

**GAO**

Testimony

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**HOMELAND SECURITY**

**Management of First Responder Grant Programs and Efforts to Improve Accountability Continue to Evolve**

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Homeland Security and Justice





Highlights of [GAO-05-530T](#), a testimony to the Subcommittee on Emergency Preparedness, Science, and Technology, Committee on Homeland Security, House of Representatives

## Why GAO Did This Study

In fiscal years 2002 through 2005, the Office for Domestic Preparedness (ODP) within the Department of Homeland Security managed first responder grants totaling approximately \$10.5 billion. The bulk of this funding has been for statewide grants through the State Homeland Security Grant Program and urban area grants through the Urban Areas Security Initiative.

This testimony provides information on the history and evolution of these two grant programs, particularly with respect to ODP grant award procedures; timelines for awarding and transferring grant funds; and accountability for effective use of grant funds.

## What GAO Recommends

In prior reports on issues related to federal funding and oversight of grants for first responders, GAO has made recommendations for strengthening federal leadership, cooperation, and planning efforts. These include developing a coordinated strategic plan for use of first responder funds in the National Capital Region and monitor the plan's implementation and using grant guidance to encourage the development of statewide plans for interoperable communications. The National Capital Region and DHS agreed with these recommendations and are working to implement them.

[www.gao.gov/cgi-bin/getrpt?GAO-05-530T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-530T)

To view the full product, including the scope and methodology, click on the link above. For more information, contact William O. Jenkins, Jr., at (202) 512-8777 or [jenkinswo@gao.gov](mailto:jenkinswo@gao.gov).

# HOMELAND SECURITY

## Management of First Responder Grant Programs and Efforts to Improve Accountability Continue to Evolve

### What GAO Found

Federal first responder grants are a means of achieving an important goal—enhancing the ability of first responders to prevent, prepare for, respond to, and recover from terrorist and other incidents with well-planned, well-coordinated efforts that involve a variety of first responders from multiple jurisdictions. ODP has led federal efforts to develop these capabilities in part through its management of federal first responder grants.

ODP has modified grant award procedures for states and localities. ODP developed procedures and guidelines for awarding the State Homeland Security Grant Program and the Urban Areas Security Initiative grants to states, and for determining how states and localities could expend funds and seek reimbursement for first responder equipment or services they purchased. As part of this process, ODP gave states some flexibility by allowing them to determine how grant funds were to be managed and distributed within their states and whether purchases would be made locally or at the state level.

Congress, ODP, states, and localities have acted to expedite grant awards by setting time limits for the grant application, award, and distribution processes and by instituting other procedures. Nevertheless, the ability of states and localities to spend grant funds expeditiously was complicated by the need to fulfill state and local legal and procurement requirements, which in some cases added months to the purchasing process. Some states have modified their procurement practices, and ODP is identifying best practices to aid in the effort, but challenges remain.

ODP has taken steps to improve accountability in the state preparedness planning process, in part by requiring states to update homeland security strategies. In tandem with this effort, ODP revised its grant-reporting method, moving away from requiring states, localities, and urban areas to submit itemized lists of first responder equipment they plan to purchase towards a more results-based approach, whereby grant managers at all levels must demonstrate how grant expenditures are linked to larger projects that support goals in state homeland security strategies. As part of a broader effort to meet mandates contained in Homeland Security Presidential Directive 8, addressing national preparedness goals for all hazards, ODP has taken steps to ensure more assessments of first responder needs are conducted on a national basis. Finally, ODP recently issued interim national preparedness goals that reflect the department's progress in developing readiness targets, priorities, standards for preparedness assessments and strategies, and a system for assessing the nation's overall level of preparedness. However, DHS's task of finalizing these goals and translating them into capabilities that are meaningful and readily transferable to the wide variety of local jurisdictions around the nation is still not complete.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss federal funding for first responders. The events of September 11, 2001, highlighted the critical role of the nation's first responders in preventing, preparing for, responding to, and recovering from the effects of a terrorist attack. In fiscal years 2002 through 2005, the Office for Domestic Preparedness (ODP) within the Department of Homeland Security (DHS)<sup>1</sup> managed first responder grants totaling approximately \$10.5 billion. The bulk of this funding has been for the State Homeland Security Grant Program<sup>2</sup> (statewide) and the Urban Areas Security Initiative (urban area) grants. Although the grant programs have evolved over time, this money has generally been available for planning, equipment, exercises, training, and administrative costs. The grants have also generally been targeted at preventing, preparing for, responding to, and recovering from terrorist events.

The amount of federal funding for ODP grant programs has increased significantly since September 11. Accompanying this increase has been a discussion at the federal, state, and local levels of the most appropriate means of allocating these funds, developing plans that set priorities for their use, and assessing the effective use of the funds. Several factors could affect how these things are done in the future. For example, recent congressional proposals have addressed the most appropriate means to allocate grant funds to states. In addition, the issuance of Homeland Security Presidential Directive 8 (HSPD-8) in December 2003—calling for, among other things, a new national preparedness goal and performance measure that pertained to “all hazards”—placed first responder grant programs, including those managed by ODP, into a broader context that is to consider the nation's readiness to respond to all major events, including natural disasters as well as acts of terrorism.

We are currently conducting a review of DHS's implementation of HSPD-8 and expect to issue our report in the summer of 2005, looking at how DHS is working with state and local governments and first responders to implement it.

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<sup>1</sup>Grants funds for domestic preparedness programs for state and local governments are also provided by other DHS components and other agencies, including the Departments of Justice and Health and Human Services.

<sup>2</sup>In fiscal year 2002, the grant program was called the State Domestic Preparedness Program.

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My statement today provides information on the history and evolution of the two largest grant programs, particularly with respect to ODP grant award procedures; timelines for awarding and transferring grant funds; and accountability for effective use of grant funds. My comments are based on our report<sup>3</sup> on the management of first responder grant programs as well as updated information on DHS's progress since the report's issuance in addressing its challenges.

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## Summary

Federal first responder grants are a means of achieving an important goal—enhancing the ability—through equipment, skills, and training—of first responders to prevent, prepare for, respond to, and recover from terrorist and other incidents with well-planned, well-coordinated efforts that involve police, fire, emergency medical, public health, and other personnel from multiple jurisdictions. As we noted in our May 2004 report on the management of first responder funds in the National Capital Region, effectively managing first responder grant funds requires the ability to measure progress and provide accountability for the use of public funds. This includes developing and implementing strategies, establishing baselines, developing and implementing performance goals and data quality standards, collecting reliable data, analyzing the data, assessing the results, and taking action based on the results. This strategic approach to homeland security includes identifying threats and managing risks, aligning resources to address them, and assessing progress in preparing for those threats and risks.

ODP has modified grant award procedures for states and localities. ODP developed procedures and guidelines for awarding statewide and urban area grants to states, and for determining how states and localities could expend funds and seek reimbursement for first responder equipment or

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<sup>3</sup>See GAO, *Homeland Security: Management of First Responder Grant Programs Has Improved, but Challenges Remain*, [GAO-05-121](#), (Washington, D.C.: Feb. 2, 2005). As part of the review, we visited five selected states: Arizona, California, Florida, Missouri, and Pennsylvania. We conducted our work from November 2003 through November 2004 in accordance with generally accepted government auditing standards. See also GAO, *Emergency Preparedness: Federal Funds for First Responders*, [GAO-04-788T](#), (Washington, D.C.: May 13, 2004); GAO, *Homeland Security: Management of First Responder Grants in the National Capital Region Reflects the Need for Coordinated Planning and Performance Goals*, [GAO-04-443](#), (Washington, D.C.: May 28, 2004); and GAO, *Homeland Security: Federal Leadership and Intergovernmental Cooperation Required to Achieve First Responder Interoperable Communications*, [GAO-04-740](#) (Washington, D.C.: July 20, 2004).

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services they purchased. As part of this process, ODP gave states some flexibility by allowing them to determine how grant funds were to be managed and distributed within their states and whether purchases would be made locally or at the state level.

Congress, ODP, states, and localities have acted to expedite grant awards by setting time limits for the grant application, award, and distribution processes and by instituting other procedures. ODP also took steps to expedite the transfer of funds from states to local jurisdictions, allowing states, for example, to transfer grant funds to localities before all required documentation had been submitted to ODP. Nevertheless, the ability of states and localities to spend grant funds expeditiously was complicated by the need to fulfill state and local legal and procurement requirements, which in some cases added months to the purchasing process. Some states have modified their procurement practices, and ODP is identifying best practices to aid in the effort, but challenges remain.

ODP has taken steps to improve accountability in the state preparedness planning process. For example, in fiscal year 2003, ODP required states to update homeland security strategies. These strategies are intended to guide state and local jurisdictions in targeting grant funds. In tandem with this effort, ODP revised its grant-reporting method, moving away from requiring states, localities, and urban areas to submit itemized lists of first responder equipment they plan to purchase toward a more results-based approach, whereby grant managers at all levels must demonstrate how grant expenditures are linked to larger projects that support goals in the states' homeland security strategies. In addition, as part of a broader effort to meet mandates contained in HSPD-8, ODP has begun drafting national preparedness standards that are intended to ensure more assessments of first responder needs on a national basis. DHS recently issued a document entitled "Interim National Preparedness Goal", which reflects the department's progress in developing readiness targets, priorities, standards for preparedness assessments and strategies, and a system for assessing the nation's overall level of preparedness.

In our prior work, we have recommended that expenditures in the National Capital Region and state and local expenditures for interoperable communications be guided by a strategic plan that identifies priorities, and that fund expenditures be monitored to ensure that they are targeted in compliance with the goals and priorities identified in the plan. The National Capital Region's Senior Policy Group and DHS generally agreed with these respective recommendations. The Senior Policy Group, in conjunction with representatives from the jurisdictions in the National

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Capital Region, has been working to develop a regionwide plan for the use of first responder funds. On November 1, 2004, DHS's SAFECOM program issued its methodology to assist states in developing statewide interoperable communications plans that could be used to guide future expenditures.

The task of enhancing first responder capabilities across the nation is a complex and daunting one. ODP must continue to work with state, local, and tribal governments, and the private sector to finish the tasks it has begun. At the same time, state, local, and tribal governments, and the private sector must recognize that the process is iterative, will include periodic adjustments and refinements, and that risks are not equally distributed across the nation.

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## Background

The Department of Justice established the ODP in 1998 within the Office of Justice Programs to assist state and local first responders in acquiring specialized training and equipment needed to respond to and manage terrorist incidents involving weapons of mass destruction. ODP, which was transferred to DHS upon its creation in March 2003, has been a principal source of domestic preparedness grant funds. These grants are a means of achieving an important goal—enhancing the ability of first responders to prevent, prepare for, respond to, and recover from terrorist incidents with well-planned and well-coordinated efforts that involve police, fire, emergency medical, public health, and other personnel from multiple jurisdictions. In March 2004, the Secretary of Homeland Security consolidated ODP with the Office of State and Local Government Coordination to form the Office of State and Local Government Coordination and Preparedness (SLGCP). In addition, other preparedness grant programs from agencies within DHS were also transferred to SLGCP. SLGCP, which reports directly to the Secretary, was created to provide a one-stop shop for the numerous federal preparedness initiatives applicable to state and local first responders. Within SLGCP, ODP continues to have program management and monitoring responsibilities for the domestic preparedness grants.

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## Status of Grant Funding and Allocation

From fiscal year 2002 through fiscal year 2005, the amount of domestic preparedness grants awarded by ODP increased from about \$436 million to about \$3.3 billion. The scope of ODP's grant programs expanded as well, from funding only first responder advanced equipment, exercises, and administrative activities in fiscal year 2002 to funding a range of preparedness planning activities, exercises, training, equipment purchases, and related program management and administrative costs in fiscal year 2005. During fiscal years 2002 through 2005, the State Homeland Security

Grant Program and Urban Areas Security Initiative program accounted for about 69 percent of total ODP grant funds. Table 1 shows the amounts provided for the domestic preparedness grant programs.

**Table 1: ODP Grant Program Funding for Fiscal Years 2002 through 2005**

Dollars in thousands

Grant program	2002	2003	2004	2005	Total	Percent of total funding
<b>State Homeland Security Grant Program</b>	\$315,700	\$2,066,295	\$1,675,058	\$1,062,285	\$5,119,338	48.9
<b>Urban Areas Security Initiative</b>	<sup>a</sup>	596,351	671,017	854,657	2,122,025	20.3
<b>Subtotal</b>	315,700	2,662,646	2,346,075	1,916,942	7,241,363	69.2
<b>Other Grants</b>	119,979 <sup>b</sup>	388,081 <sup>c</sup>	1,349,491 <sup>d</sup>	1,361,637 <sup>e</sup>	3,219,188	30.8
<b>Total</b>	<b>\$435,679</b>	<b>\$3,050,727</b>	<b>\$3,695,566</b>	<b>\$3,278,579</b>	<b>\$10,460,551</b>	<b>100.0</b>

Source: ODP.

<sup>a</sup>Not funded in this year.

<sup>b</sup>Includes the following five grant programs: Law Enforcement Enhancement Program, New York Equipment Replacement Program, National Domestic Preparedness Consortium, Homeland Defense Equipment Reuse Program Pilot Project Support Grant, and Domestic Preparedness Training and Technical Assistance Program—St. Petersburg College.

<sup>c</sup>Includes the following 15 grant programs: Urban Areas Security Initiative Port Security Grant Program, Urban Areas Security Initiative Transit Security Grant Program, Urban Areas Security Initiative Pilot Projects, Urban Areas Security Initiative Radiological Defense System, Counterterrorism Institute Grant Program, TOPOFF II, Washington Metropolitan Area Transit Authority, Airborne Imaging in Support of Emergency Operations, Testing and Evaluation of Emergency Response Equipment, Terrorism Early Alert and Strategic Planning System, Homeland Defense Equipment Reuse Program, Northern Virginia Emergency Response Coalition Grant Program, Domestic Preparedness Equipment Training and Technical Assistance Program, National Domestic Preparedness Consortium and Multistate Anti-Terrorism Information Exchange Project.

<sup>d</sup>Includes the following seven grant programs: Assistance to Firefighters Grant, Citizen Corps Program, Competitive Training Grants Program, Information Technology and Evaluation Program, Law Enforcement Terrorism Prevention Program, Operation Safe Commerce—Phase III, and Urban Areas Security Initiative Transit Security Program.

<sup>e</sup>Includes the following eight grant programs: Assistance to Firefighters Grant, Buffer Zone Protection Program, Citizen Corps Program, Competitive Training Grants Program, Emergency Management Performance Grants, Law Enforcement Terrorism Prevention Program, Metropolitan Medical Response System, and Operation Safe Commerce—Phase III.

For fiscal years 2002 through 2005, ODP awarded approximately \$2.1 billion in urban area grant funds to selected urban areas identified by DHS. The amount of individual urban area grants is determined through a combination of factors, including current threat estimates, an assessment of each area's critical assets, and population density. For the same period, ODP awarded approximately \$5.1 billion in statewide grant funds to states

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to enhance domestic preparedness. Under its current funding formula,<sup>4</sup> approximately 40 percent of statewide grant funds are shared equally among states, while the remaining amount is distributed according to state population.<sup>5</sup>

Several congressional proposals have been advanced to alter the statewide funding formula to base it more directly on risk considerations. One proposal would largely maintain the portion of funds shared equally by the states but would base the distribution of the remaining funds on a risk-based formula similar to the one currently used for urban area grants. Another proposal from the House Homeland Security Committee would reduce the minimum amount of funding shared equally by states to approximately 14 percent of total funding and establish a board to allocate the remaining funds through an evaluation of threat, vulnerability, and the potential consequences of a terrorist attack.

GAO supports a risk-based approach to homeland security. Adoption of a risk management framework can aid in assessing risk by determining which vulnerabilities should be addressed in what ways within available resources. Assessing risk for specific assets or locations is defined by two conditions: (1) probability or likelihood, quantitative or qualitative, that an adverse event would occur, and (2) consequences, the damage resulting from the event, should it occur. Because it is unlikely that sufficient resources will be available to address all risks, it becomes necessary to prioritize both risks and the actions taken to reduce those risks, taking cost into consideration. For example, which actions will have the greatest net potential benefit in reducing one or more risks?

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## ODP Grant Award Procedures

Over time, ODP has modified its grant application processes and procedures for awarding grants to states, governing how states distribute funds to local jurisdictions, and facilitating reimbursements for states and localities. To obtain funding, state and urban area grantees must submit applications to ODP and have them approved. In fiscal year 2004, ODP began to streamline the application process. According to ODP, based on

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<sup>4</sup>The current formula provides each state, the District of Columbia, and the Commonwealth of Puerto Rico 0.75 percent and each territory 0.25 percent of the total grant funds. The remaining grant funds are allocated to states and territories on a population-share basis.

<sup>5</sup>The funding formula was also used in fiscal years 2004 and 2005 for two other grant programs managed by ODP: the Law Enforcement Terrorism Prevention Program and Citizen Corps Program.



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feedback from the grantees, and to continue to improve the grant programs, it combined three grant programs into a single grant application solicitation. In fiscal year 2005, the number of combined programs increased to six. ODP stated that the consolidation was done to streamline the grant application process and better coordinate federal, state, and local grant funding distribution and operations.

For the statewide grant programs, ODP has allowed the states flexibility in deciding how the grant programs are structured and implemented in their states. In general, states are allowed to determine such things as the following:

- the formula for distributing grant funds to local jurisdictional units;
- the definition of what constitutes a local jurisdiction eligible to receive funds, such as a multicounty area;
- the organization or agency that would be designated to manage the grant program; and
- whether the state or local jurisdictions would purchase grant-funded items for the local jurisdictions.

Urban area grantees, for the most part, have had flexibilities similar to those of the states and could, in coordination with members of the Urban Area Working Group, designate contiguous jurisdictions to receive grant funds. For the first round of the urban area grants in fiscal year 2003, the grants were made directly to the seven urban areas identified as recipients.<sup>6</sup> Starting with the second round of urban area grants in 2003, grants were made to states, which then subgranted the funds to the designated urban areas, but retained responsibility for administering the grant program. The core city and county/counties work with the state administrative agency to define the geographic borders of the urban area and coordinate with the Urban Area Working Group.

Once the grant funds are awarded to the states and then subgranted to the local jurisdictions or urban areas, certain legal and procurement requirements have to be met, such as a city council's approval to accept grant awards. Once these requirements are satisfied, states, local jurisdictions, and urban areas can then obligate their funds for first

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<sup>6</sup>The seven urban area recipients were Los Angeles and San Francisco, California; Chicago, Illinois; New York City, New York; Houston, Texas; Seattle, Washington; and the National Capital Region. Since then, urban area recipients have grown to include 50 recipients in 27 states and the National Capital Region in fiscal year 2005.

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responder equipment, exercises, training, and services. Generally, when a local jurisdiction or urban area directly incurs an expenditure, it submits related procurement documents, such as invoices, to the state. The state then draws down the funds from the Justice Department's Office of Justice Programs.<sup>7</sup> According to this office, funds from the U.S. Treasury are usually deposited with the states' financial institution within 48 hours. The states, in turn, provide the funds to the local jurisdiction or urban area.

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## Timelines Established for Awarding and Transferring Grant Funds

Since the first announcement of the dramatic increase in first responder grants after the terrorist attacks of September 11, 2001, the speed with which the funding reached localities has been a matter of concern and some criticism. Congress, state and local officials, and others expressed concerns about the time ODP was taking to award grant funds to states and for states to transfer grant funds to local jurisdictions. Beginning in fiscal year 2003, ODP, at congressional direction, demonstrated significant progress in expediting grant awards to states. For the fiscal year 2002 statewide grants, ODP was not required to award funds to states within a specific time frame. During fiscal year 2002, ODP took 123 days to make the statewide grant application available to states and, on average, about 21 days to approve states' applications after receipt. For the second round of fiscal year 2003 statewide grants, however, the appropriations act required that ODP make the grant application available to states within 15 days of enactment of the appropriation and approve or disapprove states' applications within 15 days of receipt. According to ODP data, ODP made the grant application for this round of grants available to states within the required deadline and awarded over 90 percent of the grants within 14 days of receiving the applications. The appropriations act also mandated that states submit grant applications within 30 days of the grant announcement. According to ODP data, all states met the statutory 30-day mandate; in fact, the average number of days from grant announcement to application submission declined from about 81 days in fiscal year 2002 to about 23 days for the second round of fiscal year 2003 statewide grants.

The transfer of funds from states to local jurisdictions has also received attention from Congress and ODP. To expedite the transfer of grant funds from the states to local jurisdictions, ODP program guidelines and

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<sup>7</sup>The Comptroller's Office within the Office of Justice Programs continues to act as financial manager for DHS first responder grant programs. DHS plans to establish its own Office of Grant Operations within ODP during fiscal year 2005.

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subsequent appropriations acts imposed additional deadlines on states. For the fiscal year 2002 statewide grants, there were no mandatory deadlines or dates by which states should transfer grant funds to localities. One of the states we visited, for example, took 91 days to transfer these grant funds to a local jurisdiction while another state we visited took 305 days. Beginning with the first round of fiscal year 2003 statewide grants, ODP required in its program guidelines that states transfer grant funds to local jurisdictions within 45 days of the grant award date. Congress subsequently included this requirement in the appropriations act for the second round of fiscal year 2003 statewide grant funds. To ensure compliance, ODP required states to submit a certification form indicating that all awarded grant funds had been transferred within the required 45-day period. States that were unable to meet the 45-day period had to explain the reasons for not transferring the funds and indicate when the funds would be transferred. According to ODP, for the first and second rounds of the fiscal year 2003 grants, respectively, 33 and 31 states certified that the required 45-day period had been met.<sup>8</sup>

To further assist states in expediting the transfer of grant funds to local jurisdictions, ODP also modified its requirements for documentation to be submitted as part of the grant application process for fiscal years 2002 and 2003. In fiscal year 2002, ODP required states to submit and have approved by ODP budget detail worksheets and program narratives indicating how the grant funds would be used for equipment, exercises, and administration. If a state failed to submit the required documentation, ODP would award the grant funds, with the special condition that the state could not transfer, expend, or draw down any grant funds until the required documentation was submitted and approved. In fiscal year 2002, ODP imposed special conditions on 37 states for failure to submit the required documentation and removed the condition only after the states submitted the documentation. The time required to remove the special conditions ranged from about 1 month to 21 months. For example, in one state we reviewed, ODP awarded the fiscal year 2002 statewide grant funds and notified the state of the special conditions on September 13,

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<sup>8</sup>For the second round of fiscal year 2003 statewide grants, states had to certify that they had met the statutory requirement to transfer 80 percent of the awarded funds for first responder preparedness and 50 percent of the awarded funds for critical infrastructure protection to local jurisdictions within the required 45-day period. According to ODP, letters were distributed to states that had not submitted the certification form or were not certified, followed by a series of phone calls to collect the pertinent information.

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2002; the special conditions were removed about 6 months later on March 18, 2003, after the state had met those conditions.

In fiscal year 2003, however, ODP allowed states to move forward more quickly, by permitting them to transfer grant funds to local jurisdictions before all required grant documents had been submitted. If a state failed to submit the required documentation for the first round of fiscal year 2003 statewide grants, ODP awarded the grant funds and allowed the state to transfer the funds to local jurisdictions. While the state and local jurisdictions could not expend—and the state could not draw down—the grant funds until the required documentation was submitted and approved, they could plan their expenditures and begin state and locally required procedures, such as obtaining approval of the state legislature or city council to use the funds. Later that fiscal year, ODP further relaxed this requirement and allowed the states to transfer, expend, and draw down grant funds immediately after ODP awarded the grant funds. The states only had to submit all documentation along with their biannual progress reports.

Despite congressional and ODP efforts to expedite the award of grant funds to states and the transfer of those funds to localities, some states and local jurisdictions could not expend the grant funds to purchase equipment or services until other, nonfederal requirements were met. Some state and local officials' ability to spend grant funds was complicated by the need to meet various state and local legal and procurement requirements and approval processes, which could add months to the process of purchasing equipment after grant funds had been awarded. For example, in one state we visited, the legislature must approve how the grant funds will be expended. If the state legislature is not in session when the grant funds are awarded, it could take as long as 4 months to obtain state approval to spend the funds.

Some states, in conjunction with DHS, have modified their procurement practices to expedite the procurement of equipment and services. Officials in two of the five states we visited told us they established centralized purchasing systems that allow equipment and services to be purchased by the state on behalf of local jurisdictions, freeing them from some local legal and procurement requirements. In addition, the DHS's Homeland Security Advisory Council Task Force reported that several states developed statewide procurement contracts that allow local jurisdictions to buy equipment and services using a prenegotiated state contract. DHS has also offered options for equipment procurement, through agreements with the U.S. Department of Defense's Defense Logistics Agency and the

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Marine Corps Systems Command, to allow state and local jurisdictions to purchase equipment directly from their prime vendors. These agreements provide an alternative to state and local procurement processes and, according to DHS, often result in a more rapid product delivery at a lower cost.

Congress has also taken steps to address a problem that some states and localities cited concerning a federal law, the Cash Management Improvement Act (CMIA), that provides for reimbursement to states and localities only after they have incurred an obligation, such as a purchase order, to pay for goods and services. Until fiscal year 2005, after submitting the appropriate documentation, states and localities could receive federal funds to pay for these goods and services several days before the payment was due so that they did not have to use their own funds for payment. However, according to DHS's Homeland Security Advisory Council Task Force report, many municipalities and counties had difficulty participating in this process either because they did not receive their federal funds before payment had to be made or their local governments required funds to be on hand before commencing the procurement process.<sup>9</sup> Officials in one city we visited said that, to solve the latter problem, the city had to set up a new emergency operations account with its own funds. The task force recommended that for fiscal year 2005, ODP homeland security grants be exempt from a provision of CMIA to allow funds to be provided to states and municipalities up to 120 days in advance of expenditures. In response, the fiscal year 2005 DHS appropriations legislation<sup>10</sup> included a provision that exempts formula-based grants (e.g., the State Homeland Security Grant Program grants) and discretionary grants, including the Urban Areas Security Initiative and other ODP grants, from the CMIA's requirement that an agency schedule the transfer of funds to a state so as to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the state's disbursement of the funds for program purposes. ODP's fiscal year 2005 program guidelines informed grantees and subgrantees that they are allowed to draw down funds up to 120 days prior to expenditure.

In addition, DHS efforts are under way to identify and disseminate best practices, including how states and localities manage legal and

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<sup>9</sup>U.S. Department of Homeland Security, *The Homeland Security Advisory Council, A Report from the Task Force on State and Local Homeland Security Funding* (June 2004).

<sup>10</sup>Pub. L. No. 108-334, §521, 118 Stat. 1298, 1319 (2004).

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procurement issues that affect grant distribution. DHS's Homeland Security Advisory Council Task Force reported that some jurisdictions have been "very innovative" in developing mechanisms to support the procurement and delivery of emergency-response-related equipment. The task force recommended that, among other things, DHS should, in coordination with state, county, and other governments, identify, compile, and disseminate best practices to help states address grant management issues. ODP has responded by establishing a new Homeland Security Preparedness Technical Assistance Program service to enhance the grant management capabilities of state administrative agencies and by surveying states to identify their technical needs and best practices they have developed related to managing and accounting for ODP grants, including the procurement of equipment and services at the state and local levels. This information is to serve as a foundation for the development of a tailored, on-site assistance program for states to ensure that identified best practices are implemented and critical grant management needs and problems are addressed. According to ODP, the technical assistance service was made operational in December 2004, however, the final compendium of best grants management practices will not be formally released until May 2005.

Despite efforts to streamline local procurement practices, some challenges remain at the state and local levels. An ODP requirement that is based on language in the appropriations act could delay procurements, particularly in states that have a centralized purchasing system. Specifically, beginning with the fiscal year 2004 grant cycle, states were required by law to pass through no less than 80 percent of total grant funding to local jurisdictions within 60 days of the award. In order for states to retain grant funds beyond the 60-day limit, ODP requires states and local jurisdictions to sign a memorandum of understanding (MOU) indicating that states may retain—at the local jurisdiction's request—some or all funds in order to make purchases on a local jurisdiction's behalf. The MOU must specify the amount of funds to be retained by the state. This requirement may pose problems for some states. A state official in one state we visited said that, while the state's centralized purchasing system had worked well in prior years, the state has discontinued using it because of the MOU requirement, since establishing MOUs with every locality might take years. The state transferred the fiscal year 2004 grant funds to local jurisdictions so they can make their own purchases. In another state, officials expressed concern that this requirement would negatively affect their ability to maintain homeland security training provided to local jurisdictions at state colleges that had been previously funded from local jurisdictions' grant funds. In the fiscal year 2005 grant program guidelines, states were

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encouraged, but not required, to submit their MOUs to ODP for review by DHS's Office of General Counsel to ensure compliance.

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## Accountability for Effective Use of Grant Funds

In distributing federal funds to states to assist first responders in preventing, preparing for, and responding to terrorist threats, the federal government has required states to develop strategies to address their homeland security needs as a condition for receiving funding. The details of this federal requirement have also evolved over time.

Before the events of September 11, 2001, ODP required states to develop homeland security strategies that would provide a roadmap of where each state should target grant funds. To assist the states in developing these strategies, state agencies and local jurisdictions were directed to conduct needs assessments on the basis of their own threat and vulnerability assessments. The needs assessments were to include related equipment, training, exercise, technical assistance, and research and development needs. In addition, state and local officials were to identify current and required capabilities of first responders to help determine gaps in capabilities.

In fiscal year 2003, ODP directed the states to update their homeland security strategies to better reflect post-September 11 realities and to identify progress on the priorities originally outlined in the initial strategies.<sup>11</sup> As required by statute, completion and approval of these updated strategies were a condition for awarding fiscal year 2004 grant funds.

ODP has also revised its approach on how states and localities report on grant spending and use. ODP took steps to shift the emphasis away from reporting on specific items purchased and toward results-based reporting on the impact of states' expenditures on preparedness. ODP maintains an authorized equipment list that includes such diverse items as personal protection suits for dealing with hazardous materials and contamination, bomb response vehicles, and medical supplies. This information is in turn listed on the budget worksheets that localities submitted to states for their review. Until the fiscal year 2004 grant cycle, states were required to submit itemized budget detail worksheets that itemized each item to be

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<sup>11</sup>In fiscal year 2003, the urban area grantees were required to prepare and obtain approval of their urban area strategies.

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purchased under first responder grants. ODP found, however, that, while the worksheets reflected the number and cost of specific items that states and localities planned to purchase, neither states nor ODP had a reporting mechanism to specifically assess how well these purchases would, in the aggregate, meet preparedness planning needs or priorities, or the goals and objectives contained in state or urban area homeland security strategies. Accordingly, ODP revised its approach for fiscal year 2004 and required that states, instead of submitting budget detail worksheets to ODP, submit new “Initial Strategy Implementation Plans” (ISIP). These ISIPs are intended to show how planned grant expenditures for all funds received are linked to one or more larger projects, which in turn support specific goals and objectives in either a state or urban area homeland security strategy. In addition to the ISIPs, ODP now requires the states to submit biannual strategy implementation reports showing how the actual expenditure of grant funds at both the state and local levels was linked by projects to the goals and objectives in the state and urban area strategy.

Reports by GAO and DHS’s Office of Inspector General, as well as by the House Homeland Security Committee, have identified the need for clear national guidance in defining the appropriate level of preparedness and setting priorities to achieve it. The lack of such guidance has in the past been identified as hindering state and local efforts to prioritize their needs and plan how best to allocate their homeland security funding. We have reported that national preparedness standards that can be used to assess existing first responder capacities, identify gaps in those capacities, and measure progress in achieving specific performance goals are essential to effectively managing federal first responder grant funds as well as to the ability to measure progress and provide accountability for the use of public funds.

ODP has responded to the calls for national preparedness standards and specifically to HSPD-8 that required DHS to develop a new national preparedness goal and performance measures, standards for preparedness assessments and strategies, and a system for assessing the nation’s overall preparedness. In order to develop performance standards that will allow ODP to measure the nation’s success in achieving this goal, ODP is using a capabilities-based planning approach—one that defines the capabilities required by states and local jurisdictions to respond effectively to likely threats. These capability requirements are to establish the minimum levels of capability required to provide a reasonable assurance of success against a standardized set of 15 scenarios for threats and hazards of national significance. The scenarios include such potential emergencies as a biological, nuclear or cyber attack, two natural disasters, and a flu



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pandemic. The objective is to develop the minimum number of credible, high-consequence scenarios needed to identify a broad range of prevention and response requirements.

As part of the HSPD-8 implementation process, in January 2005, ODP issued a list of capability requirements<sup>12</sup> in keeping with a requirement of the fiscal year 2005 DHS appropriations act.<sup>13</sup> To help define the capabilities that jurisdictions should set as targets, ODP first defined the essential tasks that need to be performed from the incident scene to the national level for major events illustrated by the 15 scenarios. It then developed a Target Capabilities List that identifies 36 areas in which responding agencies are expected to be proficient in order to perform these critical tasks. ODP further plans to develop performance measures, on the basis of the target capability standards that define the minimal acceptable proficiency required in performing the tasks outlined in the task list. According to ODP's plan, the measures will allow the development of a rating methodology that incorporates preparedness resources and information about overall performance into a summary report that represents a jurisdiction's or agency's ability to perform essential prevention, response, or recovery tasks. The office acknowledges that this schedule may result in a product that requires future incremental refinements but has concluded that this is preferable to spending years attempting to develop a "perfect" process.

On March 31, 2005, DHS issued a document entitled "Interim National Preparedness Goal" that reflects the department's progress in developing readiness targets, priorities, standards for preparedness assessments and strategies, and a system for assessing the nation's overall level of preparedness. The document also states that National Preparedness Guidance will follow within 2 weeks. This guidance is to include, in DHS' words, "detailed instructions on how communities can use the Goal and a description of how the Goal will generally be used in the future to allocate Federal preparedness assistance." DHS expects to issue a Final Goal and an updated target capabilities list on October 1, 2005. Over the next several months, ODP plans to work with its stakeholders to identify the levels of

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<sup>12</sup>U.S. Department of Homeland Security, Office of State and Local Government Coordination and Preparedness, *Target Capabilities List: Version 1.0* (January 2005).

<sup>13</sup>The act required ODP to provide state and local jurisdictions with nationally accepted first responder preparedness levels no later than January 31, 2005.

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capabilities that various types of jurisdictions should possess in order for the Nation to reach the desired state of national preparedness.

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## Prior GAO Recommendations with Regard to First Responder Grants

In May 2004, we reported on the use of first responder grant monies in the National Capital Region, which includes the District of Columbia and specified surrounding jurisdictions in the states of Maryland and Virginia.<sup>14</sup> We found that the grant monies were not being spent in accordance with a regional plan for their use. To ensure that emergency preparedness grants and associated funds were managed in a way that maximizes their effectiveness, we recommended that the Secretary of Homeland Security work with NCR jurisdictions to develop a coordinated strategic plan to establish goals and priorities for the use of funds, monitor the plan's implementation to ensure that funds are used in a way that are not unnecessarily duplicative, and evaluate the effectiveness of expenditures in addressing gaps in preparedness. DHS and the Senior Policy Group of the National Capital Region generally agreed with our recommendations and have been working to implement them.

In our report on interoperable communications for first responders, we found that federal assistance programs to state and local government did not fully support regional planning for communications interoperability. We also found that federal grants that support interoperability had inconsistent requirements to tie funding to interoperable communications plans. In addition, uncoordinated federal and state level grant reviews limited the government's ability to ensure that federal funds were used to effectively support improved regional and statewide communications systems. We recommended that DHS grant guidance encourage states to establish a single statewide body responsible for interoperable communications that would prepare a single comprehensive statewide interoperability plan for federal, state, and local communications systems in all frequency bands. We also recommended that at the appropriate time, that DHS grant guidance should require that federal grant funding for interoperable communications equipment should be approved only upon certification by the statewide body that such grant applications were in conformance with the statewide interoperability plan. In its comments on our draft report, DHS did not address the second recommendation. However, on November 1, 2004, the SAFECOM office with DHS Office of

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<sup>14</sup>Included are the District of Columbia, Montgomery and Prince George's Counties in Maryland; Arlington, Fairfax, Loudoun, and Prince William Counties and the City of Alexandria in Virginia; and all cities and other unites of government within the geographic areas of such district, counties, and city. Our work focused on the eight largest jurisdictions.

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Interoperability and Compatibility issued its methodology for developing a statewide interoperability communications plan.

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## Concluding Observations

In summary, Mr. Chairman, since the tragic events of September 11, 2001, the federal government has dramatically increased the resources and attention it has devoted to national preparedness and the capabilities of first responders. The grant programs managed by ODP have expanded rapidly in their scope and funding levels. Over the 3-½ years since the terrorist attacks, Congress, ODP, states, and local governments encountered obstacles, some of them frustrating and unexpected, in delivering grant funds to their ultimate recipients in a timely manner and ensuring they are used most effectively. All levels of government have attempted to address these obstacles and succeeded in resolving or ameliorating many of them. Some of the changes made are relatively new; thus, it is still too early to determine if they will have the desired outcome.

ODP's focus has changed over time from examining and approving, for example, specific items of equipment proposed for purchase under first responder grants to defining the capabilities that states and local jurisdictions need to attain—that is, establishing performance standards. Such a results-based orientation could prove to be the most practical and effective grants management approach at the federal level to help ensure accountability and effectiveness of results. DHS must also continue to ensure that an effective system for monitoring and accounting for limited federal funds intended for enhancing the nation's ability to respond to terrorist attacks or natural disasters exists at the state and local level.

DHS's task of defining a national preparedness goal and translating that definition into capabilities that are meaningful and readily transferable to the wide variety of local jurisdictions around the nation is still not complete. As the department has acknowledged, the process will necessarily be iterative. As we have stressed before, during this process DHS must continue to listen and respond constructively to the concerns of states, local jurisdictions, and other interested parties. Such collaboration will be essential to ensuring that the nation's emergency response capabilities are appropriately identified, assessed, and strengthened. At the same time, state, local, and tribal governments, and the private sector must recognize that the process is iterative, will include periodic adjustments and refinements, and that risks are not equally distributed across the nation.

As we have noted previously, it is important that the quest for speed in distributing and using federal first responder grants does not hamper the planning and accountability needed to ensure that the funds are spent on

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the basis of a comprehensive, well-coordinated plan to provide first responders with the equipment, skills, and training needed to be able to respond quickly and effectively to a range of emergencies, including, where appropriate, major natural disasters and terrorist attacks.

The challenges we noted in developing effective interoperable communications for first responders are applicable to developing effective first responder capabilities for major emergencies, regardless of cause. A fundamental challenge has been limited regional and statewide planning, coordination, and cooperation. No one level of government can successfully address the challenges of developing needed first responder capabilities alone. The federal government can play a leadership role in developing requirements and providing support for state, regional, and local governments to: assess first responder capabilities; identify gaps in meeting those capabilities; develop coordinated plans and priorities for closing those gaps; and assess success in developing and maintaining the needed capabilities.

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Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other members of the subcommittee may have.

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## Contact Information

For further information on this testimony, please contact William O. Jenkins, Jr., at (202) 512-8777. Individuals making key contributions to this testimony included Amy Bernstein, David Brown, Frances Cook, James Cook, Christopher Keisling, Katrina Moss, Sandra Tasic, John Vocino, and Robert White.

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