

**FEMA Continues to Make
Improper Reimbursements
through the Presidential
Residence Protection
Assistance Grant Program**





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

July 28, 2023

MEMORANDUM FOR: The Honorable Deanne Criswell
Administrator
Federal Emergency Management Agency

FROM: Joseph V. Cuffari, Ph.D. **JOSEPH V CUFFARI**
Inspector General

SUBJECT: *FEMA Continues to Make Improper Reimbursements through the Presidential Residence Protection Assistance Grant Program*

Digitally signed by
JOSEPH V CUFFARI
Date: 2023.07.27
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For your action is our final report, *FEMA Continues to Make Improper Reimbursements through the Presidential Residence Protection Assistance Grant Program*. We incorporated the formal comments provided by your office.

The report contains three recommendations aimed at improving the management of the Federal Emergency Management Agency's (FEMA) Presidential Residence Protection Assistance grants. Your office concurred with all three recommendations. Based on the information provided in your response to the draft report, we consider the recommendations open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions.

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

Consistent with our responsibility under the *Inspector General Act of 1978, as amended*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please contact me with any questions, or your staff may contact Kristen Bernard, Acting Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



DHS OIG HIGHLIGHTS

FEMA Continues to Make Improper Reimbursements through the Presidential Residence Protection Assistance Grant Program

July 28, 2023

Why We Did This Audit

Congress appropriated \$41 million in both FYs 2019 and 2020 for PRPA grants. We conducted this audit to determine whether FEMA ensured state and local law enforcement agencies accounted for and expended FEMA's PRPA grants for protection of the President's non-governmental residences according to Federal regulations and FEMA and United States Secret Service guidelines.

What We Recommend

We made three recommendations to improve FEMA's management of the PRPA grant program.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

What We Found

The Federal Emergency Management Agency (FEMA) did not ensure state and local law enforcement agencies accounted for and expended Presidential Residence Protection Assistance (PRPA) grant funds in accordance with Federal regulations and component guidelines. Specifically, in fiscal years 2019 and 2020, FEMA's Grant Programs Directorate (GPD) reimbursed grantees \$8.9 million for unallowable overtime fringe benefits and \$10.2 million for protection activities not directly associated with the President's non-governmental residences. This occurred because GPD did not thoroughly review grantees' fringe benefit rates before awarding the grants and did not have sufficient guidance in place to determine which fringe benefit categories were eligible for reimbursement. Additionally, GPD did not evaluate whether the costs incurred were directly related to protecting the President's non-governmental residences. As a result, FEMA did not ensure PRPA grants were used for their intended purpose.

FEMA Response

FEMA's GPD concurred with all three of the recommendations and has already begun implementing corrective actions.



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Background

Under the 2019 and 2020 *Department of Homeland Security Appropriations Acts*,¹ Congress appropriated \$41 million annually for the Federal Emergency Management Agency (FEMA) to reimburse state and local law enforcement agencies (LEAs) for personnel costs incurred when performing protection activities directly associated with any non-governmental residence of the President. FEMA delivers this Federal assistance through Presidential Residence Protection Assistance (PRPA) grants. Between fiscal years 2017 and 2020, FEMA provided \$146.4 million in financial assistance to LEAs through the PRPA grant program.

FEMA's Grant Programs Directorate (GPD) administers the PRPA grant program. GPD issues Notices of Funding Opportunity (NOFOs) to inform LEAs about available funding, the grant program, and the PRPA award process. Eligible applicants must submit their application packages in FEMA's Non-Disaster Grants System (ND Grants). Applicants must support their reimbursement requests with documentation including an investment narrative, detailed budget spreadsheet, disclosure of pending applications, and a certification letter.² The detailed budget spreadsheet contains information about the hours and personnel costs associated with the activities requested for reimbursement. GPD reviews the application packages, determines whether the requested costs are eligible for reimbursement and how much can be reimbursed, and notifies each applicant of its determination.

The FYs 2019 and 2020 PRPA grants covered the periods of October 1, 2018, through September 30, 2019; and October 1, 2019, through September 30, 2020, respectively. GPD awarded a total of \$31.9 million for FY 2019 and \$35.8 million for FY 2020 to 10 grantees. The PRPA grants included funding for protection activities at non-governmental residences located in New York City, New York; Palm Beach, Florida; and Bedminster, New Jersey. Table 1 identifies the funds FEMA reimbursed to state and local LEAs for FYs 2019 and 2020.

¹ Pub. L. No. 116-6, *Consolidated Appropriations Act, 2019, Division A – Department of Homeland Security Appropriations Act, 2019*, Title V, Section 531(a); Pub. L. No. 116-93, *Consolidated Appropriations Act, 2020, Division D – Department of Homeland Security Appropriations Act, 2020*, Title V, Section 530(a).

² PRPA grant applicants must include a letter certifying that the Secret Service requested them to perform the identified protection activities.



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Table 1. PRPA Grant Funds Reimbursed to State and Local LEAs

Residence	Grantee	FY 2019	FY 2020
New York	New York Police Department (NYPD)	\$27,205,580	\$29,623,570
Florida	Palm Beach County Sheriff's Office	\$3,863,741	\$5,289,907
	Town of Palm Beach	\$15,102	\$12,210
	West Palm Beach Police Department (WPB PD)	\$57,597	\$54,727
New Jersey	Township of Bedminster	\$41,516	\$41,426
	County of Somerset (CoS)	\$438,294	\$453,295
	New Jersey State Police (NJSP)	\$234,693	\$295,081
	Town of Morristown	\$32,642	\$36,102
	Township of Hanover	\$14,310	\$8,940
	Morris County Sheriff's Office (MCSO)	\$42,879	\$30,960
Total Reimbursement		\$31,946,354	\$35,846,218

Source: DHS Office of Inspector General analysis of FEMA and grantee data

The 2019 and 2020 DHS Appropriations Acts require DHS OIG to audit reimbursements FEMA made to state and local LEAs through the PRPA grant program. Accordingly, we conducted this audit to determine whether FEMA ensured state and local LEAs accounted for and expended FEMA's grants for protection of the President's non-governmental residences according to Federal regulations and FEMA and United States Secret Service guidelines.

In our audit of the FY 2017 and 2018 PRPA grant programs, DHS OIG made four recommendations to improve FEMA's management of the program.³ FEMA implemented the following corrective actions, and the recommendations have been resolved and closed:

- FEMA recouped \$6.9 million in disallowed fringe benefit costs from FYs 2017 and 2018 that had been improperly reimbursed to NYPD.
- FEMA developed guidance regarding how to determine whether categories of fringe benefits are eligible for reimbursement.
- FEMA developed a Memorandum of Understanding with the Secret Service to confirm whether the dates and allocation priorities⁴ in grantee applications are accurate.

³ *FEMA Needs to Improve Guidance and Oversight for the Presidential Residence Protection Assistance Grant*, OIG-21-24, March 3, 2021.

⁴ LEAs assign an allocation priority to each line item for which they request reimbursement. The allocation priority indicates whether the President, First Lady, or their minor child (1) was at the designated residence, (2) was transported to and from the designated residence, or (3) was absent while security for the designated residence was maintained.



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- FEMA implemented requirements for designated personnel to perform detailed programmatic and financial analyses of a sample set of application documents and validate that LEAs' personnel costs are eligible for reimbursement. FEMA also developed guidance on how to generate the sample set from the application data.

Although FEMA's corrective actions were responsive to our recommendations, we did not evaluate their effectiveness as part of the current audit because the corrective actions were not in place when GPD reviewed the FY 2019 and 2020 PRPA grant applications.

Results of Audit

FEMA Reimbursed LEAs for Unallowable Benefits and Activities

FEMA did not ensure state and local LEAs accounted for and expended PRPA grant funds in accordance with Federal regulations and component guidelines. Specifically, in FYs 2019 and 2020, FEMA's GPD reimbursed grantees \$8.9 million for unallowable overtime fringe benefits and \$10.2 million for protection activities not directly associated with the President's non-governmental residences. This occurred because GPD did not thoroughly review grantees' fringe benefit rates before awarding the grants and did not have sufficient guidance in place to determine which fringe benefit categories were eligible for reimbursement. Additionally, GPD did not evaluate whether the costs incurred were directly related to protecting the President's non-governmental residences. As a result, FEMA did not ensure PRPA grants were used for their intended purpose.

GPD Reimbursed Grantees for Unallowable Overtime Fringe Benefits

Under its FYs 2019 and 2020 PRPA grants, GPD reimbursed three grantees a total of \$8.9 million in unallowable overtime fringe benefit costs. Specifically, we determined NYPD's, MCSO's, and CoS' fringe benefit rates included benefit categories, such as health insurance, vacation and holiday leave, sick and personal leave, and supplemental employee welfare costs, that are unallowable under the PRPA grant program. Appendix C provides the fringe benefit rates, cost categories, and allowability of the cost categories for these grantees.

According to the PRPA grant NOFOs,⁵ operational and backfill overtime activities, including direct labor costs and related overtime fringe benefit costs, are the only costs eligible for reimbursement. Costs incurred as a result of

⁵ DHS Funding Opportunity No. DHS-19-GPD-134-00-01, *FY 2019 Presidential Residence Protection Assistance Grant*; DHS Funding Opportunity No. DHS-20-GPD-134-00-01, *FY 2020 Presidential Residence Protection Assistance Grant*.



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regular agency activities are not allowable for reimbursement. Regular fringe benefits include employer contributions such as pension, health insurance, social security, Medicare, workers’ compensation, and unemployment insurance. Overtime fringe benefit rates are typically lower than regular fringe benefit rates because they do not include categories such as leave, disability insurance, and health insurance. These categories are not included in overtime fringe benefit rates because employer contributions for them remain the same regardless of whether an employee works overtime.

In our prior audit, we identified that GPD had reimbursed NYPD at the regular fringe rate instead of the overtime fringe rate for FYs 2017 and 2018. In concurring with the prior audit recommendations, GPD proactively analyzed the grants it issued to NYPD in FYs 2019 and 2020 and identified \$8.8 million in unallowable fringe benefit reimbursements. In August 2021, FEMA issued a Notice of Potential Debt Letter informing NYPD of the potential debt. NYPD issued full payment in December 2021 to resolve the unallowable reimbursement.

In our current audit, we identified that GPD had reimbursed MCSO and CoS a total of \$167,690 for unallowable fringe benefits in FYs 2019 and 2020. After we shared our preliminary findings, GPD issued Notice of Potential Debt Letters to MCSO and CoS on October 11, 2022, for \$161,604 in unallowable health insurance fringe benefits; FEMA has yet to recoup the unallowable funds. Subsequently, we identified an additional \$6,086 in unallowable fringe benefit reimbursements to MCSO for vacation, holiday, sick, and personal leave costs.

Table 2 breaks down the unallowable fringe benefit costs that GPD reimbursed to LEAs in FYs 2019 and 2020. Appendix B provides a more detailed breakdown of our audited and questioned costs by grantee and grant.

Table 2. Unallowable Fringe Benefit Costs Reimbursed to LEAs in FYs 2019 and 2020

Year	NYPD	MCSO	CoS	Total Unallowable Costs
FY 2019	\$4,163,355	\$13,600	\$71,116	\$4,248,071
FY 2020	\$4,592,673	\$9,424	\$73,550	\$4,675,647
<i>Total Unallowable Costs</i>	\$8,756,028	\$23,024	\$144,666	\$8,923,718
Costs Recouped by FEMA	(\$8,756,028)	-	-	(\$8,756,028)
Remaining Unallowable Costs	-	\$23,024	\$144,666	\$167,690

Source: DHS OIG analysis of grantee data
- = Not applicable



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GPD reimbursed these grantees for unallowable costs, in part, because it did not conduct a comprehensive review of the fringe benefit rates included in grantee applications before awarding grants. According to FEMA Manual 205-0-1, *Grants Management* (Grants Manual),⁶ GPD staff should ensure grantees fully explain how they estimate and allocate fringe benefit costs. However, GPD staff did not perform this step for all grantees.

GPD also reimbursed grantees for unallowable costs because, at the time, it did not have sufficient guidance for how to determine which fringe benefits were eligible for reimbursement. Subsequently, in response to our prior audit report,⁷ GPD developed a job aid on how to determine whether categories of fringe benefits related to overtime direct labor are eligible for reimbursement. The job aid includes instructions for reviewing applicable Federal statutes and regulations and procedures for deviating from approved rates when required. The job aid was published and distributed to FEMA regions and program offices on April 1, 2022. Although the job aid was responsive to our recommendations, we did not evaluate its effectiveness as part of the current audit because it was not in place when GPD reviewed the FY 2019 and 2020 PRPA grant applications.

GPD also reimbursed two grantees \$193,915 in unallowable overtime fringe benefits in FYs 2017 and 2018 — ineligible reimbursements that we did not identify in our prior audit.⁸ During our discussions with MCSO and CoS officials, we discovered both grantees had included unallowable benefit categories in their FY 2017 and 2018 applications. Although it is GPD's standard practice not to pursue debt collection after the required records retention period⁹ for a given award has expired, these unallowable costs represent funds that FEMA could have put to better use. Table 3 breaks down the unallowable fringe benefit costs GPD reimbursed to MCSO and CoS in FYs 2017 and 2018.

⁶ FEMA Manual 205-0-1, *Grants Management*, Chapter 3, Section 3.2, *Application Submission and Review*.

⁷ OIG-21-24.

⁸ OIG-21-24.

⁹ Title 2 Code of Federal Regulations § 200.334 requires records pertinent to an award to be retained for 3 years after submission of the final expenditure report.



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Table 3. Unallowable Fringe Benefit Costs Reimbursed to MCSO and CoS in FYs 2017 and 2018

Year	MCSO	CoS	Total Unallowable Costs
FY 2017	-	\$93,961	\$93,961
FY 2018	\$17,261	\$82,693	\$99,954
Funds Put to Better Use (Cost Avoidance)	\$17,261	\$176,654	\$193,915

Source: DHS OIG analysis of grantee data

- = Not applicable

FEMA Reimbursed Grantees for Protection Activities Not Directly Associated with the President’s Non-Governmental Residences

GPD reimbursed three grantees (NYPD, NJSP, and WPB PD) \$10.2 million for protection activities not directly associated with a Presidential residence. According to the PRPA grant NOFOs, the grant is exclusively for reimbursing personnel costs LEAs incur for protection activities directly associated with any of the President’s non-governmental residences. Additionally, according to FEMA’s Grants Manual,¹⁰ a claimed cost is only allowable if it complies with all terms and conditions of the award and is necessary and reasonable for achieving the purposes or objectives of the award.

NYPD included personnel costs for activities conducted away from the President’s New York residence in its PRPA grant applications. These activities included protecting the President at fundraisers, a sporting event, a political rally, a visit to a relative in the hospital, and events during the United Nations General Assembly. NYPD listed these activities in its grant application certification letters to FEMA. Although the Secret Service requested these protection activities, these activities do not meet the eligibility criteria for reimbursement through the PRPA grant program.

We identified similar issues with NJSP’s PRPA grant applications, which included personnel costs for protection activities at locations other than the President’s New Jersey residence. Specifically, we determined neither the President nor his family were at the New Jersey residence on several claimed dates in September 2019 and January 2020. Instead, the claimed protection activities were associated with the Vice President’s visit to Atlantic City, New Jersey, and the President’s campaign rally in Wildwood, New Jersey, which is approximately 151 miles from the President’s New Jersey residence.

¹⁰ FEMA Manual 205-0-1, *Grants Management*, Chapter 5, Section 5.2, *Cost Principles Compliance*.



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Finally, WPB PD included personnel costs for ineligible activities in its FY 2020 PRPA grant application. WPD PD officials confirmed the activities were performed in support of the President speaking at a conference held at the Palm Beach County Convention Center in West Palm Beach, Florida, which is approximately 5 miles from the President’s Florida residence. Table 4 breaks down the ineligible activities for which FEMA reimbursed LEAs in FYs 2019 and 2020. Appendix B provides a more detailed breakdown of our audited and questioned costs by grantee and grant.

Table 4. Amounts Reimbursed for Grantee Activities Not Directly Associated with Designated Residences

Grantee	Event Date(s)	Description of Protection Activity	FY 2019 Unallowable Costs	FY 2020 Unallowable Costs	Total Unallowable Costs
NJSP	September 14-15, 2019	Vice President Protective Detail (Atlantic City, NJ)	\$2,041	-	\$2,041
	January 21, 22, 26, and 28, 2020	Campaign Rally (Wildwood, NJ)	-	\$13,246	\$13,246
	<i>NJSP All Events/Dates</i>		\$2,041	\$13,246	\$15,287
NYPD*	May 16, 2019	Fundraisers	\$734,076	-	\$734,076
	September 23-26, 2019	United Nations General Assembly	\$2,702,939	-	\$2,702,939
	November 2-3, 2019	Sporting Event Attendance	-	\$3,814,013	\$3,814,013
	November 10-12, 2019	Fundraisers; Veteran's Day Ceremony	-	\$2,717,610	\$2,717,610
	August 14, 2020	Visit to Manhattan Hospital	-	\$199,408	\$199,408
	<i>NYPD All Events/Dates</i>		\$3,437,015	\$6,731,031	\$10,168,046
WPB PD	December 21-22, 2019	Convention Center Security	-	\$13,507	\$13,507
	<i>WPB PD All Events/Dates</i>		-	\$13,507	\$13,507
All	All Events		\$3,439,056	\$6,757,784	\$10,196,840

Source: DHS OIG analysis of grantee data and President’s schedule

- = Not applicable

*NYPD did not specify which costs were associated with the unallowable activities. However, we were able to estimate the unallowable portion of NYPD’s costs by comparing the total costs for the dates in question to NYPD’s standard costs for a typical 24-hour protection detail when the President was in residence.

GPD reimbursed NYPD, NJSP, and WPB PD for ineligible activities because GPD did not evaluate whether the costs incurred were directly attributable to
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protecting the President's non-governmental residences. According to the PRPA grant NOFOs, GPD staff should have evaluated whether the costs were incurred as result of protection activities at a residence when determining allowability for reimbursement. However, GPD staff did not evaluate whether the activities were directly associated with a residence and instead only checked to see if the President was staying at a residence within the LEA's jurisdiction when the activities occurred.

When we inquired about the ineligible activities, GPD officials stated they consider the costs to be allowable because the President was staying at a residence during the dates in question. The officials also stated their staff did not examine the specific hours associated with the protection activities because grantees certified the protection activities were directly associated with a residence. The grantees' certification letters only attest that the LEA protection activities were requested by the Secret Service. Further, GPD has the overall responsibility to oversee the PRPA grant program, which includes ensuring that LEAs are only reimbursed for eligible activities. Although the President may have stayed at a designated residence on the dates in question, GPD did not ensure the activities requested for reimbursement were directly associated with that residence.

Conclusion

FEMA improperly reimbursed grantees \$19.1 million for unallowable fringe benefits and ineligible protection activities for FYs 2019 and 2020. This represents more than 28 percent of the total reimbursements to LEAs during this period. Although FEMA has implemented comprehensive guidance on which fringe benefits are eligible for reimbursement, it has yet to address how it will evaluate whether LEAs' claimed activities are directly related to protecting Presidential residences. Without effective controls in place, FEMA may not be able to ensure PRPA grants are used for their intended purpose.

Recommendations

Recommendation 1: We recommend that the Assistant Administrator for FEMA's Grant Programs Directorate disallow \$167,690 in unallowable fringe benefit costs for FYs 2019 and 2020.

Recommendation 2: We recommend that the Assistant Administrator for FEMA's Grant Programs Directorate disallow \$10,196,840 in personnel costs for grantee activities not directly associated with designated non-governmental Presidential residences for FYs 2019 and 2020.

Recommendation 3: We recommend that the Assistant Administrator for FEMA's Grant Programs Directorate establish and implement controls to avoid



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reimbursing grantees for costs not directly associated with protecting designated non-governmental Presidential residences.

Management Comments and OIG Analysis

FEMA concurred with all three recommendations. In its management comments to the draft report, FEMA disputed that it denied DHS OIG's request for read-only access to its databases, but DHS OIG never gained access to ND Grants and the Payment and Reporting System. Instead, the audit team pursued alternative methods for obtaining the information needed to perform the audit and answer our objective. This added additional work for the team to take all steps necessary to ensure the data provided was sufficient and appropriate to answer the objective of the audit. A copy of FEMA's response is in Appendix A.

FEMA also provided technical comments, and we revised the report, as appropriate.

FEMA's Comments to Recommendation 1: Concur. FEMA continues to refine and mature its application review guidance regarding categories of overhead fringe benefits related to eligible overtime direct labor for reimbursement under the PRPA grant program. FEMA issued Notice of Potential Debt Letters to NYPD and CoS on October 11, 2022, for a total of \$161,604 in questioned costs for unallowable fringe benefit costs. FEMA reviewed documentation associated in unallowable fringe benefits and will issue a Notice of Potential Debt Letter to MCSO for the final \$6,086. Also, FEMA will evaluate any appeal information and make a final determination on disallowed costs, if applicable. FEMA estimates a completion date of June 28, 2024.

OIG Analysis of FEMA's Comments: FEMA's completed and planned corrective actions are responsive to the recommendation. The recommendation will remain open and resolved until FEMA provides documentation showing that the corrective actions have been completed.

FEMA's Comments to Recommendation 2: Concur. FEMA will issue Notice of Potential Debt Letters to NYPD, NJSP, and WPB PD for a total of \$10,196,840 in questioned costs for unallowable personnel costs for recipient activities not directly associated with designated non-governmental Presidential residences. FEMA will evaluate any appeal information and make a final determination on disallowed costs, if applicable. FEMA estimates a completion date of June 28, 2024.

OIG Analysis of FEMA's Comments: FEMA's planned corrective actions are responsive to the recommendation. The recommendation will remain open and



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resolved until FEMA provides documentation showing that the corrective actions have been completed.

FEMA’s Comments to Recommendation 3: Concur. FEMA will continue to evaluate and refine the review process that determines whether costs charged to the PRPA grant are allowable for reimbursement and will establish controls, as appropriate. FEMA estimates a completion date of June 28, 2024.

OIG Analysis of FEMA’s Comments: FEMA’s planned corrective actions are responsive to the recommendation. The recommendation will remain open and resolved until FEMA provides documentation showing that the corrective actions have been completed.

Objective, Scope, and Methodology

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

Our objective was to determine whether FEMA ensured state and local LEAs accounted for and expended FEMA’s grants for protection of the President’s non-governmental residences according to Federal regulations and FEMA and Secret Service guidelines. To achieve our objective, we reviewed Federal laws and regulations as well as FEMA policies and guidance associated with the PRPA grant program, including:

- Public Law No. 116-6, *Consolidated Appropriations Act, 2019*, Title V, Section 531(a)
- Public Law No. 116-93, *Consolidated Appropriations Act, 2020*, Title V, Section 530(a)
- 18 United States Code (U.S.C.) Section 3056, *Presidential Protection Assistance Act of 1976*
- Title 2 Code of Federal Regulations Part 200.403-405, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- DHS NOFOs for FY 2019 and 2020 PRPA grants
- FEMA Manual 205-0-1, *Grants Management*

We interviewed officials from FEMA’s GPD and the Secret Service to understand their roles in the grant award process. We also communicated via telephone, email, and video with representatives from NYPD, Palm Beach County Sheriff’s Office, MCSO, NJSP, CoS, Town of Morristown, Town of Palm Beach, and WPB PD to obtain documentation and additional information related to items we identified during our testing.



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Using a combination of simple random statistical sampling and judgmental selection, we performed detailed testing to determine whether grantees' claimed expenses were eligible for reimbursement under the FY 2019 and 2020 NOFO guidelines and Federal regulations.

- The applications for 9 of the 10 grantees included detailed budgetary spreadsheets for the FYs under audit; combined, these spreadsheets included 123,408 line items totaling \$67,734,445.¹¹ Assuming a population proportion of 50 percent, with the population size of 123,408 line items, the minimum sample size required for a 95 percent confidence level and tolerable error rate of ± 5 percent is 383. Using IDEA data analysis software, we randomly selected a statistical sample of 383 transactions totaling \$208,901. We determined the sampled transactions were eligible for reimbursement.
- The Town of Morristown's budgetary spreadsheets for the FYs under audit only provided data at a summary level; combined, these spreadsheets included 59 line items totaling \$68,744. From the combined spreadsheet, we judgmentally selected three transactions, totaling \$10,722, for evaluation. We determined the sampled transactions were eligible for reimbursement.

We validated that the claimed dates and hours worked matched employee timecards. We also validated that the claimed labor and other labor-related expenses corresponded to payroll records and applicable collective bargaining agreements. We recalculated the claimed regular and overtime labor rates to ensure accuracy. We compared LEAs' claimed fringe benefit rates to the negotiated or established fringe benefit rate documentation to ensure the appropriate rate was applied. We also performed a comprehensive review of grantees' fringe benefit rates and evaluated the basis and allowability of each benefit category included in those rates. Although our audit scope did not include PRPA grants for FYs 2017 and 2018, during our discussions with MCSO and CoS officials we discovered both grantees' overtime fringe benefit rates for those FYs included unallowable fringe categories. As such, we calculated the related unallowable fringe benefit costs.

In addition, we analyzed the data in the grantees' budgetary spreadsheets to identify patterns, trends, and descriptions of interest. We used public source information such as news articles and the President's published itinerary as well as grantee supporting documentation to validate where protection activities associated with descriptions of interest occurred. We also coordinated with the Secret Service to validate the dates when the President,

¹¹ NJSP's FY 2019 budgetary spreadsheet included several credits for compensatory time; we excluded these from the total amount for our sampling purposes.



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First Lady, or their minor child visited the designated non-governmental residences and the associated allocation priority. Despite multiple requests, NYPD did not provide us the detailed information needed to separate the cost of protection activities for the residence from the cost of activities associated with other locations. Consequently, we estimated these costs by using NYPD's staffing standard for protecting the President when in residence and applying it to the claimed costs included in NYPD's budgetary spreadsheets for these activities.

We conducted a virtual walkthrough of FEMA's ND Grants to understand how grantee applications are processed through the system. We further learned how the award data flows from ND Grants to the Integrated Financial Management Information System for payment processing. We tested the reliability of FEMA-generated data during the audit by comparing the claimed amounts from grantees' budgetary spreadsheets retrieved from ND Grants to the award payment reports from the Integrated Financial Management Information System. We also reviewed all 20 grantee applications for FYs 2019 and 2020 for completeness and compared the grantees' claimed amounts to the reimbursements recorded in USAspending.gov. We determined the information was sufficiently reliable to support our audit conclusions.

We assessed internal controls relevant to the audit objective. This included FEMA's control environment, risk assessment, control activities, information and communication, and monitoring controls. We designed our audit procedures to include steps to mitigate risks identified. As described in the Results of Audit section of this report, we identified weaknesses in FEMA's control activities and monitoring controls. However, because we conducted a limited review of internal controls relevant to the audit objective, other deficiencies may have existed at the time of our audit.

We conducted this performance audit between January 2022 and January 2023 pursuant to the *Inspector General Act of 1978, as amended*, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of Audits major contributors to this report are Ruth Blevins, Director; Richard Harsche, Director; Julian Brown, Audit Manager; Angelica Esquerdo, Auditor-in-Charge; Joseph O'Gorman, Auditor; Christopher Graham, Auditor; Maria Romstedt, Communication Analyst; and Michael Watson, Independent Referencer.



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DHS OIG's Access to DHS Information

During this audit, FEMA denied DHS OIG requests for read-only access to data in ND Grants and the Payment and Reporting System. However, the audit team was able to obtain sufficient data to answer the audit objective through alternate methods.



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Appendix A
FEMA Comments to the Draft Report

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



FEMA

June 30, 2023

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Cynthia Spishak CYNTHIA SPISHAK
Associate Administrator Digitally signed by CYNTHIA
Office of Policy and Program Analysis SPISHAK
Date: 2023.06.30 09:27:21 -04'00'

SUBJECT: Management Response to Draft Report: "FEMA Continues to
Make Improper Reimbursements through the Presidential
Residence Protection Assistance Grant Program"
(Project No. 22-028-AUD-FEMA)

Thank you for the opportunity to comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

FEMA leadership is pleased to note OIG's recognition that FEMA took action to address four recommendations from OIG's previous audit of the fiscal year (FY) Presidential Residence Protection Assistance (PRPA)¹, and that each recommendation from that audit was resolved and closed as implemented. FEMA remains committed to diligently overseeing the PRPA grant program and ensuring funds are being used as intended in accordance with the requirements of the grant.

However, the OIG's unsupported allegation in the draft report that FEMA denied OIG requests for read-only access to data in the Non-disaster (ND) Grants System and Payment and Reporting System (PARS), as well as this causing a 58-day delay to the audit is inaccurate. While the OIG initially requested wholesale read-only access to backend databases of the PARS and the ND Grants system during the entrance conference on February 15, 2022, the OIG's draft report neglects to include important context, such as on March 15, 2022, FEMA explained that this request was not technically possible because there was role for no read-only full database access in these systems. The only way to provide full access to these systems would be through an elevated user role with the capability to make changes to production data, be it intentionally or inadvertently. Granting such access would have significantly increased

¹ OIG-21-24, "FEMA Needs to Improve Guidance and Oversight for the Presidential Residence Protection Assistance Grant," dated March 3, 2021



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the risk to data integrity and security of sensitive information contained therein, including personally identifiable information of grant recipients, their staff, and others. Providing such access would have also been inconsistent with DHS cybersecurity Least Privilege policies, which seek to avoid authorizing system access beyond the minimum needed to accomplish a certain task.

The OIG subsequently requested access to a non-production copy of the databases, to an Enterprise Data Warehouse containing a full copy of each database, or to a full backup copy of the entire PARS and ND Grants databases. The FEMA programs were not funded to support a full copy replication of the databases; in addition, such a replication would have caused a considerable delay in the OIG receiving information needed for its audit. More specifically, both of these systems are enterprise systems that support many grant programs, with PRPA grant awards representing only 1.1 percent of the total dollar awards and 1.5 percent of obligated balances made in the systems for FY 2019-2020. As an accommodation, FEMA offered front end read-only access limited to the PRPA grant data, which would have allowed the OIG to fully access PRPA data, but the OIG did not respond to this offer. Having received no response from the OIG, on March 30, 2022, FEMA provided the OIG data extracts for all PRPA transactions during FY 2019-2020 and held numerous meetings with OIG staff to explain the information provided.

Lastly, as the draft report notes, OIG reported this “access denial” in its Fall 2022 Semiannual Report to Congress,² but the report fails to acknowledge the Secretary of Homeland Security’s documented disagreement with and response to OIG’s assertion. The OIG has not provided explanation for why it previously claimed FEMA caused a 112-day delay of its PRPA audit, but now it claims FEMA only caused a 58-day delay. In addition, the OIG does not mention the praise emailed to FEMA by OIG staff during the course of the audit on the level and timeliness of FEMA’s responses, or that, as of last fall, the audit was on-track for completion within the timeline OIG’s staff originally outlined on February 15, 2022.

The draft report contained three recommendations, with which FEMA concurs. Enclosed find our detailed response to each recommendation. FEMA previously submitted technical comments addressing accuracy, contextual and other issues under a separate cover for OIG’s consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions.

Enclosure

² DHS OIG Semiannual Report to Congress for the Period April 1, 2022 – September 30, 2022.



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**Enclosure: Management Response to Recommendations
Contained in 22-028-AUD-FEMA**

OIG recommended that the Assistant Administrator for FEMA's Grant Programs Directorate (GPD):

Recommendation 1: Disallow \$167,690 in unallowable fringe benefit costs for FYs 2019 and 2020.

Response: Concur. GPD continues to refine and mature its application review guidance regarding categories of overhead fringe benefits related to eligible overtime direct labor for reimbursement under the PRPA grant program. In FYs 2022 and 2023 GPD performed further review of recipient overhead fringe benefit reimbursements under the FY 2019 and 2020 PRPA grant programs, which identified ineligible overhead fringe benefit reimbursements. GPD issued "Notice of Potential Debt" letters (NPDL) to New York Police Department (NYPD) and County of Somerset" on October 11, 2022, for a total of \$161,604 in questioned costs for unallowable fringe benefit costs. GPD reviewed documentation associated with the remaining \$6,086 in unallowable fringe benefits and will issue a NPDL to Morris County for the final \$6,086. GPD will also evaluate any appeal information and make a final determination on disallowed costs, if applicable. Estimated Completion Date (ECD): June 28, 2024.

Recommendation 2: Disallow \$10,196,840 in personnel costs for grantee activities not directly associated with designated non-governmental Presidential residences for FYs 2019 and 2020.

Response: Concur. GPD will issue NPDLs to NYPD, New Jersey State Police, and West Palm Beach Police Department for a total of \$10,196,840 in questioned costs for unallowable personnel costs for recipient activities not directly associated with designated non-governmental Presidential residences, and will then evaluate any appeal information, and make a final determination on disallowed costs, if applicable. It is important to note that some of the questioned costs for NYPD may be allowable as "Priority 2" costs associated with the President, First Lady, or minor child's travel to/from the residence which is considered safe passage. Accordingly, FEMA GPD will evaluate any additional Priority 2 cost information that may be provided through the appeal process and will adjust the total disallowed costs, as appropriate. ECD: June 28, 2024.

Recommendation 3: Establish and implement controls to avoid reimbursing grantees for costs not directly associated with protecting designated non-governmental Presidential residences.



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Response: Concur. GPD will continue to evaluate and refine the review process that determines whether costs charged to the PRPA grant are allowable for reimbursement, and will establish controls, as appropriate. This may include requiring submission of timecards and other evidence to validate reimbursement requests for all Priority 2 related costs, instead of just random sample reviews. ECD: June 28, 2024.



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Appendix B
Audited and Questioned Costs by Grantee and Grant

Grantee	Grant Number	Award Amount	Questioned Cost
Township of Bedminster	EMW-2019-GR-00035	\$41,516	-
Town of Palm Beach	EMW-2019-GR-00037	\$15,102	-
Township of Hanover	EMW-2019-GR-00038	\$14,310	-
CoS	EMW-2019-GR-00039	\$438,294	\$71,116
MCSO	EMW-2019-GR-00040	\$42,879	\$13,600
WPB PD	EMW-2019-GR-00041	\$57,597	-
Town of Morristown	EMW-2019-GR-00042	\$32,642	-
Palm Beach County Sheriff's Office	EMW-2019-GR-00043	\$3,863,741	-
NYPD	EMW-2019-GR-00044	\$27,205,580	\$7,600,370
NJSP	EMW-2019-GR-00045	\$234,693	\$2,041
Township of Bedminster	EMW-2020-GR-00242	\$41,426	-
Town of Palm Beach	EMW-2020-GR-00243	\$12,210	-
Town of Morristown	EMW-2020-GR-00244	\$36,103	-
MCSO	EMW-2020-GR-00245	\$30,960	\$9,424
WPB PD	EMW-2020-GR-00246	\$54,727	\$13,507
NJSP	EMW-2020-GR-00247	\$295,081	\$13,246
NYPD	EMW-2020-GR-00251	\$29,623,570	\$11,323,704
Palm Beach County Sheriff's Office	EMW-2020-GR-00252	\$5,289,907	-
CoS	EMW-2020-GR-00253	\$453,295	\$73,550
Township of Hanover	EMW-2020-GR-00254	\$8,940	-
Total		\$67,792,573	\$19,120,558

Source: DHS OIG analysis of FEMA and grantee data
- = Not applicable



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Appendix C
Fringe Benefit Rates Used in NYPD's, MCSO's, and CoS'
Detailed Budgetary Spreadsheets

NYPD Fringe Benefit Rates

Fringe Benefit Category	Fringe Benefit Rates for City FY 2019*		Fringe Benefit Rates for City FY 2020		Fringe Benefit Rates for City FY 2021		Allowable Overtime Fringe Benefit?
	Civilian	Police	Civilian	Police	Civilian	Police	
Pensions	15.68%	57.10%	15.13%	57.83%	16.16%	58.96%	Yes
Social Security	7.15%	7.15%	7.19%	7.19%	7.33%	7.33%	Yes
Health Insurance	19.41%	26.07%	19.90%	26.73%	18.48%	27.93%	No
Supplemental Employee Welfare Benefits	4.14%	3.57%	4.30%	3.60%	4.09%	3.43%	No
Workers' Compensation	1.07%	0.53%	1.02%	0.55%	1.01%	0.52%	Yes
Unemployment Insurance	0.13%	0.13%	0.14%	0.14%	0.13%	0.13%	Yes
Metropolitan Transportation Authority Payroll Tax	0.33%	0.33%	0.33%	0.33%	0.34%	0.34%	Yes
Total Rate	47.91%	94.88%	48.01%	96.37%	47.54%	98.64%	-

Source: DHS OIG analysis of NYPD data
 *New York City's FY is July 1 to June 30.
 - = Not applicable



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MCSO Fringe Benefit Rates

Fringe Benefit Category	Fringe Benefit Rates for FY 2019	Fringe Benefit Rates for FY 2020	Allowable Overtime Fringe Benefit?
Medicare	1.450%	1.450%	Yes
Social Security	6.200%	6.200%	Yes
Pension and Insurance	29.470%	29.800%	Yes
Workers Compensation	1.503%	1.559%	Yes
Health Care	46.565%	44.481%	No
Unemployment	0.730%	0.000%	Yes
Longevity	0.431%	0.396%	Yes
Vacation and Holiday	11.345%	11.404%	No
Sick and Personal	5.526%	5.118%	No
Total Rate	103.220%	100.408%	-

Source: DHS OIG analysis of MCSO data
- = Not applicable

CoS Fringe Benefit Rates

Fringe Benefit Category	Fringe Benefit Rates for FY 2019	Fringe Benefit Rates for FY 2020	Allowable Overtime Fringe Benefit?
Medicare	1.45%	1.45%	Yes
Social Security	6.20%	6.20%	Yes
Health Benefits	20.85%	20.85%	No
Total Rate	28.50%	28.50%	-

Source: DHS OIG analysis of CoS data
- = Not applicable



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Appendix D
Potential Monetary Benefits

Rec. No.	Type of Potential Monetary Benefit	Amount
1 and 2	Questioned Cost – Ineligible	\$19,120,558
1	Funds Put to Better Use (Cost Avoidance)	\$193,915
Total		\$19,314,473



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Appendix E
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