



**EXECUTIVE SUMMARY**  
**Guam Homeland Security/Office of Civil Defense**  
**Operating Costs Series, Part I**  
**OPA Report No. 24-07, June 2024**

The Office of Public Accountability's (OPA) investigative audit on the Guam Homeland Security/Office of Civil Defense's (GHS/OCD) operating costs revealed that \$8.4 million (M) in federal reimbursements have not been received by the General Fund, because the Federal Emergency Management Agency (FEMA) placed grant restrictions due to GHS/OCD's repeated noncompliance with federal guidelines and regulations. Despite claiming 100% federal funding for its operations, GHS/OCD management and their certifying officers were aware of these FEMA-placed restrictions. Operating costs included expenditures of Government of Guam (GovGuam) funds that were not appropriated to GHS/OCD or otherwise authorized by the Guam Legislature.

We identified several documents, including gubernatorial administration transition reports, FEMA monitoring reports, internal audits, and federal audits notifying current and past management and administrations of GHS/OCD grants administration issues since 2011. These documents have repeatedly warned that if corrective action is not taken, then there is a potential danger of GHS/OCD losing its federal funding. These noncompliance issues were caused by the lack of consistent GHS/OCD leadership and a qualified fiscal and grants management team. GHS/OCD's mission is crucial as they respond to all types of emergencies in order to protect lives, environment, and property of the island of Guam; however, its current environment is at high risk for mismanagement.

This investigative audit was prompted by a hotline concern received by the Public Auditor regarding the administration of federal grants at GHS/OCD. Due to the urgency of this matter, delays in responses to our requests from management, and limited access to records, our office is obligated to report our initial findings to the immediate attention of oversight officials for corrective action. A second audit on the appropriateness of GHS/OCD expenditures is ongoing.

**GHS/OCD Owes \$8.4M to the General Fund**

The General Fund has been paying for GHS/OCD operating costs. FEMA placed a hold on the Homeland Security Grant Program (HSGP) and the Emergency Management Performance Grant (EMPG) reimbursements to the General Fund. As of February 16, 2024, the Department of Administration (DOA) reported that GHS/OCD owes \$8.4M to the General Fund for unreimbursed expenditures. The General Fund paid \$71.3M in expenditures under the GHS/OCD operations, FEMA recovery, and tsunami grant programs, and was only reimbursed \$62.9M by FEMA.

Of the \$8.4M, \$7.8M are for GHS/OCD operations under the EMPG and HSGP that have yet to be reimbursed by FEMA. Of the \$7.8M, \$6.3M were for grants that expired between August 2019 and September 2023. Of the expired grants, the General Fund spent more than the grant award for eight grants totaling \$910 thousand (K). These overexpenditures support DOA's Internal Audit Section's findings on the lack of monitoring budgets and system controls.

Since the General Fund is owed \$8.4M, a determination is needed for whether or not the General Fund would be reimbursed by federal funds. Expenditures continue to be incurred without corresponding federal reimbursements. Such expenditures would require certification of availability of funds and management approval.

### **“100% Federally Funded”**

From FY 2018 to FY 2023, the Office of the Governor’s (OOG) budget request amounts did not include GHS/OCD even though GHS/OCD was a “program” listed. Based on the appropriations laws from this period, there was no direct local appropriation to GHS/OCD; however, the appropriations laws authorize “all departments” (e.g. OOG) to spend appropriated funds; and for the Governor to transfer appropriations from OOG to only GHS (not GHS/OCD) for matching requirements of federal grants. If GHS/OCD staff are 100% federally funded, a local fund match of equal amount would be 100%. The General Fund is also subject to the Governor’s transfer authority up to a certain percentage unless “otherwise restricted or specifically allowed by” the General Appropriations Act.

### **In Danger of Losing Its Federal Funding**

FEMA is required to conduct at least a biennial programmatic and financial review of all preparedness grants (e.g. HSGP and EMPG). FEMA’s March 2016 on-site monitoring review listed 11 areas of non-compliance with federal program guidelines and regulations. Most of the deficiencies were areas of non-compliance from the FY 2014 U.S. Department of Homeland Security Office of Inspector General audit that remain unaddressed. FEMA’s 2018 on-site monitoring review contained areas of concern with regards to GHS/OCD’s grants management, of which corrective actions were pending as of February 2019. FEMA also conducted monitoring visits in 2020, 2022, and 2024 on GHS/OCD’s accounting of grant funds, documented policies and procedures, and expenditures.

The unaddressed repeat findings and causes resulted in the freezing of federal reimbursements. The freeze indicates how risky it is for the federal government to continue to invest in GHS/OCD. Despite this, the General Fund continues to support GHS/OCD’s mission.

FEMA’s ongoing concerns about GHS/OCD’s ability to properly manage and administer federal grant awards prompted them to contract a private auditing firm, Premier Audit Group Services, Inc. (Premier Group), to conduct a program-specific audit. The audit, released in May 2024, issued a disclaimer of opinion on GHS/OCD’s Fund Accountability Statement from October 2015 to December 2022. Auditors were unable to confirm or verify the costs incurred by GHS/OCD, as well as determine whether the costs were allowable and allocable. As a result, questioned costs totaled \$34.7M and is subject to FEMA’s decision whether or not to sustain the findings and have GHS/OCD repay disallowed costs.

### **Conclusion and Recommendations**

GHS/OCD continues to be funded by the General Fund without direct local appropriations despite the lack of full reimbursement from FEMA due to noncompliance. As a result, unrealized revenues<sup>1</sup> of \$8.4M existed as of February 2024. Although federal funds make costly initiatives happen, GovGuam should not rely on federal funding alone if it cannot ensure compliance.

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<sup>1</sup> Unrealized revenues are funds that could have been collected but were not.

We believe GHS/OCD's mission of protecting the people of Guam from manmade and natural threats is critical and needs to be supported; however, its current environment is at high risk for continued mismanagement, if not urgently addressed. Thus, we recommend for OOG to:

- 1.) Work with the Legislature to determine whether or not to appropriate or authorize local funding directly to GHS/OCD; and
- 2.) Immediately address the causes identified in prior audit reports, monitoring reviews, and transition reports to mitigate the risk of losing "100%" of GHS/OCD's federal funding.

In their management response, the OCD Administrator concurred with our recommendations and provided a proposed corrective action plan. We commend GHS/OCD for preparing the plan as it reflects their commitment to addressing the issues identified in the audit report. The legislation creating the OPA requires agencies to prepare a corrective action plan, document their progress, and implement the recommendations no later than the beginning of the next fiscal year.



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