

**Homeland Security Grant Equipment
Inventory Review
July 2015**

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City Auditor's Office

July 9, 2015

Honorable Mayor and Members of the City Council,

I am pleased to present the Office of City Auditor's report on the Homeland Security Grant Equipment Inventory Review (Office of Emergency Management). The purpose of the audit was to determine if the Office of Emergency Management (OEM) inventory requirements were in compliance with grant guidelines.

Management concurs with our audit finding and recommendation. Management's response to the finding and recommendation, as well as a target implementation date and identification of a responsible individual, are included in the following report.

We would like to thank the Office of Emergency Management for their cooperation and assistance during this project.

Lori Brooks

Lori Brooks, CPA, CIA, CGAP, CRMA
City Auditor

c: Trey Yelverton, City Manager
Gilbert Perales, Deputy City Manager
Theron Bowman, Deputy City Manager
Jim Parajon, Deputy City Manager
Don Crowson, Arlington Fire Chief
Irish Hancock, Emergency Management Administrator

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Executive Summary

At the request of the Fiscal Policy Committee, the City Auditor's Office conducted an audit of the Homeland Security Grant Equipment Inventory. The audit was conducted 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. The audit objective was to determine the implementation status of the recommendation made in the 2014 Single Audit Report and whether the Office of Emergency Management (OEM) inventory processes are in compliance with grant guidelines.

The City Auditor's Office noted the following:

- The OEM has documented an Inventory Control Plan in accordance with state and federal grant guidelines.
- A new inventory system is in development.
- Documentation for the equipment tested included all elements required by the Federal Emergency Management Agency (FEMA).
- Internal Audit Staff observed that inventory purchased in FY 2015 was properly tagged.

Opportunities for improvement include the following:

- The Office of Emergency Management's Homeland Security Grant Program Inventory Control Plan needs revision.

The finding and recommendation are discussed in the Detailed Audit Findings section of this report.

Audit Scope and Methodology

The audit was conducted in accordance with generally accepted government auditing standards. The following methodology was used in completing the audit:

- Interviewed personnel knowledgeable of the Office of Emergency Management (OEM) operations.
- Reviewed OEM Homeland Security Grant Program (HSGP) Inventory Control Plan.
- Reviewed Texas Department of Public Safety SAA Information Bulletin 12-004 to verify tagging and inventory requirements for homeland security funded equipment.
- Reviewed Federal Emergency Management Agency (FEMA), Section 13.32 to verify tagging and inventory requirements for homeland security funded equipment.
- Discussed with Grant Thornton the audit recommendation made in the FY 2014 OMB Circular A-133 Single Audit Report.
- Reviewed correspondence and research regarding a specific timeframe for equipment inventory to be tagged.
- Reviewed all equipment purchased in FY 2015 to assure that all information required by FEMA is recorded in the inventory records.
- Observed a sample of equipment purchased in FY 2015 to assure equipment was tagged.
- Reviewed training documentation for the Grants Coordinator

Background

The Office of Emergency Management currently manages 3 Urban Area Security Initiative (UASI) grants, which are awarded by the Department of Homeland Security - Federal Emergency Management Agency. These grants are pass-through funding from the Texas Department of Public Safety – Division of Emergency Management. As pass-through federal funding, these grants must adhere to federal compliance requirements and are subject to audit requirements as set forth in the federal Office of Management and Budget (OMB) Circular A-133.

The 2014 OMB Circular A-133 Single Audit – Federal and State Awards Report for the City of Arlington, prepared by Grant Thornton LLP, noted one instance of noncompliance related to equipment management for the Homeland Security Grants. Grant Thornton LLP recommended “that the City ensure timely and accurate tagging of property purchased with grant funds, within 30 days of receipt of property, and inclusion in the master property system to ensure proper tracking and adequate safeguards of property, and timely physical inventory observation as required by federal guidelines.”

At the request of the Fiscal Policy Committee, Internal Audit performed an audit to verify that the Office of Emergency Management had taken action to address the recommendation. Specific areas of focus included an evaluation of the OEM Inventory Control Policy and a review of equipment purchased in FY 2015 to determine if the equipment was documented appropriately in the master inventory system and tagged accordingly. Additionally, Internal Audit reviewed training records for the Grant Coordinator.

Audit Results

Inventory Policy

The Arlington Fire Department Office of Emergency Management has developed a Homeland Security Grant Program Inventory Control Plan. The Plan addresses inventory control and the elements that must be included in the inventory system, transfer of assets, disposition of assets, and the annual physical inventory of fixed assets. The requirements outlined in the Inventory Control Plan are in alignment with requirements established by FEMA and the Texas Department of Public Safety. Internal Audit identified two possible revisions to the Inventory Control Plan that could further strengthen the plan. Please see the Detailed Audit Findings section for further detail.

Inventory Tags

Internal Audit visually inspected a sample of items purchased with UASI grant money during Fiscal Year 2015. These items consisted of EOC Laptops, MSA air packs, Laptops, T-3 Raptors and a K-9. All of the items included in the sample, with the exception of the K-9, were tagged. The air packs were in the process of being repaired. This repair involved the replacement of a defective part. This required that the items be re-tagged. It was noted that the air packs were previously tagged and that as they were repaired, new tags were applied.

Grant Guidelines

Internal Audit tested the inventory records for a sample of equipment purchased with UASI grant funds during FY 2015. The test was to assure that the master inventory included all of the elements required by grant guidelines. FEMA requires that property records include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. Additionally, the Texas Department of Public Safety requires that a sub-recipient's inventory system include a control or inventory number. All required elements for each of the equipment purchases reviewed were documented in the inventory control system.

Training

Internal Audit discussed the training activities completed by the Grant Coordinator. It was noted that the Office of Emergency Management staff attends an annual national conference related to USAI grants. Additionally, Internal Audit verified that the Grant Coordinator completed a Basic Fundamentals of Grants Management course offered by FEMA.

Detailed Audit Findings

The Office of Emergency Management's Homeland Security Grant Program Inventory Control Plan Needs Revision

It was noted that the time frame included in the Plan for tagging equipment is not always attainable. OEM's Inventory Control Plan requires that items be tagged within 30 days of receipt. However, due to the timing of invoices used for determining whether or not items are required to be tagged and occasional questions related to the eligibility of some items for reimbursement, it is not always possible to tag items within 30 days of receipt. Federal guidelines require that items be tagged, but provide no guidance on the time frame in which it is to be completed. Therefore, it would be best if the inventory policy reflect a time frame that is attainable. Items should be tagged as soon as possible, but no later than 30 days after request for reimbursement. Based on conversations with Grant Thornton LLP, this would meet the expectations for tagging equipment.

Additionally, the list of items required to be included in the inventory system does not include the amount of federal participation. The amount of federal participation is actually noted in the inventory system, just not listed on the inventory plan. The City of Arlington does not split the funding on equipment purchases. All equipment purchased is 100% federally funded.

Recommendation:

- 1. The Office of Emergency Management should revise the Inventory Control Plan to reflect that equipment should be tagged within 30 days of the reimbursement request. Additionally, the Office of Emergency Management should add a statement regarding the percentage of federal participation to the Inventory Control Plan.***

**CITY OF ARLINGTON
HOMELAND SECURITY GRANT EQUIPMENT INVENTORY REVIEW
MANAGEMENT RESPONSE AND ACTION PLAN**

| AUDIT RECOMMENDATION | CONCUR/DO NOT CONCUR | MANAGEMENT RESPONSE | RESPONSIBLE PARTY | DUE DATE |
|---|----------------------|--|------------------------------------|----------|
| 1. The Office of Emergency Management should revise the Inventory Control Plan to reflect that equipment should be tagged within 30 days of the reimbursement request. Additionally, the Office of Emergency Management should add a statement regarding the percentage of federal participation to the Inventory Control Plan. | Concur | OEM agrees with this tagging recommendation and has already implemented this process. The Inventory Control Plan will be updated to reflect both of these recommendations. | Emergency Management Administrator | 7/1/2015 |