	\$45,855
Pocahontas County	\$10,236	\$0	\$30,433	\$40,669
Clay County	\$0	\$15,000	\$23,595	\$38,595
Roane County	\$0	\$0	\$35,757	\$35,757
Monroe County	\$0	\$0	\$32,154	\$32,154
Harrison County	\$10,000	\$0	\$0	\$10,000
Gilmer County	\$0	\$0	\$8,303	\$8,303
<b>Totals</b>	<b>\$459,332</b>	<b>\$2,450,000</b>	<b>\$2,570,565</b>	<b>\$5,479,897</b>

*Sources: PERD calculations from Section 324 Management Costs and Direct Administrative Costs from the Federal Emergency Management Agency and West Virginia Division of Homeland Security and Emergency Management.*

# Appendix D

## 2013 Notification of Sub-Recipient Monitoring Issues

U.S. Department of Homeland Security  
Region III  
One Independence Mall, 6th Floor  
615 Chestnut Street  
Philadelphia, PA 19106-4404

AUG 09 2013



# FEMA

AUG 19 2013  
WV DIV. HOMELAND SEC  
EMERGENCY MANAGEMENT

Mr. Jimmy Gianato  
Director and Homeland Security Advisor  
West Virginia Division of Homeland Security and Emergency Management  
Building 1, Room EB-80  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0360

Dear Mr. Gianato:

The purpose of this letter is to report the results of the financial monitoring on-site visit conducted from June 25 through June 27, 2013 at WVDHSEM by the Federal Emergency Management Agency (FEMA), Region III, Grants Division. Region III reviewed the following grant programs:

Grant Number	Program	Grant Amount	Funds Remaining
EMP-2010-SR-0001	Severe Repetitive Loss	\$272,263.00	\$5,696.75
EMP-2009-PC-0005	Pre-Disaster Mitigation Competitive	\$859,032.75	Closed
EMP-2012-GR-8005	Community Assistance Program - State Support Services Element	\$107,700.00	\$71,820.99
EMP-2011-GR-7005	Community Assistance Program - State Support Services Element	\$95,700.00	Closed
EMP-2009-GR-5012	Cooperating Technical Partners	\$180,000.00	Closed
EMP-2010-GR-5020	Cooperating Technical Partners	\$175,000.00	\$84,658.35
EMP-2011-GR-7012	Cooperating Technical Partners	\$90,000.00	No drawdowns as of visit date
2010-EP-E0-0036A	Emergency Management Performance Grant Program	\$3,637,064.00	\$907,970.00
EMW-2011-EP-00071	Emergency Management Performance Grant Program	\$3,618,847.00	\$1,397,289.00
EMW-2012-EP-00069	Emergency Management Performance Grant Program	\$3,742,786.00	No drawdowns as of visit date
1838DRWVP00000005	Hazard Mitigation Grant Program	\$6,101,623.00	\$2,159,739.19

Grant Number	Program	Grant Amount	Funds Remaining
1881DRWVP00000005	Hazard Mitigation Grant Program	\$286,743.00	\$51,041.98
1893DRWVP00000005	Hazard Mitigation Grant Program	\$1,393,611.00	\$487,277.61
1903DRWVP00000005	Hazard Mitigation Grant Program	\$558,656.00	\$355,762.25
1918DRWVP00000005	Hazard Mitigation Grant Program	\$1,566,519.00	\$665,127.94
4071DRWVIOTH	Individual Assistance	\$252,727.00	\$32,440.40
1838DRWVP00000001	Public Assistance	\$22,605,185.00	\$1,358,736.22
1893DRWVP00000001	Public Assistance	\$7,063,543.00	\$1,430,745.46
1903DRWVP00000001	Public Assistance	\$4,002,975.00	No drawdowns as of visit date
4059DRWVP00000001	Public Assistance	\$5,852,529.00	No drawdowns as of visit date
4061DRWVP00000001	Public Assistance	\$2,939,468.00	No drawdowns as of visit date
4071DRWVP00000001	Public Assistance	\$1,284,257.00	No drawdowns as of visit date

The purpose of the review is to provide guidance and recommendations to enhance your efforts in managing Federal funding. The following is a summarized list of observations and associated corrective actions resulting from our visit to your office:

Observation	Recommended Corrective Action(s)	Award(s) Affected	Target Response Due Date
Financial sub-recipient monitoring not being conducted for Public Assistance. FEMA region III is currently working with WVDHSEM corrective action plan that addresses the lack of programmatic monitoring for Public Assistance.	<ul style="list-style-type: none"> <li>Submit a financial monitoring plan for fiscal year 2014 identifying the Public Assistance sub-recipients to be monitored along with scheduled dates monitoring will be conducted.</li> <li>Upon receipt of the plan and schedule, FEMA regional office will work with WVDHSEM to identify which monitoring reports we will require a copy of and the associated due dates.</li> </ul>	All Public Assistance awards	October 1, 2013.
No sub-recipient financial and programmatic site visits and/or desk reviews have been conducted in FY 2013 with regard to sub-recipients of EMPG grant funds (44 CFR 13.40).	<ul style="list-style-type: none"> <li>Develop a sub-recipient financial and programmatic monitoring site visit and desk review schedule for FY 2014 and provide Region 3 with a copy of the schedule.</li> <li>Upon receipt of the plan and schedule, FEMA regional office will</li> </ul>	Emergency Management Performance Grant Programs	October 25, 2013

	<p>work with WVDHSEM to identify which monitoring reports we will require a copy of and the associated due dates.</p> <ul style="list-style-type: none"> <li>Investigate the possibility of funding the hiring of additional staff for monitoring purposes by expending or reallocating funds from open EMPG awards.</li> </ul>		
<p>Sub-recipient award information not reported in the subaward awarding system as required by the Federal Funding and Awarding Transparency Act (FFATA).</p>	<ul style="list-style-type: none"> <li>Register at <a href="https://fsrs.gov/">https://fsrs.gov/</a>, the FFATA reporting website, and follow the instructions for registration and sub-award reporting.</li> <li>Report all sub-grantee awards greater or equal to \$25,000 as of October 1, 2010 into <a href="http://www.fsrs.gov">www.fsrs.gov</a> and notify FEMA regional office once complete.</li> </ul>	<p>All grants</p>	<p>November 1, 2013</p>


It is important to continue to strengthen internal controls and resolve any grants management and administration deficiencies as the effective oversight and management of Federal grant resources is critical. Additionally, programs and projects undertaken by grantees must be consistent with approved plans and comply with applicable laws, rules, regulations and program guidance. WVDHSEM is working with FEMA Region III on implementing their Public Assistance programmatic monitoring corrective action plan (CAP) and would like to commend you on meeting your milestones with that CAP. The recommendations made as a result of this visit, will continue to strengthen your management of grant funds.

Enclosed is a copy of the Site Visit Protocol which contains detailed information regarding our observations, along with Appendix E, FEMA Region III Programmatic Monitoring Report for the 2010, 2011, and 2012 Emergency Management Performance Grant Programs (EMPG). Please note that Appendices A through C, referred to in the Site Visit Protocol, are not enclosed with this letter but provided to FEMA Headquarters. Those policy and procedure documents were provided to us by your staff for our review during the site visit.

We would like to take this opportunity to thank you and your staff for being very helpful and cooperative in providing Region III Grants Management Staff with the materials requested during the site visit. We found your staff to be knowledgeable, supportive, and eager to ensure the success of FEMA funding efforts.

If you have any questions, please feel free to contact either myself at (215) 931-5569 or Aliyu Mohammed at (215) 931-5744 or [aliyu.mohammed@fema.dhs.gov](mailto:aliyu.mohammed@fema.dhs.gov).

Sincerely,



Janice P. Barlow  
Director, Grants Division

Enclosures

cc: FEMA HQ GPD Regional Coordination and Oversight  
Branch (RCO)

# Appendix E

## 2015 Notification to DHSEM of the Manual Reimbursement Penalty

U.S. Department of Homeland Security  
Region III  
One Independence Mall, 6th Floor  
615 Chestnut Street  
Philadelphia, PA 19106-4404

NOV 12 2015



**FEMA**

Mr. Jimmy Gianato  
Director and Homeland Security Advisor  
West Virginia Division of Homeland Security and Emergency Management  
Building 1, Room EB-80  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0360

Dear Mr. Gianato:

We are in receipt of your letter dated September 1, 2015 in response to the Federal Emergency Management Agency (FEMA), Region III, Grants Division's list of findings and associated corrective actions resulting from the site visit on March 5, 2015. While WVDHSEM was able to close out 4 of the 6 identified corrective actions, WVDHSEM has not advanced in developing a financial monitoring plan for sub-recipients or in providing source documentation. The purpose of this letter is to inform WVDHSEM that 60 days from the date of this letter FEMA Region III will impose manual reimbursement for all open grants, due to WVDHSEM's need to develop a sub-recipient financial monitoring plan.

### Status of Corrective Actions:

- 1. Finding:** Failure to report sub-recipients in FFATA sub award reporting system for Disaster grants.

**Corrective Action:** WVDHSEM should ensure all sub-recipients receiving \$25K or more as of October 1, 2010 are reported into the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS).

**WVDHSEM Response:** WVDHSEM has hired new staff with responsibility of entering required information in FSRS.gov. We expect to meet this requirement by October 1, 2015.

**FEMA Response:** WV successfully uploaded the required FFATA reports into FSRS.gov

**STATUS:** CLOSED

- 2. Finding:** Failure to establish current plan to financially monitor sub-recipients.

**Corrective Action:** Submit a financial monitoring plan based on risk assessment by August 31, 2015.

**WVDHSEM Response:** New staff will be responsible for financial monitoring with emphasis on all areas of risk. A flow chart of the process is included with this response.

**FEMA Response:** This finding is still considered unresolved. The response letter received does not provide evidence as to how WVDHSEM assesses which of their sub-recipients will be financially monitored nor did they provide a schedule identifying what sub-recipients would be monitored and when. WVDHSEM simply stated that they will begin to conduct financial site visits and desk reviews in September 2015. Please provide FEMA Region III with a schedule indicating the sub-recipients to be financially monitored and the methodology on how these sub-recipients were chosen.

**STATUS: OPEN**

**3. Finding:** Incomplete approval forms for EMPG reimbursements.

**Corrective Action:** Adopt the Financial Recap document for all EMPG award reimbursement to sub-recipients.

**WVDHSEMA Response:** As stated earlier, the new employee hired will be responsible for reviewing reimbursements to ensure proper checks and balances. A flowchart to document the process has been provided with this response.

**FEMA Response:** This process will be verified during Region III's next site visit.

**STATUS: CLOSED**

**4. Finding:** Inadequate source documentation for sample drawdowns.

**Corrective Action:** WVDHSEM needs to provide all the backup source documentation needed to justify the drawdowns made as reflected in the questioned costs section of the site visit protocol.

**WVDHSEM Response:** Submitted the necessary back up documentation.

**FEMA Response:** WVDHSEM provided all the source documentation required except for sample #2 below. WVDHSEM seemed to have charged HMGP related expense to a Public Assistance grant award without justification. After further discussion with FEMA Region III Mitigation and Recovery Divisions, it was determined that these charges are accurate, but they are charged to the incorrect disaster. They should have been applied to Public Assistance DR4071 and not DR4061. Please provide FEMA Region III with evidence that the charge in the amount of \$70,660 for City of Logan acquisition was reversed for DR4061 and charged to DR4071. This is due to FEMA Region III by **December 15, 2015**. Failure to provide evidence of the journal entry correction will result in FEMA Region III issuing a bill for collection.



Sample No.	Grant Number	Reimbursement amount	Comments
2	4061DRWVP00000001	\$70,660.00	We are questioning \$70,660 of the total \$385,355 drawn down on 7/23/2014 to the City of Logan. This represents reimbursement of property acquisition on a Public Assistance grant.

**STATUS: OPEN**

**5. Finding:** No accounting data transferred from FIMS into the new OASIS system since its implementation in July 2014.

**Corrective Action:** WVDHSEM should develop a transition program to transfer all data associated with all grant funds from the old financial system into the new OASIS system. The use of spreadsheet to reconcile both FIMS and OASIS is not a viable way to account and monitor federal funds. This method also increases the chances of errors.

**WVDHSEM Response:** We expect to transfer all data by March 31, 2016.

**FEMA Response:** This transfer of data will be validated during Region III’s next site visit.

**STATUS: CLOSED**

**6. Finding:** Lack of budgetary controls in the new OASIS system. WVDHSEM currently relies on FEMA systems to ensure each grant award is not overdrawn. There is no mechanism to track fund award verses actual expenditure.

**Corrective Action:** WVDHSEM must submit a plan to enter the award/obligation amount for all grants, even those awarded in the legacy FIMS system.

**WVDHSEM Response:** With the new staff in place, we expect to have this completed by December 31, 2015.

**FEMA Response:** We will validate processes put in place during the next site visit.

**STATUS: CLOSED**

### **FEMA Action Due to WVDHSEM lack of Sub-recipient financial monitoring**

WVDHSEM continues to struggle to build a financial monitoring plan for sub-recipients. Lack of sub-recipient monitoring has been a consistent finding during Region III's site visits to West Virginia for the past several years. Below is a summary of activity regarding the WVDHSEM's sub-recipient financial monitoring to date:

- The 2011 site visit report dated June 9, 2011, Region III found that WVDHSEM had inadequate sub-recipient monitoring and requested that WVDHSEM provide a Corrective Action Plan (CAP).
- WVDHSEM submitted three CAPs that stated it would develop Monitoring Site Visit Protocols, a Monitoring Plan, and a Monitoring schedule. Region III accepted WVDHSEM Corrective Action Plans that were submitted July 15, 2011; August 31, 2011; and May 21, 2012.
- Region III scheduled a technical assistance visit for September 5, 2012 in coordination with WVDHSEM. In the June 14, 2012 letter announcing that visit, Region III stated the purpose of the visit was to validate WVDHSEM had taken steps to develop and maintain a sub-recipient financial monitoring program.
- Region III conducted a Technical Assistance visit on September 5, 2012 during which WVDHSEM could not demonstrate that it had a sub-recipient monitoring system in place. As a result, in a November 5, 2012 letter to WVDHSEM, Region III requested that WVDHSEM complete two actions to resolve this issue:
  1. Establish an annual sub-recipient site visit schedule (due January 15, 2013); and
  2. Provide a copy of an approved and practical site visit protocol (due January 15, 2013).
- On January 8, 2013 WVDHSEM requested and was given a thirty-day extension to complete the actions.
- On February 15, 2013 WVDHSEM provided site visit protocols but did not submit a site visit schedule.
- In an April 3, 2013 letter from FEMA Region III, WVDHSEM was informed that as of that date, no site visit schedule had been provided.
- In a May 17, 2013 letter, WVDHSEM provided a corrective action plan response, which:
  1. Provided a schedule for site visits
  2. Established sub-recipient monitoring protocols
- In a letter dated June 28, 2013, Region III approved the schedule for monitoring and site visit protocols.
- FEMA Region III conducted a site visit to verify CAP implementation for June 25-27, 2013. Sub-recipient monitoring findings were again identified.

- In an exit letter dated August 9, 2013, FEMA Region III outlined several issues regarding sub-recipient monitoring. Corrective actions were due to the Grants Division October 1, 2013.
  1. Financial sub-recipient monitoring is not being conducted for Public Assistance.
    - Submit a financial monitoring plan for fiscal year 2014 identifying the Public Assistance sub-recipients to be monitored along with scheduled dates monitoring will be conducted. Upon receipt of the plan and schedule, the FEMA regional office will work with WVDHSEM to identify which monitoring reports we will require a copy of and the associated due dates.
  2. No sub-recipient financial and programmatic site visits and/or desk reviews have been conducted in FY 2013 with regard to sub-recipients of EMPG grant funds (44 CFR 13.40).
    - Develop a sub-recipient financial and programmatic monitoring site visit and desk review schedule for FY 2014 and provide Region III with a copy of the schedule. Upon receipt of the plan and schedule, the FEMA regional office will work with WVDHSEM to identify which monitoring reports we will require a copy of and the associated due dates.
    - Investigate the possibility of funding the hiring of additional staff for monitoring purposes by expending or reallocating funds from open EMPG awards.
- Region III did not receive a response by the due date and sent a second notification letter on December 5, 2013.
- Response from WVDHSEM was received on December 10, 2013. However, the response did not address all of the deficiencies observed during the site visit or provide all of the requested information; specifically information was submitted regarding programmatic monitoring. However, in the August 9, 2013 and December 5, 2013 letters, Region III requested that WVDHSEM provide financial monitoring protocols and a listing of sub-recipients that would be financially monitored. On January 28, 2014, a new due date of February 28, 2014 was given to WVDHSEM to provide the requested information.
- On February 28, 2014, WVDHSEM provided a response to the January 28, 2014 letter. The response included a financial monitoring schedule and informed Region III that WVDHSEM had hired an additional full time staff member to assist with financial and programmatic monitoring of sub-recipients.
- On April 2, 2014, Region III closed these corrective actions and requested that two monitoring reports be forwarded to FEMA Region III no later than May 15, 2014.
- On June 3, 2014, WVDHSEM informed Region III that work was being done to prepare the reports, but no reports were provided.

- On July 17, 2014, WVDHSEM provided the two reports.
- After review of the two reports, on August 28, 2014, FEMA Region III acknowledged receipt of the reports and closed the CAPs. Although Region III had closed the CAP, it had some concerns about WVDHSEM's processes and procedures for sub-recipient monitoring. Based on the monitoring reports and supporting documentation Region III noted the following:
  1. Inadequate notification to the sub-recipient of the site visit (such as indicating which project worksheets would be reviewed for the specified Public Assistance disasters);
  2. Inconsistencies in conducting the monitoring review (Incomplete monitoring checklists/audit review);
  3. Incomplete follow-up after the site visit report had been sent;
  4. Failure to impose corrective actions to remedy A-133 audit findings; and
  5. Failure to inquire from the sub-recipients why they have not had an A-133 Audit conducted
- These issues were to be discussed during the next Region III site visit in November 2014.
- In a letter dated October 30 2014, WVDHSEM requested a postponement to the November 2014 site visit due to sudden departure of the WVDHSEM's Comptroller, recent change to the Financial Management System, and training shortfalls of two administrative staff. FEMA Region III agreed to the postponement and rescheduled the site visit to March 5, 2015.

Since 2011, the Grants Division supported WVDHSEM to create a financial monitoring plan, conduct site visits, write monitoring reports, and has provided guidance on following up on issues documented on monitoring visits. WVDHSEM continues to lack a financial monitoring system for sub-recipients, as most recently summarized after FEMA Region III's last site visit completed on March 5, 2015.

#### **FEMA Action: Manual Reimbursement**

Because WVDHSEM missed the deadline of August 31, 2015 to submit a financial monitoring plan for review, WVDHSEM is noncompliant with 44 CFR 13.40 (a) *Monitoring by Grantees* and 2 CFR 200.331 *Requirements for pass-through entities as required by the Articles of Agreement or FEMA State Agreement*. Without proper oversight of sub-recipients, WVDHSEM cannot provide evidence that Federal Funds are being effectively managed or utilized in accordance to federal regulations.

Per CFR Part 13.43, (a) *Remedies for non-compliance*, if a grantee or sub-recipient materially fails to comply with any terms of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency

may take one or more actions against the grantee. As of 60 days from the date of this letter, FEMA Region III will impose manual reimbursement for all open awards as listed below:

Grant Number	Program	Program Type
4071DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4093DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4132DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4210DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4219DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4220DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4221DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4236DRWVP00000005	Hazard Mitigation Grant Program (HMGP) - 97.039	Disaster
4059DRWVP00000001	Public Assistance - 97.036	Disaster
4061DRWVP00000001	Public Assistance - 97.036	Disaster
4071DRWVP00000001	Public Assistance - 97.036	Disaster
4093DRWVP00000001	Public Assistance - 97.036	Disaster
4132DRWVP00000001	Public Assistance - 97.036	Disaster
4210DRWVP00000001	Public Assistance - 97.036	Disaster
4219DRWVP00000001	Public Assistance - 97.036	Disaster
4220DRWVP00000001	Public Assistance - 97.036	Disaster
4221DRWVP00000001	Public Assistance - 97.036	Disaster
4236DRWVP00000001	Public Assistance - 97.036	Disaster
EMP-2015-GR-2005	Community Assistance Program - State Support Services Element (CAP-SSSE) - 97.023	Non-Disaster

Grant Number	Program	Program Type
EMW-2013-CA-K00071	Cooperating Technical Partners - 97.045	Non-Disaster
EMW-2014-CA-00196	Cooperating Technical Partners - 97.045	Non-Disaster
EMW-2015-CA-00050	Cooperating Technical Partners - 97.045	Non-Disaster
EMW-2012-EP-00069	Emergency Management Performance Grants - 97.042	Non-Disaster
EMW-2013-EP-00069	Emergency Management Performance Grants - 97.042	Non-Disaster
EMW-2014-EP-00044	Emergency Management Performance Grants - 97.042	Non-Disaster
EMW-2015-EP-00050	Emergency Management Performance Grants - 97.042	Non-Disaster

### **Removing Manual Reimbursement**

In order to remove this manual reimbursement enforcement action, WVDHSEM must:

- Submit a Financial Monitoring Plan and Monitoring Schedule to Region III Grants Division for review. The schedule should include recipient name, grants to be reviewed, type of monitoring activity (desk review or site visit) and the month of the planned monitoring activity.
- FEMA Region III will select a random sample of sub-recipients from the Financial Monitoring Plan and provide that list to WVDHSEM.

From that list of sub-recipients, WVDSHEM will be responsible for providing the following items:

1. The request to the sub-recipient initiating the monitoring activity
2. Final Report to the sub-recipient after the monitoring activity is complete
3. Corrective Action or Follow-up communication (if applicable)

Once these items are provided and determined adequate, Region III will validate implementation of WVDHSEM's monitoring program at the next scheduled site visit to WV. Only when FEMA Region III is confident that the sub-recipient financial monitoring program is fully implemented by WVDHSEM and there are no new findings for WV regarding sub-recipient monitoring, will FEMA Region III release the manual reimbursement on all open FEMA awards administered by Region III listed above.

Instructions for requesting manual reimbursement are provided in Attachment #1 for:

- Hazard Mitigation Grants Program (HMGP)
- Public Assistance (PA)
- Non Disaster Grants (EMPG, CAP-SSSE, CTP)

All correspondence related to this matter should be addressed to:

U.S. Department of Homeland Security, FEMA  
Region III Grants Division – Philadelphia  
615 Chestnut Street, 6<sup>th</sup> Floor  
Philadelphia, PA 19106  
Attention: Janice P. Barlow, Director, Grants Division

WVDHSEM has a right to appeal this action within 60 days of the date of this letter. Written appeals should be sent directly to the Regional Administrator, MaryAnn Tierney.

The Region III Grants Division, Business Branch Chief, Regeane Frederique is available to respond to any questions you may have. She can be contacted at (215) 931-5683 or [regeane.frederique@fema.dhs.gov](mailto:regeane.frederique@fema.dhs.gov). The Grants Division remains committed to helping WVDHSEM build a strong grants management program and will continue to provide technical assistance as requested.

Sincerely,



Janice P. Barlow  
Director, Grants Division

cc:

MaryAnn Tierney, Administrator, DHS/FEMA Region III  
Gene Gruber, Director, Mitigation Division, Region III  
Jack Schuback, Director, Recovery Division, Region III  
FEMA HQ Regional Coordination and Oversight Branch, FEMA HQ  
Tommy Dingess, WVDHSEM

## Attachment 1

### **Instructions for requesting reimbursements for Hazard Mitigation Grants Program**

1. Complete a SF 270 request signed by authorized official
2. Attach documentation certified by the State Hazard Mitigation Officer (SHMO) or their designee supporting the amount being requested is eligible, allowable, reasonable, and aligns with the approved budget. Invoices and proof of payment do not have to be submitted with the SF-270 request. FEMA Region III Program and Financial staff reserve the right to review source documentation during scheduled monitoring visits.

### **Instructions for requesting reimbursements for Public Assistance**

1. Complete a SF 270 request signed by authorized official
2. Attach documentation certified by the Public Assistance Officer or their designee supporting the amount being requested is eligible, allowable, reasonable, and aligns with the approved PW.
3. Invoices and proof of payment do not have to be submitted with the SF-270 request. However, FEMA Region III Program and Financial staff reserve the right to review source documentation during scheduled monitoring visits where WVDHSEM should be able to produce valid source documentation such as contract invoices, force account timesheets, equipment logs, cancelled checks, etc. upon request.

### **Instructions for requesting reimbursements for Non-Disaster Grants**

1. Complete a SF 270 request signed by authorized official
2. Attach source documentation to include Recap summary that clearly justifies the amount being requested on the SF 270.

Please note: Source documentation is being requested for Non-Disaster Grant reimbursements.

*If required information is not received with the SF 270 request, your request will be returned for the missing information and will not be processed.*

### **Reimbursement requests can be submitted via mail or e-mail:**

#### **Mail:**

U.S. Department of Homeland Security-FEMA  
Region III Grants Division – Philadelphia  
615 Chestnut Street, 6<sup>th</sup> Floor  
Philadelphia, PA 19106  
*Attention: Raechelle Walker-Ellis, Grants Management Specialist*

*Or*

#### **E-Mail:**

FEMA-R3-Grants-Division@fema.dhs.gov  
In the subject line, add: *Manual Reimbursement Request*



# Appendix F DHSEM's Response Regarding EMPG Funding

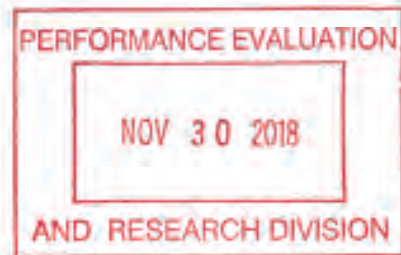


STATE OF WEST VIRGINIA  
DEPARTMENT OF MILITARY AFFAIRS  
AND PUBLIC SAFETY  
DIVISION OF HOMELAND SECURITY  
AND EMERGENCY MANAGEMENT  
1703 Coonskin Drive  
Charleston, WV 25311  
Telephone: (304) 588-5380 Fax: (304) 344-4538  
November 29, 2018

JEFF S. SANDY, CAMS, CFE  
Cabinet Secretary

JAMES A. HOYER  
MAJOR GENERAL  
The Adjutant General

MICHAEL L. TODOROVICH  
DIRECTOR  
DHSEM



Performance Evaluation and Research Division  
Building 1, Room W-314  
Kanawha Boulevard, East  
Charleston, WV 25305

Dear Audit Team:

This is a follow up letter regarding EMPG and other non-disaster grant reimbursements.

On the DHSEM response to the draft audit report, I addressed the fact that WV DHSEM has made significant inroads to draw down of federal EMPG reimbursements. I do acknowledge the fact that approximately \$8.3 million in federal EMPG reimbursement was available for draw down (FY 2015, 2016, and 2018).

From various In Progress Reviews (IRP) from the Legislative audits I realized that DHSEM had a problem within this area. From meeting with some of DHSEM staff and a review of the situation, I realized this to an area that DHSEM could make immediate improvements.

I directed a team of five (5) DHSEM personnel to work solely on the drawdowns. This team compiled documentation, including information from sub-recipients to successfully collect the reimbursement.

Approximately 5 million dollars was identified and either sent or is in the process of being sent to FEMA using the manual drawdown process. We expect that, as of December 31, 2018, DHSEM will have submitted approximately \$6,000,000 to FEMA. Please note this will be an ongoing process until we are current with this type transaction.

I have also taken steps to reorganize DHSEM leadership, structure, and internal controls to 1) draw down all available funding, and 2) preclude this situation in this future. This statement is applicable to all non-disaster grants.

Until such time as we have a resilient system in place for this type grant and related processing, this issue will remain among my highest priorities.

Sincerely,

*Michael L. Todorovich*

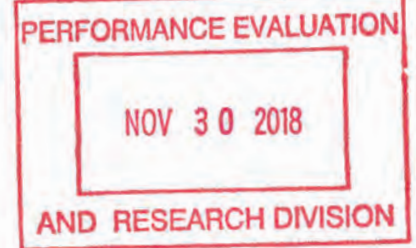
Michael L. Todorovich  
Director



# Appendix G Agency Response



STATE OF WEST VIRGINIA  
DEPARTMENT OF MILITARY AFFAIRS  
AND PUBLIC SAFETY  
DIVISION OF HOMELAND SECURITY  
AND EMERGENCY MANAGEMENT  
1703 Coonskin Drive  
Charleston, WV 25311  
Telephone: (304) 558-5380 Fax: (304) 344-4538  
November 29, 2018



JEFF S. SANDY, CAMS, CFE  
Cabinet Secretary

JAMES A. HOYER  
MAJOR GENERAL  
The Adjutant General

MICHAEL L. TODOROVICH  
DIRECTOR  
DHSEM

Re: Performance Review of the Division of Homeland Security and Emergency Management (DHSEM)

Major General James Hoyer  
The Adjutant General  
WV National Guard  
1703 Coonskin Drive  
Charleston, WV 25311

Dear MG Hoyer,

This letter provides the WV DHSEM responses to the Performance Evaluation and Research Division regarding the referenced audit. I am sending this to you for submission to the Audit staff. At the specific request of the audit team, the two purposes of the letter are as follows. First, it serves to provide our responses to any perceived discrepancies to the report. Second, the letter is to provide initial WV DHSEM responses to the report. Please note that this letter is not aimed at addressing the causes of any noted issues, but to provide information as to DHSEM corrections of the issues.

**Finding (Under Issue Summary):**

*“Consequently, the Legislative Auditor recommends that the Department of Military Affairs and Public Safety oversee the establishment of an effective internal control environment within the DHSEM.”*

**DHSEM Comment (See Milestone 1):**

Based on current alignment between WV National Guard and WV DHSEM, this finding would be better stated as “recommends that the WV National Guard and WV DHSEM establish oversight of internal controls within WV DHSEM.”

The Adjutant General worked with Director, WV DHSEM to establish an Internal Review Section (reporting directly to the Director). Currently WV DHSEM is in process of appointing a well experienced Certified Public Accountant (CPA) to lead this section. Also, in process is the hiring of a quality control individual. Both these individuals should begin work in the next several weeks. In addition to existing monitoring staff, consisting of a senior accounting specialist and a monitoring coordinator is a planned (within the next 45 days) additional grants monitor positions.

To enhance this newly established Internal Review section, the Adjutant General established the Military Authority financial and audit teams to work directly with Director of DHSEM and the Internal Review section.

It is my firm belief that with these immediate changes and oversight as directed by the Adjutant General we are poised to have quality and applicable internal control oversight of all WV DHSEM grant and financial management activities.

**Finding:**

*“The DHSEM Submitted the Schedule of Expenditures of Federal Awards late in Four of Six Years.”*

**DHSEM Comment (See Milestone 2):**

WV DHSEM concurs with this overall comment.

PERD Conclusion under this finding:

*“PERD concludes that, despite the assignment of responsibility to subordinate staff, the agency leadership is ultimately responsible for late submissions as management did not intervene to ensure timely transmission of SEFA.”*

**DHSEM Comment:**

WV DHSEM concurs with this overall comment; however, steps were taken and are in process to eliminate this as a future failure. As noted in the PERD report, for FY 2017 we submitted the SEFA timely. This was due largely to the hiring of a CPA who oversaw the entire WV DHSEM single audit. The FY 2018 audit will note the SEFA for that year as submitted on time.

As we write and refine policies, SEFA reporting and submission will be included.

This area will be on the regular review schedule for the Internal Review section.

It is my firm conviction this deficiency will not resurface.

**Finding:**

*“The Legislative Auditor is concerned the DHSEM’s leadership did not promulgate policies or procedures necessary to address grants management or financial reporting and allowing staff to submit the SEFA late in four out of six years.”*

And,

*“The Legislative Auditor recommends the DHSEM leadership develop policies and procedures governing, at a minimum, grants management and financial reporting.”*

And,

“The Legislative Auditor finds it concerning that the DHSEM leadership failed to address multiple repeat audit findings over an 11-year period. The Legislative Auditor recommends DHSEM leadership implement internal controls to ensure prompt remediation of all audit findings.”

**DHSEM Comment (See Milestone 3):**

WV DHSEM concurs with these findings.

Recognizing this shortcoming, through existing staff and aided by a CPA firm (contracted in March 2017) WV DHSEM began the overall process of completing policies, not only as noted in this report, but for the entirety of WV DHSEM.

As to financial and other reports noted in the PERD audit findings, WV DHSEM will have working draft policies complete by December 30, 2018. The working drafts will be tested and trained during January 2019 with a full implementation of January 31, 2019.

Table 3 of the PERD report depicts Single Audit Statements Concerning the WV DHSEM (FY 2016-17), and it notes the ongoing deficiencies. However, with the noted policies, procedures, and internal reviews in place this area of concern will be eliminated for single audits completed after this report.

Noted earlier in this letter is the establishment of an Internal Review section. This section will develop firm measuring tools for the Director. The Director has the absolute responsibility, using the noted tools, for adherence to the policies.

**Noted in Report (bolded):**

“Importantly, at no point during the events leading to the manual reimbursement penalty did the DHSEM leadership inform the Cabinet Secretary of these issues.”

**DHSEM Comment (See Milestone 4):**

Governor Justice appointed the new WV DHSEM Director as Governor’s Authorized Representative (GAR).

Steps are now in place that ensures the Adjutant General immediately received notification of any and all major deficiencies relating to WV DHSEM. This notification policy will be included in the WV DHSEM overall policies. WV DHSEM now participates in weekly Adjutant General Department update briefs.

**Finding (re: Manual Reimbursement):**

“Consequently, the Legislative Auditor recommends that DHSEM leadership address the issues outlined by both FEMA and the financial auditors timely. Moreover, the Legislative Auditor recommends that the DHSEM report to the Legislature on a regular basis to detail all the corrective actions taken to address the findings of FEMA and this report. The Legislative Auditor also recommends the Legislature require the DHSEM to continue reporting annually on agency operations after the corrective actions are complete.”

**DHSEM Comment (See Milestone 5):**

In December 2016, DHSEM submitted an initial financial monitoring plan. FEMA determined that the EMPG monitoring was sufficient but additional information was required for the other grant programs. In April 2017 and October 2017, FEMA requested and DHSEM submitted additional information to achieve compliance. A grant monitoring and risk assessment policy was submitted in September 2017. Significant effort was expended to come into compliance.

During October 2018, WV DHSEM submitted all monitoring documentation as requested by FEMA. This included sample monitoring reports selected by FEMA, monitoring announcement and follow up letters, Continuous Improvement Plan (CIP) follow up, monitoring schedule, and risk assessment. FEMA is currently reviewing this information.

The second significant requirement is completed policies. As noted previously in this letter, we are diligently working to have all policies complete by the end of January 2019.

The new Internal Review and Monitoring Section will have this as a “critical” element to monitor and provide bimonthly reports to Director for situational awareness.

I am committed to ensuring full understanding and compliance with the monitoring policy and procedures by all WV DHSEM employees.

The Adjutant General has this as one of the Commander’s Critical Information Requirements of WV DHSEM.

We do concur with the periodic reporting to the Legislature as noted in the finding. A proposed schedule is later in this report.

We know we are on track to remove the Manual Reimbursement process imposed by FEMA. Note: Throughout the PERD report the term ‘financial penalty’ is used. However, at no time has any financial penalty been leveled or paid by our agency or the State of West Virginia as a result of the Manual Reimbursement process.

**Finding:**

“The Legislative Auditor recommends the DHSEM segregate federal funds from state funds for the HMEP program.”

**DHSEM Comment (See Milestone 6):**

WV DHSEM concurs with this finding. The HMEP federal funds and the Tier II funds are now segregated into separate sub-funds.

Steps are in process to preclude this finding in the future to include the appropriate accounts and processes.

**Finding:**

“The DHSEM still has not drawn down over \$8.3 million in federal reimbursement for monies already spent.”

And,

“To ensure the agency remains current with grant drawdowns and fulfills obligations to subrecipients, the Legislative Auditor recommend the DHSEM leadership and operate internal controls to assess the performance of grants management staff and take prompt corrective action when findings are identified.”

**DHSEM Comment (See Milestone 7):**

WV DHSEM concurs that at the time of the review approximately \$8.3 million in federal EMPG reimbursement was available for draw down (FY 2015, 2016, 2017). DHSEM staff is working on compiling the necessary documentation, including information from sub-recipients, to successfully collect this reimbursement.

Beginning November 2018, more than \$6,000,000 EMPG funding paperwork was identified as available for processing through the manual drawdown process. During November, the DHSEM team prepared requests for approximately \$5,000,000 (to date) and submitted to FEMA. We expect that, as of December 31, 2018, the entirety of the approximate \$6,000,000 will be collected and submitted to FEMA.

Also, by the end of December 2018, WV DHSEM non-disaster grants management will be reorganized with leadership, structure, and internal controls to 1) draw down all available funding, and 2) preclude this situation in the future.

Timely and accurate reimbursement procedures will be included in the overall WV DHSEM policies.

This area will be a high visibility item for the Internal Review Section.

The Adjutant General for West Virginia has placed this area on his Commander's Critical Information Requirements for WV DHSEM.

**Finding: (re: DHSEM Management Did Not Apply for More Than \$12 million in Federal Funding):**

“The Legislative Auditor recommends the DHSEM apply for the additional Category Z funds to hire and train additional personnel and help ensure compliance with grants management requirements.”

**DHSEM Comment (See Milestone 8):**

WV DHSEM concurs with a shortfall in utilization of potentially available funding relating to Category Z funds from the Public Assistance Grant Program.

In November 2018, WV DHSEM submitted a first phase Category Z budget of approximately \$1.5 million in this area. We continue to review open grants to identify opportunities to utilize this funding.

The next step is refining our overall grants administrative plan which will be complete NLT December 15. Concurrent with this action, will be compilation of additional budgets including planning for personnel, training, administrative tools, etc.,

**Finding: (re: The lack of Oversight of the DHSEM May be a Contribution Factor in Its Ineffectiveness.)**

“It is the opinion of the Legislative Auditor that code should be provide the Secretary of Military Affairs complete supervision and control over the director of DHSEM.”

This section deals with oversight of WV DHSEM and in general terms and with the recent changes (National Guard direct oversight and appointment of Director). It appears to me as this would preclude the National Guard in DHSEM processes.

**DHSEM Comment (No Milestone):**

WV DHSEM believes that the organization and lines of authority established by the Governor in his October 3, 2018 directive allow for the best synchronization and synergy of key emergency response assets. The West Virginia National Guard and West Virginia Military Authority provide WV DSHEM the best opportunity to increase professional staff and institutionalize appropriate processes, procedures, and internal review. In addition, it allows for creating efficiencies and effectiveness to best serve the citizens of the West Virginia.

Further, it is the intention for legislation to codify the structure and alignment of WV DHSEM within the Adjutant General’s Department outlined in the Governor’s directive to be introduced in the 2019 regular legislative session.

DHSEM feels as if we have addressed all of the specific recommendations.

As outlined above, we acknowledge the challenges in the PERD report, internal reviews, single audits, and FEMA monitoring. Beginning in 2016 and continuing through the present significant improvements have occurred. (For example, the hiring of a CPA, using contract accounting firms, employing additional personnel, and increased emphasis moving towards resolution of the identified issues.) The use of the Military Authority hiring process enhanced the quality of personnel and improved and expedited the hiring process leading to a more robust and qualified staff. This enabled placement of the CPA, trained accountants, grants monitors, and grants close-out specialists. Recently, an increased interaction and subsequent leadership provided by the National Guard/Military Authority provided an additional emphasis in these areas.

We believe we are on track, the correct steps have been taken, and fully expect to resolve these issues in the next year. However, situations such as large-scale disasters may inhibit this process. Director of DHSEM is committed to a satisfactory resolution to all noted findings.

Respectfully submitted:

*Michael L. Todorovich*

Michael L. Todorovich  
Director  
WV DHSEM

Enclosures:



**Milestones  
DHSEM Progress Information**

## Milestones

### Milestone 1: Establish Internal Controls

- Hiring Internal Review Section personnel (January 31, 2019)
- Internal Review Section will report directly to DHSEM Director (January 31, 2019)
- Development of policies and procedures (March 15, 2019)
- Conduct training for all DHSEM employees on implementation of policies (on-going)

### Milestone 2: Proper Submission of SEFA

- Development of policies to address completion of SEFAs (March 15, 2019)
- Conduct training for all DHSEM employees on implementation of policies (on-going)

### Milestone 3: Development of Policies

- Development of policies specifically for grant finance, administration, and monitoring. (February 15, 2019)
- Policies will be tested, revised as necessary, and fully implemented (on-going)
- Conduct training for all DHSEM employees on implementation of policies (on-going)

### Milestone 4: Addressing Notification Failures

- Development of procedures to provide immediate notification to Adjutant General (Completed November 2018)
- Conduct training for all DHSEM employees on implementation of policies (on-going)
- Re-organization of DHSEM will enhance internal communication (February 2019)
- Conducting bi-weekly meetings with DHSEM staff and FEMA (November 2018)
- Increased interaction between DHSEM and the WV Military Authority (November 2018)

### Milestone 5: Addressing Manual Reimbursement

- Submission of Initial Financial Monitoring Plan to FEMA (Completed Dec. 2016)
- Development of Risk Assessment Policy (Completed September 2017)
- Submission of Additional Monitoring Plan Information to FEMA (Completed Oct. 2017)
- Submission of monitoring information to FEMA (Completed October 2018)
- Development of financial reimbursement policies (March 1, 2019)
- Development of Internal Review Section (January 31, 2019)
- Training of DHSEM employees on all policies (on-going)

### Milestone 6: Separation of HMEP funds

- HMEP federal funds and Tier II funds are now segregated (Completed)
- Finance and Administrative Section continues to review HMEP funding budgets, policies, and procedures (on-going)
- Staff reviewing funds to ensure proper segregation of funds (April 1, 2019)

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## DHSEM Progress Report

### Federal Emergency Management Agency

#### **Submitted all documents requested by FEMA regarding Monitoring.**

- End of October 2018, DHSEM electronically provided FEMA all requested monitoring documents.

#### **Obtained final approval for Critical Improvement Plan (November 26, 2018)**

- Provided close out letter for 2017 Single Audit.

#### **Submitted requested for EMPG reimbursement.**

- Emergency Management Performance Grant.
- Requests for approval for manual drawdown (November 2018).
- \$5 million. Approximately: Locals = \$4.3 mil to locals, State = \$700,000.

#### **Submitted Category Z budget.**

- Previously under-utilized funding source from FEMA.
- Budget was for approximately \$1.5 mil
- Allows DHSEM to hire additional staff to work on existing disasters

#### **Completed FEMA technical visit.**

- Visit with FEMA indicated that DHSEM is on track.

#### **Scheduling “Fundamentals of Grants Management”.**

- Will be scheduled for early 2019 for DHSEM staff.
- FEMA course focusing on emerging efficient and complete records keeping system.

### Organizational Changes

#### **Established Public assistance Grants monitoring teams.**

- Team fully dedicated to WV monitoring including CPA.
- Submitted 2019 monitoring plan and risk assessment (req by 2 CFR 200).

#### **Obtained approval for Hazard Mitigation plan.**

- FEMA required to obtain disaster funds.
- Contractor completing plan was not meeting FEMA standards.
- DHSEM took over and completed prior to FEMA deadlines.
- Next version required in 2023

#### **Aligning organization chart to align with functional responsibilities.**

- Agency re-organization to enhance efficiency of programmatic areas.

## **Staffing**

### **Hired grants co-managers for Hazard Mitigation and Public Assistance Grants.**

- Hired individuals with experience managing grants.
- Serve as co-managers with other programmatic leads.
- Focus is on grant compliance.

### **Hired over 40 personnel to work on grants and other areas of critical needs.**

- Hired through the WV Military Authority (Higher paying, easier placement, generally better quality).
- Primarily focus on closing out, monitoring, developing grants.

### **Implemented new employee on-boarding process.**

- Revised process for standard new employee orientation.
- Identification of position-specific training expectations.
- Credentialing, facility access, etc

### **Appointed new Director for WV DHSEM.**

- Mike Todorovich appointed to position.

### **Hiring additional staff for Internal Review.**

- Planning on hiring a CPA to lead section. (18 years of experience w CPA firm).
- Quality Assurance Manager (working on Doctorate).

## **Operational Changes**

### **Moved DHSEM offices to National Guard Headquarters at Coonskin Drive.**

- Capitol offices were not conducive to effective operations. DHSEM personnel are enthused as to quality of location, including space, light, etc.

### **Conducting Bi-weekly meetings.**

- DHSEM conducts bi-weekly meetings with FEMA staff.
- Ensures programs, initiatives, activities are aligned with requirements.

### **Utilizing Grant Module of OASIS.**

- Multiple observations indicated that OASIS should be the automated tool of choice for grants management. DHSEM is now moved to that tool.

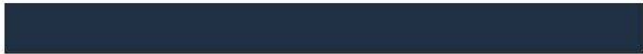
### **Developing policy manuals.**

- Approximately 80% complete. Expected to be completed by end of 2018.
- Various audits and monitoring indicated a lack of sufficient policies.

### **Evaluating ability to streamline non-disaster grants.**

- Discussing ability to streamline applications for non-disaster grants.
- Looking at ways to better address identified gaps using multiple funding sources.





WEST VIRGINIA LEGISLATIVE AUDITOR

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