

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

An Audit of Distributing and Spending
“First Responder” Grant Funds



Office of Audits

OIG-04-15

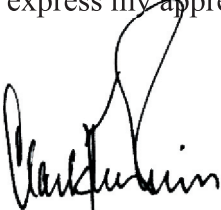
March 2004

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (Public Law 107-296) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, investigative, and special reports prepared by the OIG periodically as part of its oversight responsibility with respect to DHS to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the program, operation, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein, if any, have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that this report will result in more effective, efficient, and/or economical operations. I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "Clark Kent Ervin". The signature is stylized with a large, looping initial "C" and "E".

Clark Kent Ervin
Inspector General

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Abbreviations

DHS	Department of Homeland Security
ODP	Office for Domestic Preparedness
OIG	Office of Inspector General
SDPP	State Domestic Preparedness Program
SHSGP	State Homeland Security Grant Program
SHSGP II	State Homeland Security Grant Program, Part II
DOD	Department of Defense
DOJ	Department of Justice
OJP	Office of Justice Programs
GMS	Grants Management System

OIG

Department of Homeland Security Office of Inspector General

Introduction

Spurred by the events of September 11, 2001, Congress, state and local politicians, first responders, and the general public have become increasingly aware of the need to improve first responder preparedness for terrorist incidents. Federal funding for first responder grants increased 2,375 percent from 1999 to 2003. However, reports by recipients of the funds have criticized the slow rate at which the funds are being distributed.

This report describes the results of our review of the overall award, distribution, and spending of first responder grant funds awarded under the FY 2002 State Domestic Preparedness Program (SDPP), the FY 2003 State Homeland Security Grant Program (SHSGP), and the FY 2003 State Homeland Security Grant Program Part II (SHSGP II). Throughout this report, the term “first responder grants,” refers to all three grant programs. Department of Homeland Security (DHS) Office for Domestic Preparedness (ODP) is responsible for the programs.

OIG will be conducting independent audits of individual states’ management of first responder grants. Those audits will address how effectively the states are using grant funds and whether they are complying with grant requirements. In addition, we will conduct an audit to evaluate the effectiveness of ODP’s State Homeland Security Assessment and Strategy process. This process includes the use of a data collection tool to assist states in conducting threat, risk, and needs assessments.

Results in Brief

States, local jurisdictions, and first responder organizations have been slow to receive and spend ODP first responder grant funds. As of February 2004, the majority of the \$882 million in FY 2002 SDPP and FY 2003 SHSGP first responder grant funds were awarded by ODP but still remained in the U.S. Treasury. The majority of the \$1.5 billion awarded in SHSGP II funds also remained with the U.S. Treasury. ODP statistics show drawdowns¹ of 36 percent,

¹ The term, “drawdowns,” refers to grant funds disbursed from federal accounts to state grantees to be spent on approved equipment, training, and exercises.

13 percent, and 10 percent, respectively. However, those statistics are somewhat misleading, and the spending picture is not as bad as it appears. In some instances, states and local jurisdictions had delayed spending funds pending the completion of state-wide risk assessments and homeland security strategies and the development of detailed spending plans, believing that spending the funds wisely was more important than spending them immediately. In addition to delays caused by states' developing strategies and detailed plans for spending the funds wisely, we identified numerous other reasons for delayed spending. While some of the delays are unavoidable, others can be reduced. ODP's application process was not a major reason for delays. For the most part, state officials praised ODP and believed that ODP processed grant applications in a timely manner.

To ensure that the nation's first responders are prepared for incidents of terrorism, ODP should: 1) require more meaningful reporting by grantees and develop performance standards that can be used to measure the overall success of the grant programs; 2) assist state planning efforts by accelerating the development of federal guidelines for first responder capabilities, equipment, training, and preparedness exercises; and 3) work with grantees to identify and publicize best practices and strategies that speed spending.

DHS recently proposed a consolidation of its preparedness grant programs, including first responder terrorism grants, and combining ODP and the Office of State and Local Coordination into one office. Through this consolidation, DHS intends to correct its fragmented approach to delivering preparedness grant programs, streamline the grant application process, and better coordinate federal, state, and local grant funding distribution and operations.

Background

In 1996, Congress tasked the Department of Defense (DOD) with enhancing the capability of federal, state, and local emergency responders in incidents that involve nuclear, biological, or chemical terrorism. DOD began by offering and managing equipment loans to 68 cities for training and personal protection equipment.² In 1998, the Department of Justice's (DOJ) Office of Justice Programs (OJP) began offering its own preparedness grants to cities through its Office for State and Local Domestic Preparedness Support, which was later renamed the "Office for Domestic Preparedness (ODP)." In 2000, ODP was

² Referred to as the Nunn-Lugar-Domenici Domestic Preparedness Program.

given responsibility for completing DOD's preparedness grant program. Over the years, the grant program grew slowly and shifted from grants directly to cities to grants to states, which were sub-granted to local jurisdictions. Subsequently, the program was expanded from funding just equipment to include the cost of administration, training, planning, and preparedness exercises. Funding for the program increased from \$83.5³ million in 1999 to over \$2 billion in FY 2003.

In March 2003, the program was transferred to DHS. During this transfer, the grants became commonly known as "first responder" grants. First responders include public safety personnel working in law enforcement, emergency medical services, emergency management, fire service, public works, government administration, health care, and public health.

ODP has continued DOD's and DOJ's mission to oversee the enhancement of state and local jurisdictions' ability to respond to, and mitigate the consequences of, incidents of terrorism through the delivery of first responder grants. The grants aid states and local jurisdictions with administration and planning costs as well as the cost of acquiring specialized training, conducting preparedness exercises, and acquiring equipment necessary to safely respond to and manage terrorist incidents involving weapons of mass destruction, with a focus on chemical, biological, radiological, nuclear, and explosives preparedness.

While ODP is responsible for the first responder grant program, it continues to rely upon DOJ's OJP for grant distribution and financial management support. ODP also uses OJP's automated Grants Management System (GMS). Once Congress appropriates funding, ODP uses GMS to post grant solicitation notices and to make grant applications available. In addition to other grants, ODP managed one first responder grant program in FY 2002, SDPP, and two grant programs in FY 2003, SHSGP and SHSGP II. Funding for these programs totaled \$2.4 billion. See appendix C for a list of the 56 states and territories awarded ODP grants in FY 2002 and FY 2003 and the amounts awarded.

State and territory governors are responsible for appointing a state administrative agency that applies for and manages the grants and acts as the liaison between ODP and local jurisdictions. For most of the grant awards, states are required to allocate at least 80 percent to local jurisdictions and use OJP's GMS to apply for the grants.

³ 1999 funding does not include amounts that may have been provided by DOD.

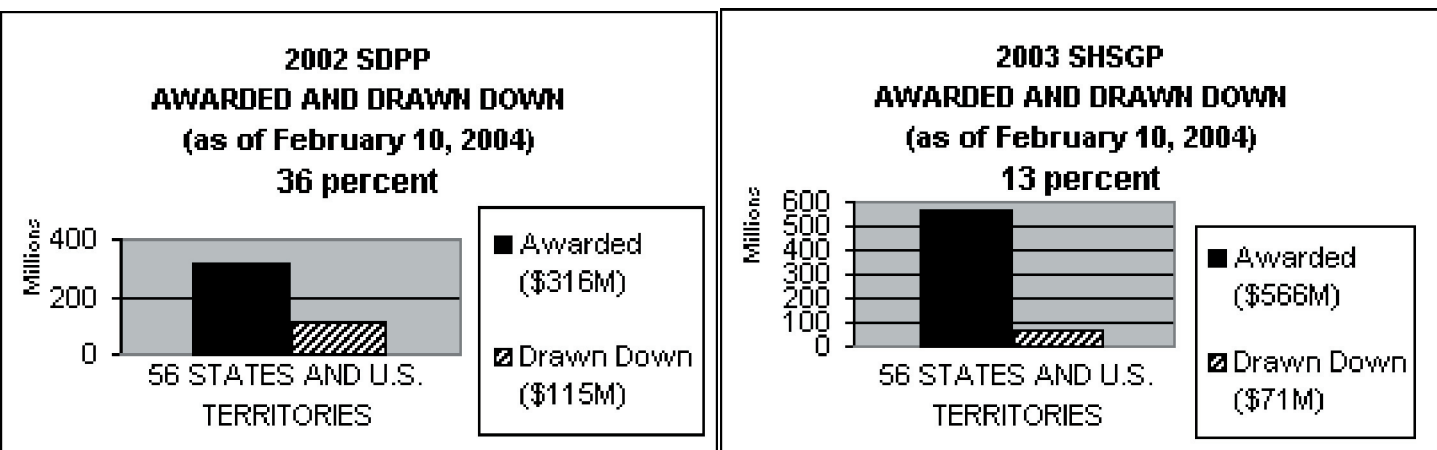
At DHS, ODP was initially placed under the Border and Transportation Security Directorate. However, recently proposed legislation and a DHS realignment plan call for ODP and all DHS first responder and emergency preparedness grants to be managed by DHS's Office of State and Local Government Coordination and Preparedness.

States and Locals Slow to Spend Funds, Although More Had Been Committed or Obligated

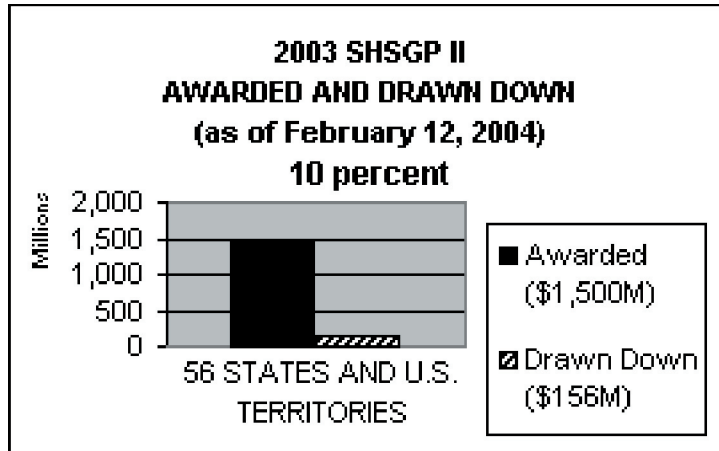
As of February 2004, the majority of the \$2.4 billion in FY 2002 and FY 2003 first responder grant funds awarded to the 56 states and territories remained unspent and in the U.S. Treasury. However, draw down statistics do not tell the whole story when trying to gauge the progress being made by states, local jurisdictions, and first responders, because they only measure funds disbursed to the states. Although only a small percentage of the funds had been drawn down, much of the remainder had been committed or obligated⁴ by the states to local jurisdictions for specific purchases.

Funds Awarded and Drawn Down by the States

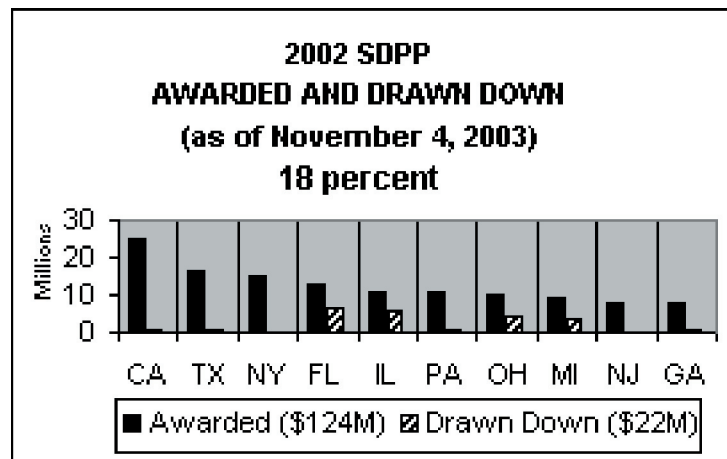
As of February 10, 2004, the 56 states and territories had drawn down only 36 percent of FY 2002 awards, and 13 percent and 10 percent, respectively, of FY 2003 SHSGP and SHSGP II awards. The FY 2002 awards were made 16 months previously, and the FY 2003 SHSGP and SHSGP II awards were made eight months and seven months previously. (See appendix C for FY 2002 and FY 2003 grant awards and appendix D for drawdowns.) The following charts compare the amounts of funds awarded with the amounts of funds drawn down.



⁴ An "obligation" is a binding agreement that will result in the outlay of funds (spending).



We sampled ten states that had been awarded \$124 million of FY 2002 first responder grants. Those states received 39 percent of the total FY 2002 funding. As of November 4, 2003,⁵ 12 months after the funds had been awarded, \$102 million, or 82 percent, had not been drawn down by the states. The states we sampled were: Texas, Georgia, Illinois, Ohio, Florida, Michigan, New York, New Jersey, California, and Pennsylvania. The following chart shows amounts awarded and drawn down by those states.



Of the \$124 million, 18 percent, or \$22 million, had been drawn down by the states; 33 percent, or \$41 million, was not available to be drawn down because the states had not completed grant application requirements causing ODP to place

⁵ More recent information on funds held by ODP was not available when the audit was performed. Consequently, for comparability purposes, the OIG used disbursement data as of November 4, 2003, and did not include SHSGP II data.

a hold on the funds. The remaining 49 percent, or \$61 million, was available but had not been drawn down. The following chart shows those amounts for FY 2002 and FY 2003 grants.

GRANT FUNDS AVAILABLE AND DRAWN DOWN						
Fiscal Year	Date Awarded	Amount Awarded to 10 States	Held by ODP	Available to States	Drawn Down by States as of 11/4/03	Percent Drawn Down
2002 (SDPP)	9/2002	\$124m	\$41m	\$61m	\$22m	18%
2003 (SHSGP)	5/2003	\$224m	\$64m	\$145m	\$15m	7%
Total	-	\$348m	\$105m	\$206m	\$37m	11%

The 10 states showed little improvement drawing down FY 2003 SHSGP first responder grant funds. In five months, 7 percent, or \$15 million, of the \$224 million awarded, had been drawn down.

Funds Obligated and Spent by the States

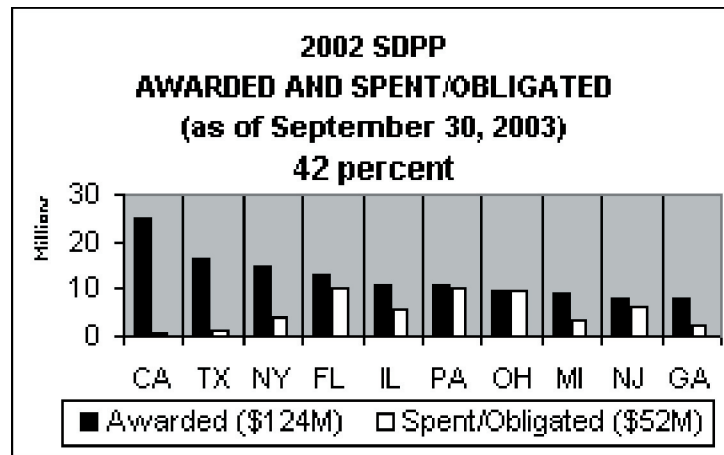
Although only a small percentage of the funds had been drawn down, much of the remainder had been committed or obligated. In addition, some states and jurisdictions had already purchased equipment but had not yet requested reimbursement under the grant. Also, some state officials told us that they do not always draw down funds immediately after incurring expenses. Some states wait until the end of the month to draw down grant funds. States are not required to draw down grant funds as they incur program expenses.

The amounts of funds drawn down by states provide an incomplete picture of the progress states and local jurisdictions are making. A more accurate way to monitor progress would be to identify the amount of funds obligated and spent (outlays) by the states and local jurisdictions. For example, as of September 30, 2003, Ohio and Pennsylvania obligated and spent over 98 percent of their FY 2002 grant awards, while ODP's grant payment history reports showed that only 36 percent and 8 percent, respectively, were drawn down. For the 10 states in our sample, obligations and spending totaled 42 percent versus 18 percent reported as drawn down.

Obligations represent funds that are set aside, under a binding agreement, and will be spent for a particular purpose. Outlays represent expenditures, whether

or not funds have been drawn down from the federal grant account. Combining the two provides a better picture of what states have accomplished in executing the grants. States are required to report obligations and outlays quarterly on a federal standard form known as an SF 269, or Financial Status Report. However, 30 of the 56 states and territories do not report obligations because they report grant activity on a cash, rather than an accrual basis. They report only outlays. ODP should collect both obligations and outlays from all states and use that information to monitor and report on states' progress.

The following chart depicts grant funds obligated and spent for the 10 states in our sample.



With respect to all 56 states and territories, they had obligated and spent 23 percent of their combined FY 2002 SDPP and FY 2003 SHSGP grant funds as of September 30, 2003. That was more than twice the amount reported as drawn down.

ODP Processing Times Have Improved but State and Local Delays Continue

During FY 2003, ODP reduced its time to make application guidance and on-line applications available to states, process grant applications, and award the grants after the states submitted their grant applications. On average, for our sample of 10 states, the 2002 grants took 292 days to process, whereas it took 77 days to process FY 2003 grants. ODP was responsible for 223 of the 292 days to process FY 2002 grants and 35 of the 77 days to process FY 2003 grants. The majority of the improvement in timeliness was due to ODP's making applications available

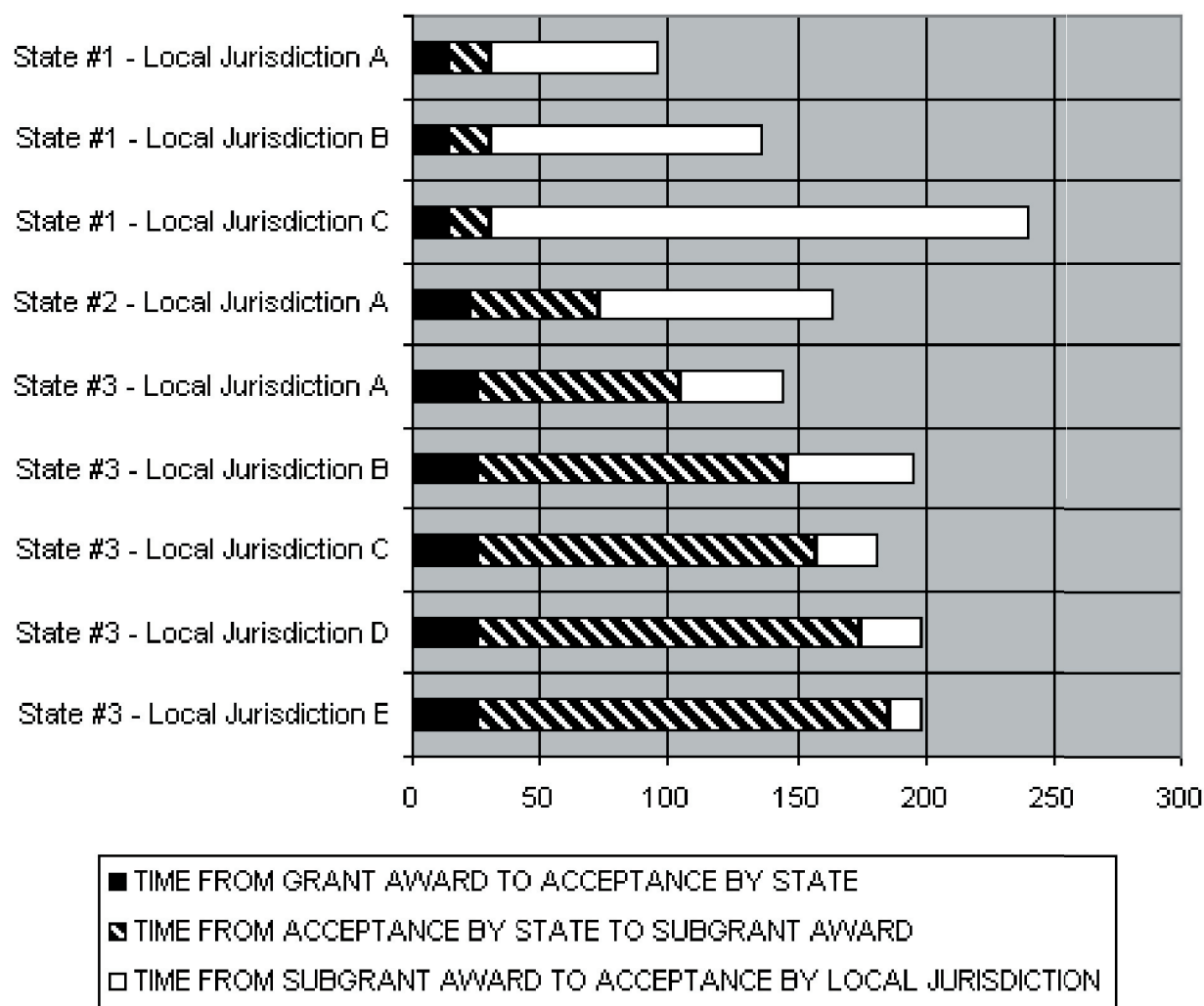
more quickly. The remaining days were used by states to submit their grant applications to ODP. There was also improvement in the number of days it took states to submit their applications. The following chart shows average processing times for FY 2002 and FY 2003 grants in our sample of 10 states.

IMPROVED PROCESSING OF FIRST RESPONDER GRANTS					
State	Days for ODP to Make Applications Available from Legislation Date	Days for States to Submit Applications	Days for ODP to Approve Applications (Award Grants)	Total Days for ODP to Process Grants	Total Days from Legislation to Award of Grants (ODP and State)
2002 - SDPP Average	165	69	58	223	292
2003 - SHSGP Average	17	42	18	35	77

OIG heard complaints that the number of steps in the application process inhibited spending. However, for the most part, states praised ODP’s technical assistance, automated grant application process, and reductions in the amount of time ODP took to approve grants. Most state officials thought ODP processed their applications in a timely manner.

State and local governments were sometimes responsible for delaying the delivery of FY 2002 grant funds to first responders. States had to submit a homeland security strategy. Grants had to be accepted by the states, awarded to local jurisdictions by the states, and accepted by the local jurisdictions. These processes required approval by various governing and political bodies within the states and local jurisdictions. Only three states were able to provide us data on the time taken for these processes. In one of the three states, it took 22 days to accept ODP’s grant award and 51 days to award a sub-grant to one of its local jurisdictions; it then took 92 days for the local jurisdiction to accept the grant. The second state took 25 days to accept ODP’s grant award and 80 to 161 days to award funds to local jurisdictions; it then took 13 to 50 days for the jurisdictions to accept the awards. The third state took 14 days to accept the grant, 17 days to award funds to its jurisdictions, and the jurisdictions took from 66 to 210 days to accept the awards. The following chart shows processing time variances for nine jurisdictions in three states.

2002 SDPP - STATE/LOCAL PROCESSING



A congressional effort to speed delivery of FY 2003 funds may not have been effective and, in some cases, may have slowed spending of FY 2002 funds. Congress adopted appropriation language for the FY 2003 SHSGP II grant program that required states to transfer first responder grant funds within 45 days of the funds being awarded by ODP to ensure that states pass funds down to locals quickly. In response, ODP required states to obligate funds to local jurisdictions within 45 days. However, this action had a limited effect because most states are meeting the 45-day timeframe by using a loose definition of “obligate.” DHS

allows states to count funds as obligated when the states have agreed to allocate a specific amount of the grant to a state agency or local jurisdiction, even though the state has not determined specifically how the funds will be spent or when contracts for goods and services will be let. The short deadlines also force states to reduce the amount of time they spend planning. As a result, funds are still not reaching local jurisdictions in 45 days, and meeting the deadline often caused states and local jurisdictions to delay spending prior year grant funds. In addition, many of the reasons given for delays, as described below, point to administrative processes that need to be streamlined.

Reasons for Delays

There were numerous reasons given for delays in spending the grant funds - some may be unavoidable, while others indicate problems that need to be addressed.

States are responsible for identifying the highest priority for spending the grant funds. That can be an extremely difficult task, and most states we visited were not satisfied with needs analyses they did prior to September 11, 2001. Some states took the time to update outdated needs analyses, and one state delayed FY 2002 spending until it could complete a new assessment using ODP's FY 2003 needs assessment tool. Additionally, there is little consistency in how the states manage the grant process. They use various methods for identifying and prioritizing needs and allocating funds. They may rely on the work of regional taskforces, statewide committees, county governments, mutual aid groups, or local fire and police organizations. Some states purchase equipment and deliver it to users, while others sub-grant the money directly to jurisdictions. When deciding how to allocate the grants among jurisdictions, states variously use population, threat, risk, and governors' discretion.

Following are some of the specific reasons given by state, local jurisdiction, and first responder representatives for delays in spending. The reasons are grouped by category: federal requirement and guidelines; state and local planning processes; and procurement issues.

Federal requirements and guidelines

1. States complained that there are too many different first responder preparedness grant programs that must be considered in too short a time. This makes processing more difficult than in the past. ODP has made progress in

expediting the awarding of grants; however, the number and dollar volume of grants, and expanded planning and application requirements has reduced the states' and local governments' ability to plan for and spend the funds quickly. In FY 1999, there were two first responder terrorism preparedness grant programs valued at \$83.5 million. In FY 2003 there were six terrorism preparedness grant programs valued at \$2.8 billion. Nine of the ten states believed that the application process was not difficult. Others complained of short timelines and inconsistent guidelines.

2. There are communication problems at all levels. Inadequate communication creates confusion about eligibility, year-to-year changes in requirements, and the grant process. DHS announcements about fund availability lead to unrealistic expectations on the part of local governments and first responder organizations. States also pointed to confusion caused by changes ODP has made in its eligible equipment lists. While states appreciate that more equipment is now eligible for purchase, they believed that they should be allowed to purchase equipment recently added to the list with prior year grant funds. They said it is difficult and time consuming to track funding by program year to ensure that they do not use prior year funds to purchase what was ineligible equipment.
3. Overall, state and local officials had very few concerns about ODP's grant application process, but they did believe that aspects of the process could be simplified. Of the ten states in our sample, only one believed that ODP's application process required too much detail to complete and that timelines were too short, although others agreed that they should carefully plan and decide how they will use the grant funds prior to receiving the funds. States also complained that equipment budget worksheets had to be revised several times before being approved by ODP, and that reporting requirements were continually expanding. A general complaint was that too many plans are required for the various preparedness grant programs. They want a "one-stop shop" to consolidate and standardize requirements.
4. Planning efforts are often delayed because first responders and emergency managers do not have clear federal guidelines for equipment, training, and exercises and for preparedness levels, thus making it difficult to determine their highest priority needs and to decide how best to spend grant funds. State officials and first responders believed that the development of federal guidelines for first responders should be accelerated, and include such areas as interoperability, terminology and performance measurement. For example,

one official believed that the guidelines for training levels were vague and did not identify the level of training various first responders would need. Another official believed that if equipment guidelines were established there would be fewer problems with interoperability. Some suggested that DHS provide recommendations, or benchmarks, as to capability levels for first responders.

On December 17, 2003, the President issued a Homeland Security Presidential Directive requiring that DHS develop a national domestic all-hazards preparedness goal. This goal will establish measurable readiness priorities and targets, including development of standards for preparedness assessments and strategies, and a system for assessing the nation's overall preparedness. It is to be submitted to the President with DHS's FY 2006 budget submission.

State and local planning processes

1. The planning process is complex and takes time. Grant applications require threat, risk, capability, vulnerability, and needs assessments. Finding consensus among hundreds of local jurisdictions and first responders on priorities and what to buy takes time. For example, in Texas, there are 1,449 local jurisdictions eligible to receive first responder grant funds. The state requires that the local jurisdictions participate in its statewide planning and assessment process to be eligible for an award. While only 95 local jurisdictions participated in the state's 2000 process, 753 participated in 2003. The planning and assessment process required each jurisdiction and its first responders to evaluate its needs and capabilities in ten responder disciplines, i.e., fire services, hazardous materials, emergency medical services, law enforcement, public works, government administration, public safety communication, health care, public health, and emergency management. Jurisdictions use the assessment to create an equipment list that they forward to a regional council established by the state. The councils review the lists and send a final list to the state for further review and approval.

Georgia created All Hazard Councils (AHCs) in each of the eight regions within the state. These teams are made up of first responders from each of the first responder areas. The planning process begins with the locals, who send information up to the AHC in their region. The AHC, in turn, gathers and submits these local views to the state. These examples illustrate how creating a needs assessment and determining an appropriate equipment list can be a lengthy process.

We also visited Massachusetts, which was outside our sample, because it was the only state that had spent most of its FY 2002 first responder grant funds when the audit began in April 2002. Within a year of receiving its award, Massachusetts had spent 86 percent of its total grant award. The state was able to do this by forming a state strategy team that set spending priorities relatively quickly, and by using state staff to procure equipment centrally for all local jurisdictions. The Strategy Team was comprised of representatives from Massachusetts' Emergency Management Agency, State Police, National Guard, Hazardous Response Teams, and Department of Public Health, and from the Fire Chiefs Association, the Police Chiefs Association, and local Emergency Management Directors. The team met numerous times and reviewed the state's pre-September 11, 2001, needs analyses and recommendations from local officials before reaching a consensus. The team decided not to prioritize FY 2002 spending as outlined in the needs analyses but chose to: 1) use 64 percent of the funds to purchase 65 mass decontamination units; 2) enhance statewide communication capabilities; and 3) purchase specialized personal protective and detection equipment. Therefore, most of the funding was spent quickly on a fairly expensive type of equipment, from one vendor.

2. Building regional structures within the states, which some states have and some have not, takes time. In our sample of 10 states, California, Georgia, Florida, Illinois, Pennsylvania, and Texas used a regional approach, while the others did not. While we were unable to determine the impact of these regional structures on spending delays, some regions are finding it difficult to recruit members and chairpersons, and to find jurisdictions willing to take on the responsibility of providing purchasing and accounting services for the entire region. Another state, Ohio, said it would soon adopt a regional structure but was unsure about how best to group its 88 counties and 5 state agencies.
3. State officials told us that they prefer to go slow to get it right. The consensus was that it is more important to spend time planning than to spend money quickly. For most of the grants, states have two or three years to spend the money. Some prefer to spend prior-year money first.
4. State legislatures and county and city boards or councils sometimes cause administrative delays in accepting grants, approving distribution, and approving expenditures. Six of the ten states we sampled cited the length of

their own state's review and approval process as one of the top three reasons that the funds have not been spent.

5. Inadequate staffing is a problem in many states and jurisdictions. The recent economic downturn and budget shortages have made it difficult for states to fund administrative positions. FY 2003 grants added more funding for administering the grants.

Procurement issues

1. State and local procurement processes can be long. Many of the equipment purchase methods have proved to be slow due to internal processing delays. Some states purchase equipment centrally for all jurisdictions, while others sub-grant funds so that purchases are made by local jurisdictions.
2. Equipment delivery delays may be unavoidable. Many of the equipment items being purchased are the same items purchased by the military – a higher priority for the vendors. Representatives for seven states in our sample of 10 said that purchasing equipment was challenging. Five said equipment backorder was one of the main reasons for spending delays.
3. State and local officials and first responders were fearful that the federal funding stream may not continue, so that equipment purchased with the grants cannot be maintained or replaced when obsolete, and training and exercises will have to be stopped. Long-term and stable funding would allow state and local governments to plan for, build, and maintain an appropriate emergency preparedness and response capability. This concern may have been exacerbated since the department's FY 2005 DHS budget request reduces terrorism preparedness grant funding by \$800 million from the previous year.

Monitoring and Measuring Performance

Efforts to monitor and measure the impact of first responder grants needs to be improved.

ODP has not implemented a formal grant monitoring system, nor has ODP staff conducted frequent field visits to grant recipients. None was conducted in FY 2002 or FY 2003. ODP has drafted monitoring guidance but has only partially implemented it. Overall, the draft guidance appears reasonable, and should be finalized and implemented as soon as possible.

OJP and state program officials are responsible for financial monitoring of first responder grants. OJP conducted 19 reviews of FY 2002 ODP grants, and only six reviews of the FY 2003 grants. OJP did not provide a specific explanation for the drop in reviews, but did note that ODP grants are only a small portion of the DOJ grants that it is responsible for reviewing. In addition, OJP's policy is not to review the same grantee within a two-year period, unless there are extraordinary circumstances. ODP needs to ensure that financial monitoring of its first responder grant programs is conducted more frequently to ensure that the states are effectively using grant funds.

In March 2002, DOJ OIG reported that ODP had not established performance measures or a method for determining whether grant funding provided to states improved their capability to respond to terrorist incidents. Since that report, ODP has provided states guidance on performance measures and plans to integrate information received from the states with data received from its new assessment tool. ODP requires states to measure performance improvement by the number of local jurisdictions that conducted exercises and enhanced capability with new equipment and training. However, such measures do not fully address how federal funding has increased preparedness and response capabilities. For example, the training measure does not describe how first responders' skills have been improved or the level to which they have been trained. ODP should design measures that can be used to create a national picture of the increases in first responder preparedness and response capabilities and that can demonstrate the overall success of its grant programs. In addition, most state and local officials we spoke with said they have not yet had the time or resources to address measuring performance improvements resulting from the grants. This issue is quickly increasing in importance and will need ODP's attention in the near future.

Consolidation of Preparedness Grants

Since FY 1998, state and local governments responsible for emergency preparedness and response have been calling for the establishment of a "one-stop-shop" that would consolidate the various federal preparedness grants into a single, streamlined comprehensive program. In response, DHS is moving selected grants currently in the Emergency Preparedness & Response Directorate and the Border and Transportation Security Directorate into the Office of State and Local Government Coordination and Preparedness. Grants proposed for moving to the new office include Homeland Security Grants, Assistance to Firefighters Grants, Emergency Management Performance Grants, Port Security Grants, and other grant programs.

DHS believes that the benefits of the consolidation will include a simplified application and award process, enhanced assistance that would allow states to better implement their Statewide Homeland Security Strategies, and the development of comprehensive preparedness programs in support of those strategies. Overall, the department should be better positioned to provide consistency in policy and program development, improved efficiency in program management and implementation, and a greater ability to evaluate program success. OIG strongly supports this effort and will monitor its implementation.

Conclusion and Recommendations

States, local jurisdictions, and first responder organizations have been slow to receive and spend ODP first responder terrorism preparedness grant funds. However, the statistics on drawdowns are somewhat misleading, and the spending picture is not as bad as it appears. In some instances, states and local jurisdictions had delayed spending funds pending the development of detailed spending plans, believing that spending the funds wisely was more important than spending them immediately. In addition to delays caused by states developing detailed plans for spending the funds wisely, we identified numerous other reasons for delayed spending. While some of the delays are unavoidable, others can be reduced. ODP's application process was not a major reason for delays. For the most part, state officials praised ODP and thought ODP processed grant applications in a timely manner. The OIG recommends that the Director, Office for Domestic Preparedness:

1. Require more meaningful reporting by states so ODP can track progress more accurately and assist states when necessary. Specifically, ensure that the definition of *obligation* is consistent for both programmatic and financial reporting purposes and require states using a "cash basis" accounting system to report the value of binding agreements to be funded by first responder grant funds.
2. Seek a legislative change to revise or eliminate the 45-day transfer rule to allow more time for planning.
3. Identify and publish best practices that result in faster and more efficient grant processing and spending. For example, identify state procurement practices that result in first responder equipment being supplied in a timely and cost effective manner.

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4. Accelerate the development of federal guidelines for first responder capabilities, equipment, training, and exercises.
 5. Publish program monitoring guidance and ensure that states report their progress in achieving program and performance goals and objectives.
 6. Monitor state oversight of local jurisdictions' compliance with grant requirements, and develop performance standards that can be used to measure the overall success of the grant programs, including baselines against which to measure progress.
 7. Consider allowing states to use the most recent ODP-approved equipment list when purchasing equipment with prior-year grant funds.

Purpose, Scope, and Methodology

The objective of the audit was to determine whether the distribution and spending of first responder grant funds were being delayed and, if so, to identify the reasons for delays. We evaluated ODP's grant award process, drawdowns and spending by each state, and distributions to local governments to identify significant delays.

We visited the emergency management or homeland security offices of 11 states, 31 local governmental organizations that manage first responder funds, and 38 first responder organizations. We selected as our sample the ten states that received the most funding: Texas, Georgia, Illinois, Ohio, Florida, Michigan, New York, New Jersey, California, and Pennsylvania. These ten states were awarded \$124 million, or 39 percent, of the \$316 million in grant funds awarded in FY 2002. We also visited Massachusetts, which was outside our sample, because it was the only state that had spent most of its FY 2002 grant funds. In each of the states, we interviewed responsible program officials and first responders. Also, we reviewed ODP and OJP program and financial files, as well as documentation provided to us by state and local officials. We relied upon OJP's draw down data to determine the amount of grant funds that remained with ODP. Specific information on state, local jurisdictions, and first responder organizations that we visited is identified in appendix B.

Audit work was conducted between April 2003 and December 2003 and was performed under the authority of the Inspector General Act of 1978, as amended, and according to government auditing standards.

Throughout the audit, OIG worked closely with ODP and OJP officials. The cooperation and courtesies extended to the audit team are appreciated. The principal OIG points of contact for the audit are Assistant Inspector General for Audits, J. Richard Berman, (202) 254-4100, and Dennis White, Director, Emergency Preparedness and Response, (202) 254-4157. Major OIG contributors to the audit are identified in appendix H.

1. California

a. State Agencies

- i. California Office of Homeland Security
- ii. California Office of Emergency Services

b. Local Governmental Organizations

- i. Santa Clara County - Office of Emergency Services
- ii. City of San Jose – Office of Emergency Services
- iii. Los Angeles County - Office of Emergency Management
- iv. San Diego County - Office of Emergency Services

c. First Responders

- i. Santa Clara County, Office of the Sheriff
- ii. San Jose Police
- iii. City of Solana Beach - Public Safety

2. Florida

a. State Agencies

- i. Florida Department of Community Affairs, Division of Emergency Management Agency

b. Local Governmental Organizations

- i. Broward County Commission, Department of Safety and Emergency Services, Fire Rescue Division
- ii. Miami-Dade County Office of Emergency Management

c. First Responders

- i. Broward County Sheriff's Office
- ii. City of Hollywood – Fire/Rescue
- iii. Miami-Dade Fire Rescue
- iv. City of Miami – Fire Department
- v. Jackson Memorial Hospital
- vi. University of Miami, School of Medicine, Florida Poison Information Center
- vii. City of Hialeah - Fire Department
- viii. Palm Beach County Sheriff's Office
- ix. Delray Beach - Fire Department
- x. St. Mary's Medical Center

3. Georgia

a. State Agencies

- i. Georgia Emergency Management Agency
- ii. Georgia Public Safety Training Center

b. First Responders

- i. Cobb County Fire and Emergency Services
- ii. Fulton County Fire Department
- iii. DeKalb County Fire and Rescue Department

4. Illinois

a. State Agencies

- i. Illinois Emergency Management Agency

b. Local Governmental Organizations

- i. Mutual Aid Box Alarm System (Fire)
- ii. Illinois Law Enforcement Alarm System (Police)
- iii. City of Chicago Grants Management

c. First Responders

- i. Elmhurst Police
- ii. Plainfield Police

5. Massachusetts

a. State Agencies

- i. Massachusetts Executive Office of Public Safety (Boston)
- ii. Massachusetts Emergency Management Agency (Framingham)
- iii. Massachusetts State Police Marine Section (Boston Harbor)

b. First Responders

- i. City of Concord Fire Department
- ii. City of Worcester Fire Department

6. Michigan

a. State Agencies

- i. Michigan Department of State Police, Homeland Security

b. Local Governmental Organizations

- i. Kent County Sheriff Department
- ii. Oakland County –
- iii. County Executives Office, Special Projects
- iv. Emergency Response and Preparedness Unit
- v. City of Detroit, Office of Homeland Security and Emergency Management
- vi. Wayne County, Department of Homeland Security and Emergency Management
- vii. The Downriver Community Conference

c. First Responders

- i. Kent County Sheriff Department

- ii. Spectrum Health
- iii. Commerce Township Fire Department
- iv. Milford Township Fire Department
- v. City of Detroit - Fire Department
- vi. City of Taylor- Fire Department
- vii. City of Trenton – Disaster Emergency Response Team

7. New Jersey

a. State Agencies

- i. New Jersey Department of Law and Public Safety

b. Local Governmental Organizations

- i. Essex County - Office of Emergency Management
- ii. Middlesex County - Health Department

c. First Responders

- i. Bergen County Police

8. New York

a. State Agencies

- i. New York State Executive Director of the Weapons of Mass Destruction Task Force (Albany)

b. Local Governmental Organizations

- i. Erie County - Emergency Services Commissioner
- ii. New York City –
 - 1. Office of Management and Budget
 - 2. Office of Emergency Management
- iii. Suffolk County –
 - 1. Office of Emergency Management
 - 2. Suffolk County Deputy Commissioner
 - 3. Department of Health Services, Division of Emergency Services

c. First Responders

- i. Suffolk County Fire and Rescue
- ii. Suffolk County Police Department

9. Ohio

a. State Agencies

- i. Ohio Emergency Management Agency (EMA)
- ii. Ohio Department of Administrative Services

b. Local Governmental Organizations

- i. Franklin County – Emergency Management Agency

- ii. Cuyahoga County - Emergency Services Division

10. Pennsylvania

a. State Agencies

- i. Pennsylvania Emergency Management Agency

b. Local Governmental Organizations

- i. Southeastern Pennsylvania Regional Terrorism Task Force
- ii. Southwestern Pennsylvania Emergency Response Group
- iii. South Central Pennsylvania Region Counter-Terrorism Task Force

c. First Responders

- i. Northampton Township Police
- ii. Southampton Fire Co.
- iii. Bucks County Hazardous Incident Response Team

11. Texas

a. State Agencies

- i. Texas Engineering Extension Services (TEEX), College Station - a component of the Texas A&M University system

b. Local Governmental Organizations

- i. City of Houston – Office of Emergency Management
- ii. City of Dallas – Emergency Preparedness
- iii. City of San Antonio Office of Emergency Management

c. First Responders

- i. Dallas Fire-Rescue
- ii. Dallas Police Department
- iii. San Antonio Fire Department
- iv. San Antonio Police Department
- v. Corpus Christi Fire Department

Appendix C
FY2002 SDPP and FY2003 SHSGP and SHSGP II Awards

STATE	2002 SDPP	2003 SHSGP	2003 SHSGP II	TOTAL AWARDS	
				Amount	Percentage of Total
Alabama	\$5,317,000	\$9,457,000	\$25,049,000	\$39,823,000	1.7%
Alaska	2,783,000	4,995,000	13,230,000	21,008,000	0.9%
American Samoa	828,000	1,482,000	3,926,000	6,236,000	0.3%
Arizona	5,770,000	10,584,000	28,033,000	44,387,000	1.9%
Arkansas	4,141,000	7,394,000	19,585,000	31,120,000	1.3%
California	24,831,000	45,023,000	119,256,000	189,110,000	7.9%
Colorado	5,220,000	9,480,000	25,111,000	39,811,000	1.7%
Connecticut	4,626,000	8,265,000	21,893,000	34,784,000	1.5%
Delaware	2,887,000	5,185,000	13,733,000	21,805,000	0.9%
District of Columbia	2,747,000	4,910,000	13,006,000	20,663,000	0.9%
Florida	12,967,000	23,654,000	62,655,000	99,276,000	4.2%
Georgia	7,797,000	14,188,000	37,579,000	59,564,000	2.5%
Guam	892,000	1,596,000	4,226,000	6,714,000	0.3%
Hawaii	3,172,000	5,693,000	15,079,000	23,944,000	1.0%
Idaho	3,226,000	5,803,000	15,375,000	24,404,000	1.0%
Illinois	10,604,000	18,879,000	50,005,000	79,488,000	3.3%
Indiana	6,400,000	11,399,000	30,194,000	47,993,000	2.0%
Iowa	4,308,000	7,656,500	20,282,000	32,246,500	1.4%
Kansas	4,151,000	7,401,000	19,603,000	31,155,000	1.3%
Kentucky	5,048,000	9,001,000	23,838,000	37,887,000	1.6%
Louisiana	5,331,000	9,451,000	25,037,000	39,819,000	1.7%
Maine	3,213,000	5,751,000	15,232,000	24,196,000	1.0%
Maryland	5,881,000	10,585,000	28,037,000	44,503,000	1.9%
Massachusetts	6,579,000	11,711,000	31,020,000	49,310,000	2.1%
Michigan	8,958,000	15,918,000	42,162,000	67,038,000	2.8%
Minnesota	5,631,000	10,076,000	26,690,000	42,397,000	1.8%
Mississippi	4,255,000	7,582,000	20,083,000	31,920,000	1.3%
Missouri	6,079,000	10,834,000	28,697,000	45,610,000	1.9%
Montana	2,967,000	5,303,000	14,047,000	22,317,000	0.9%
Nebraska	3,502,000	6,254,500	16,568,000	26,324,500	1.1%
Nevada	3,693,000	6,771,000	17,935,000	28,399,000	1.2%
New Hampshire	3,328,000	5,727,000	15,172,000	24,227,000	1.0%
New Jersey	7,948,000	14,222,000	37,671,000	59,841,000	2.5%
New Mexico	3,574,000	6,401,000	16,956,000	26,931,000	1.1%
New York	14,953,000	26,492,000	70,172,000	111,617,000	4.7%
North Carolina	7,706,000	13,908,000	36,840,000	58,454,000	2.5%
North Dakota	2,794,000	4,983,000	13,200,000	20,977,000	0.9%
Northern Mariana Islands	835,000	1,496,000	3,963,000	6,294,000	0.3%

Appendix C
 FY2002 SDPP and FY2003 SHSGP and SHSGP II Awards

Ohio	9,897,000	17,510,000	46,378,000	73,785,000	3.1%
Oklahoma	4,656,000	8,304,000	21,996,000	34,956,000	1.5%
Oregon	4,637,000	8,336,000	22,081,000	35,054,000	1.5%
Pennsylvania	10,512,000	18,570,000	49,189,000	78,271,000	3.3%
Puerto Rico	4,894,000	8,727,000	23,118,000	36,739,000	1.5%
Rhode Island	3,063,000	5,489,000	14,540,000	23,092,000	1.0%
South Carolina	5,028,000	9,017,000	23,882,000	37,927,000	1.6%
South Dakota	2,868,000	5,131,000	13,591,000	21,590,000	0.9%
Tennessee	6,140,000	10,978,000	29,080,000	46,198,000	1.9%
Texas	16,196,000	29,538,000	78,238,000	123,972,000	5.2%
Utah	3,849,000	6,937,000	18,374,000	29,160,000	1.2%
Vermont	2,772,000	4,963,000	13,147,000	20,882,000	0.9%
Virginia	7,062,000	12,716,000	33,683,000	53,461,000	2.2%
Virgin Islands, U.S.	861,000	1,542,000	4,085,000	6,488,000	0.3%
Washington	6,276,000	11,294,000	29,917,000	47,487,000	2.0%
West Virginia	3,567,000	6,340,000	16,792,000	26,699,000	1.1%
Wisconsin	5,925,000	10,565,000	27,985,000	44,475,000	1.9%
Wyoming	2,696,000	4,827,000	12,784,000	20,307,000	0.9%
GRAND TOTAL	\$ 315,841,000	\$ 566,295,000	\$1,500,000,000	\$ 2,382,136,000	100.0%

Appendix D
 FY2002 SDPP and FY2003 SHSGP and SHSGP II Draw Downs as of February 2004

State	FY 2002 SDPP		FY 2003 SHSGP		FY 2003 SHSGP II	
	Awarded (\$316M)	Drawn (\$115M)	Awarded (\$566M)	Drawn (\$71M)	Awarded (\$1,500M)	Drawn (\$156M)
Alabama	\$5,317,000	\$2,866,889	\$9,457,000	\$98,821	\$25,049,000	\$1,622,255
Alaska	2,783,000	71,600	4,995,000	25,255	13,230,000	42,651
American Samoa	828,000	181,808	1,482,000	0	3,926,000	214,152
Arizona	5,770,000	2,552,407	10,584,000	1,440,515	28,033,000	1,268,220
Arkansas	4,141,000	1,409,372	7,394,000	2,521,666	19,585,000	3,241,401
California	24,831,000	2,519,960	45,023,000	2,966,828	119,256,000	19,071,957
Colorado	5,220,000	528,749	9,480,000	0	25,111,000	36,388
Connecticut	4,626,000	1,245,655	8,265,000	0	21,893,000	0
Delaware	2,887,000	0	5,185,000	0	13,733,000	0
District of Columbia	2,747,000	2,558,690	4,910,000	0	13,006,000	1,734,000
Florida	12,967,000	8,702,835	23,654,000	2,273,323	62,655,000	5,871,373
Georgia	7,797,000	942,500	14,188,000	1,858,500	37,579,000	2,171,100
Guam	892,000	753,037	1,596,000	75,566	4,226,000	0
Hawaii	3,172,000	74,071	5,693,000	127,534	15,079,000	1,144,242
Idaho	3,226,000	640,401	5,803,000	572,511	15,375,000	890,469
Illinois	10,604,000	5,777,509	18,879,000	4,955,513	50,005,000	0
Indiana	6,400,000	1,151,268	11,399,000	4,859,562	30,194,000	9,763,354
Iowa	4,308,000	3,444,273	7,656,500	58,210	20,282,000	267,648
Kansas	4,151,000	3,940,345	7,401,000	252,327	19,603,000	18,143
Kentucky	5,048,000	759,630	9,001,000	1,655,413	23,838,000	728,915
Louisiana	5,331,000	686,341	9,451,000	95,686	25,037,000	543,563
Maine	3,213,000	2,657,172	5,751,000	1,009,281	15,232,000	672,150
Maryland	5,881,000	4,244,702	10,585,000	275,912	28,037,000	379,785
Massachusetts	6,579,000	5,929,733	11,711,000	40,803	31,020,000	3,020,181
Michigan	8,958,000	5,875,820	15,918,000	574,941	42,162,000	194,246
Minnesota	5,631,000	3,014,307	10,076,000	351,914	26,690,000	494,163
Mississippi	4,255,000	107,619	7,582,000	724,245	20,083,000	391,420
Missouri	6,079,000	4,225,100	10,834,000	1,815,200	28,697,000	3,092,700
Montana	2,967,000	1,245,902	5,303,000	233,966	14,047,000	86,157
Nebraska	3,502,000	1,865,113	6,254,500	551,663	16,568,000	1,503,965
Nevada	3,693,000	2,874,192	6,771,000	1,259,919	17,935,000	845,534
New Hampshire	3,328,000	424,849	5,727,000	334,006	15,172,000	61,911
New Jersey	7,948,000	0	14,222,000	0	37,671,000	2,318,265
New Mexico	3,574,000	106,091	6,401,000	73,673	16,956,000	0
New York	14,953,000	0	26,492,000	13,000,000	70,172,000	60,000,000
North Carolina	7,706,000	3,517,086	13,908,000	516,434	36,840,000	250,620
North Dakota	2,794,000	1,240,166	4,983,000	565,640	13,200,000	148,962
Northern Mariana Islands	835,000	545,917	1,496,000	0	3,963,000	0

Appendix D

FY2002 SDPP and FY2003 SHSGP and SHSGP II Draw Downs as of February 2004

Ohio	9,897,000	5,435,537	17,510,000	2,652,971	46,378,000	1,500,277
Oklahoma	4,656,000	0	8,304,000	0	21,996,000	183,362
Oregon	4,637,000	682,682	8,336,000	199,478	22,081,000	675,958
Pennsylvania	10,512,000	2,578,458	18,570,000	209,395	49,189,000	866,720
Puerto Rico	4,894,000	182,426	8,727,000	0	23,118,000	0
Rhode Island	3,063,000	1,170,550	5,489,000	1,899,312	14,540,000	9,285,838
South Carolina	5,028,000	2,539,155	9,017,000	276,082	23,882,000	262,375
South Dakota	2,868,000	1,362,448	5,131,000	1,011,363	13,591,000	0
Tennessee	6,140,000	2,026,109	10,978,000	22,742	29,080,000	0
Texas	16,196,000	1,587,327	29,538,000	1,652,929	78,238,000	649,310
Utah	3,849,000	2,001,356	6,937,000	1,190,913	18,374,000	3,388,303
Vermont	2,772,000	1,883,177	4,963,000	1,466,921	13,147,000	559,084
Virginia	7,062,000	5,560,966	12,716,000	4,175,589	33,683,000	11,140,543
Virgin Islands	861,000	125,923	1,542,000	14,173	4,085,000	0
Washington	6,276,000	2,527,968	11,294,000	6,355,323	29,917,000	1,211,789
West Virginia	3,567,000	3,567,000	6,340,000	1,319,768	16,792,000	0
Wisconsin	5,925,000	2,724,977	10,565,000	3,109,642	27,985,000	4,595,725
Wyoming	2,696,000	0	4,827,000	0	12,784,000	0
GRAND TOTAL	\$315,841,000	\$ 114,637,167	\$ 566,295,000	\$ 70,721,430	\$ 1,500,000,000	\$ 156,409,171

The OIG recommends that the Director, Office for Domestic Preparedness:

1. Require more meaningful reporting by states so ODP can track progress more accurately and assist states when necessary. Specifically, ensure that the definition of *obligation* is consistent for both programmatic and financial reporting purposes and require states using a “cash basis” accounting system to report the value of binding agreements to be funded by first responder grant funds.
2. Seek a legislative change to revise or eliminate the 45-day transfer rule to allow more time for planning.
3. Identify and publish best practices that result in faster and more efficient grant processing and spending. For example, identify state procurement practices that result in first responder equipment being supplied in a timely and cost effective manner.
4. Accelerate the development of federal guidelines for first responder capabilities, equipment, training, and exercises.
5. Publish program monitoring guidance and ensure that states report their progress in achieving program and performance goals and objectives.
6. Monitor state oversight of local jurisdictions’ compliance with grant requirements, and develop performance standards that can be used to measure the overall success of the grant programs, including baselines against which to measure progress.
7. Consider allowing states to use the most recent ODP-approved equipment list when purchasing equipment with prior-year grant funds.



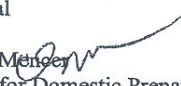
U. S. Department of Homeland Security

Office for Domestic Preparedness

Washington, D.C. 20531

MEMORANDUM

TO: Mr. Clark Kent Ervin
Inspector General

FROM: Ms. C. Suzanne Menger 
Director, Office for Domestic Preparedness

DATE: March 19, 2004

SUBJECT: ODP Response to OIG Draft Report on Distributing and Spending "First Responder" Grant Funds (A-03-09)

Thank you for providing the Office for Domestic Preparedness (ODP) with a copy of the *Draft Report on Distributing and Spending "First Responder" Grant Funds (A-03-09)*. We appreciate the opportunity to review the document and provide you with written comments on the report, specifically the recommendations made to our office. We have reviewed the report thoroughly and offer our written comments as an attachment to this memorandum.

In large part, ODP agrees with the report's characterization of the distribution and spending of homeland security grant funds provided to states and local jurisdictions by our office. We use the attached document to clarify both historical context of some situations portrayed in the report and some of the specific requirements of our grant programs and implementation processes. Where appropriate, we suggest substitute language.

Overall, ODP supports many of the recommendations offered in the draft report. Indeed, ODP has initiatives underway that address several of the issues raised in the "Conclusion and Recommendations" section. We have attached supporting documentation to illustrate our efforts in these areas where applicable.

If you have any questions regarding our comments, please ask your staff to contact Timothy Beres, Director of ODP's State and Local Program Management Division. He can be reached at 202-307-3702.

ODP again thanks you for allowing us to share our written comments on this report. We look forward to our continued partnership to improve our nation's homeland security.

**ODP Response to OIG Draft Report on
Distributing and Spending “First Responder” Grant Funds**

Issue 1: OIG Draft Language

Throughout the document

Use of term “first responders” and “first responder grants”

Issue 1: ODP Response

The funds from SDPP and SHSGP I and II are not for first responders only. While it is true that the grant programs are referred to commonly as “first responder” grants, the term “homeland security grants” would provide a more accurate reflection of the audience targeted by the grant programs.

Issue 2: OIG Draft Language

Page 3, section entitled “Introduction”

“This report describes the results of our review of the overall award, distribution, and spending of first responder grant funds awarded under the FY 2002 State Domestic Preparedness Program, the FY 2003 State Homeland Security Grant Program (SHSGP), and the State Homeland Security Grant Program Part II (SHSGP II).”

Issue 2: ODP Response

The third listed grant program should be referred to as “the FY 2003 State Homeland Security Grant Program Part II (SHSGP II).”

Issue 3: OIG Draft Language

Page 3, section entitled “Results in Brief”

“As of February 2004, the majority of the \$882 million in FY 2002 and FY 2003 first responder grant funds awarded under SDPP and the SHSGP remained with ODP. The majority of the \$1.5 billion awarded in SHSGP II funds also remained with ODP.”

Issue 3: ODP Response

The majority of the \$882 million in FY 2002 and FY 2003 first responder grant funds awarded under SDPP and the SHSGP do not remain with ODP. ODP recommends the following language to clarify this issue:

“The \$882 million in FY 2002 and FY 2003 first responder grant funds awarded under SDPP and the SHSGP funds were awarded by ODP but were not drawn down upon by the grantee agency. Funds remain with the Treasury until the grantee performs a drawdown on those funds.”

**ODP Response to OIG Draft Report on
Distributing and Spending “First Responder” Grant Funds**

Issue 4: OIG Draft Language

Page 3, section entitled “Results in Brief”

“In some instances, states and local jurisdiction had delayed spending funds pending the development of detailed spending plans, believing that spending the funds wisely was more important than spending them immediately. In addition to delays caused by states’ developing detailed plans for spending the funds wisely...”

Issue 4: ODP Response

The development of statewide assessments and homeland security strategies also played a role in delaying the spending of grant funds. The following language would capture that element:

“In some instances, states and local jurisdiction had delayed spending funds pending **results of statewide assessments** and the development of **homeland security strategies and** detailed spending plans, believing that spending the funds wisely was more important than spending them immediately. In addition to delays caused by states’ developing **strategies and** detailed plans for spending the funds wisely.....”

Issue 5: OIG Draft Language

Page 4, section entitled “Background”

“DOD began by offering and managing grants to 68 cities for training and personal protection equipment. . .In 2000, ODP was given responsibility for parts of DOD’s preparedness grant program. Over the next three years, the grant program grew slowly and sifted from grants directly to cities to grants to states, which were sub-granted to local jurisdictions.”

Issue 5: ODP Response

DOD used equipment loans, not grants, as the vehicle for providing equipment support through the Nunn-Lugar-Domenici (NLD) Domestic Preparedness Program.

Issue 6: OIG Draft Language

Page 4, section entitled “Background”

“In 2000, ODP was given responsibility for parts of DOD’s preparedness grant program.”

Issue 6: ODP Response

DOD’s NLD program was transferred to ODP midway through its implementation. Thus, a more accurate statement would be that ODP was given responsibility “to complete DOD’s NLD program for cities 69 through 120.”

**ODP Response to OIG Draft Report on
Distributing and Spending “First Responder” Grant Funds**

Issue 7: OIG Draft Language

Page 4, section entitled “Background”

“Over the next three years, the grant program grew slowly and shifted from grants directly to cities to grants to states, which were sub-granted to local jurisdictions.”

Issue 7: ODP Response

The State Domestic Preparedness Equipment Program actually began in 1999. Other than NLD, all grants thereafter went through the State Administrative Agency (SAA), an office designated by each governor to apply for and administer ODP grant funds.

Issue 8: OIG Draft Language

Page 4, section entitled “Background”

“Subsequently, the program was expanded from funding just training and equipment to include the cost of administration, planning, and preparedness exercises.”

Issue 8: ODP Response

The early iteration of the program did not include training. Therefore, the sentence would be better phrased as:

“Subsequently, the program was expanded from funding just equipment to include the cost of administration, training, planning, and preparedness exercises.”

Issue 9: OIG Draft Language

Page 5, section entitled “Background”

“In March 2003, the program was transferred to DHS. During this transfer, the grants became commonly known as the “first responder” grants. First responders include life safety personnel working in law enforcement, emergency medical services, emergency management, fire service, public works, government administration, health care and public health.”

Issue 9: ODP Response

The “first responder” grants were known as “preparedness” grants. First responder disciplines include public safety (OIG references life safety), public safety communications, and hazardous materials (HazMat).

**ODP Response to OIG Draft Report on
Distributing and Spending “First Responder” Grant Funds**

Issue 10: OIG Draft Language

Page 5, section entitled “Background,” paragraph beginning with “ODP has continued DOD’s...”

“ODP has continued DOD’s and DOJ’s mission to oversee the enhancement of state and local jurisdictions’ ability to respond to, and mitigate the consequences of, incidents of terrorism through the delivery of first responder grants.”

Issue 10: ODP Response

In FY04, ODP grant funds supported states and local jurisdictions’ efforts to enhance terrorism prevention, in addition to their ability to respond to and mitigate the consequences of terrorism incidents.

Issue 11: OIG Draft Language

Page 5, section entitled “Background,” paragraph beginning with “While ODP is responsible...”

“ODP managed one first responder grant program in FY 2002, SDPP and two grant programs in FY 2003, SHSGP and SHSGP II.”

Issue 11: ODP Response

In FY 2003, ODP managed SHSGP and SHSGP II, in addition to the Urban Areas Security Initiative (UASI), UASI II, UASI Port Security Grant Program, UASI Transit System Security Grant Program, and the UASI RDD Protective Measures Program.

Issue 12: OIG Draft Language

Page 5, section entitled “Background,” paragraph beginning with “State and U.S. territory governors...”

“State and U.S. territory governors are responsible for applying for the grants and appointing a state administrative agency that manages the grants and acts as the liaison between ODP and the states’ local jurisdictions.”

Issue 12: ODP Response

Governors are responsible for appointing the SAA, who then applies for and manages the grant.

**ODP Response to OIG Draft Report on
Distributing and Spending “First Responder” Grant Funds**

Issue 13: OIG Draft Language

Page 5, section entitled “Background,” paragraph beginning with “At DHS...”

“However, recently proposed legislation and a DHS realignment plan call for all DHS first responder and emergency preparedness grants to be managed by DHS’s Office of State and Local Coordination and Preparedness.”

Issue 13: ODP Response

The correct name of the office referenced in this section is DHS’s Office of State and Local Government Coordination and Preparedness.

Issue 14: OIG Draft Language

Page 6, section entitled “States and Locals Slow to Spend Funds, Although More Had Been Committed or Obligated,” paragraph beginning with “As of February 2004...”

“As of February 2004, the majority of the \$2.4 billion in FY 2002 and FY 2003 first responder grant funds awarded to the 56 states and territories remain unspent and with ODP.”

Issue 14: ODP Response

As noted earlier, the grant funds referenced do not remain with ODP. All funds under these programs were awarded by ODP but not drawn down upon by the grantee agency. Funds remain with the Treasury until the grantee performs a drawdown on those funds. ODP suggests that this section be re-written to read as follows:

“As of February 2004, the majority of the \$2.4 billion in FY 2002 and FY 2003 first responder grant funds awarded to the 56 states and territories has not been drawn down.”

Issue 15: OIG Draft Language

Page 7, section entitled “Funds Awarded and Drawn Down by the States,” paragraph beginning with “We sampled ten states...”

“As of November 4, 2003, 12 months after the funds had been awarded, \$102 million, or 82 percent, had not been disbursed to the states.”

Issue 15: ODP Response

A more accurate statement would be that the funds had not been drawn down by the states.

**ODP Response to OIG Draft Report on
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Issue 16: OIG Draft Language

Page 9, section entitled “ODP Processing Times Have Improved but State and Local Delays Continue”

“On average, for our sample of 10 states, the 2002 grants took 292 days to process, whereas it took 76 days to process FY 2003 grants.”

Issue 16: ODP Response

Only states that had completed the required needs assessment and statewide strategy were eligible to apply for additional grant funds under the FY 2002 State Domestic Preparedness Program. Since strategies had not been submitted to ODP at the time Congress made appropriations, no grantees were eligible for the program at that point. The solicitation was posted only after statewide strategies were received, thereby making applicants eligible for grant support through the program.

Issue 17: OIG Draft Language

Page 10, section entitled “ODP Processing Times Have Improved but State and Local Delays Continue,” paragraph beginning with “State and local governments were...”

“State and local government were sometimes responsible for delaying the delivery of FY 2002 grant funds to first responders. Grants had to be accepted by the states, awarded to local jurisdictions by the states, and accepted by the local jurisdictions.”

Issue 17: ODP Response

An additional important reason for state and local delays in receiving FY 2002 grant funds is that the states first had to submit a State Domestic Preparedness Strategy for approval before they could participate in the FY 2002 program. Once the strategy had been received and approved, the state could then submit a grant application for FY 2002 funds. Consequently, ODP recommends inserting the following language in the draft report:

“State and local government were sometimes responsible for delaying the delivery of FY 2002 grant funds to first responders. **First and foremost, states had to submit a State Domestic Preparedness Strategy for approval. They were then allowed to submit a grant application for FY 2002 funds.** Grants then had to be accepted by the states, awarded to local jurisdictions by the states, and accepted by the local jurisdictions.”

**ODP Response to OIG Draft Report on
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Issue 18: OIG Draft Language

Page 11, section entitled “ODP Processing Times Have Improved but State and Local Delays Continue,” paragraph beginning with “A congressional effort to speed...”

“However, this action had a limited effect because most states are meeting the 45-day timeframe by using a loose definition of “obligate.” DHS allows states to count funds as obligated when the states have agreed to allocate a specific amount of the grant to a state agency or local jurisdiction, even though the state has not determined specifically how the funds will be spent or when contracts for goods and services will be let. The short deadlines also force states to reduce the amount of time they spend planning. As a result, funds are still not reaching local jurisdictions in 45 days, and meeting the deadline often caused states and local jurisdictions to delay spending prior year grant funds.”

Issue 18: ODP Response

The language in this section is not entirely accurate. The intent of the 45-day timeframe was to make funds available to local jurisdictions as quickly as possible. The states have in fact met the 45-day requirement. If local jurisdictions have not yet spent the grant funds, it is likely due to one of two reasons: 1) local jurisdictions have not met the state’s sub-award requirements (e.g., providing a budget to the SAA) or 2) in cases where local jurisdictions have been cleared to begin obligating under the sub-award, local jurisdictions have not placed orders or otherwise obligated funds. Neither reason is the fault of either ODP or the SAA; these responsibilities rest with local jurisdictions.

Issue 19: OIG Draft Language

Page 12, section entitled “Federal Requirements and guidelines,” No. 2

“States also pointed to confusion caused by changes ODP has made in its eligible equipment lists.”

Issue 19: ODP Response

ODP requests clarification on what the OIG report calls “confusion” caused by changes ODP has made in its eligible equipment lists.

Issue 20: OIG Draft Language

Page 13, section entitled “Federal Requirements and Guidelines,” No. 3

“States also complained that equipment budget worksheets had to be revised several times before being approved by ODP, and that reporting requirements were continually expanding.”

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Issue 20: ODP Response

Equipment budget worksheets had to be revised several times before being approved by ODP because grantees asked to purchase equipment that was not on the allowable equipment purchase list. ODP modifies the equipment lists each year based on recommendations from state and local emergency responders so as to better meet their equipment needs and to provide full customer service.

Issue 21: OIG Draft Language

Page 15, section entitled “State and Local Planning Process,” No. 5

“Inadequate staffing is a problem in many states and jurisdictions. The recent economic downturn and budget shortages have made it difficult for states to fund administrative positions. FY 2003 grants added more funding for administering the grants.

Issue 21: ODP Response

ODP’s homeland security grant programs allow for the hiring of both full- and part-time personnel and contractors to implement the programs. This option could be more widely used by states to address the issue of inadequate staffing.

Issue 22: OIG Draft Language

Page 16, section entitled “Monitoring and Measuring Performance”

“ODP has not implemented a formal grant monitoring system. Nor has ODP staff conducted frequent field visits to grant recipients. None was conducted in FY 2002 and only a few in FY 2003.”

Issue 22: ODP Response

State and urban area homeland security strategies and grants must be monitored in order to track support provided by ODP for strategy implementation, to gauge progress toward strategic goals and objectives, and to determine whether planning, operational, equipment, training, exercise, and administrative grant funds are being obligated and expended in accordance with Office of Justice Programs (OJP) Office of the Comptroller (OC) guidelines, ODP grant guidelines, and grant award special conditions. Monitoring provides a comprehensive picture of how chemical, biological, radiological, nuclear, and explosive (CBRNE) terrorism prevention, response, and recovery capabilities are increasing nationwide and allows ODP to ensure it is providing resources and support in an efficient and effective manner.

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ODP faced significant staffing shortfalls during the period highlighted in the report due to hiring freezes, which prevented ODP from fully implementing an aggressive monitoring program. To date, ODP has performed 12 monitoring visits to selected states and territories in FY 2004.

The ODP Monitoring Handbook has been provided as an addendum to this response memorandum to showcase the current ODP monitoring practices.

Issue 23: OIG Draft Language

Page 16, section entitled “Monitoring and Measuring Performance”

“ODP needs to ensure that financial monitoring of its first responder grant programs is conducted more frequently to ensure that the states are effectively using grant funds.”

Issue 23: ODP Response

ODP was part of OJP before being transferred to DHS on March 1, 2003. Within OJP, OC was responsible for the financial monitoring component of all ODP grants and cooperative agreements. Since ODP’s transition to DHS, OC has continued financial monitoring of ODP grants. Until ODP is provided with the means to develop an internal Office of the Comptroller to monitor the financial elements of the grant programs, ODP will continue to be served by OJP’s OC.

Issue 24: OIG Draft Language

Page 17, section entitled “Monitoring and Measuring Performance”

“This issue [of establishing performance measures] is quickly increasing in importance and will need ODP’s attention in the near future.”

Issue 24: ODP Response

Homeland Security Presidential Directive (HSPD)-8 might ultimately assist in efforts to establish performance measures. However, in the near term, ODP’s new reporting process for FY 2004 grants allows for outcome-based reporting, which can be used to show improvements resulting from grants. In addition, office-based and on-site monitoring allows ODP to evaluate performance and focus on outcomes achieved through its grant programs.

Issue 25: OIG Draft Language

Page 17, section entitled “Consolidation of Preparedness Grants”

“In response, DHS is moving selected grant programs currently in the Emergency Preparedness & Response directorate and the Border and Transportation Security directorate into the Office for State and Local Government Coordination and

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Preparedness. Grants proposed for moving to the new office include Homeland Security Grants, Assistance to Firefighters Grants, Emergency Management Performance Grants, Port Security Grants, the Intercity Bus Security Program, and Citizen Corps.”

Issue 25: ODP Response

The list of programs moving to ODP is not complete. The following programs are also slated for transition to ODP:

- Metropolitan Medical Response System
- First Responder Counter Terrorism Training Assistance
- State and Local All Hazards Emergency Operations Planning
- Interoperable Communications Equipment
- Community Emergency Response Teams
- Operation Safe Commerce
- Trucking Industry Security Grant Program

Issue 26: OIG Draft Language

Page 18, section entitled “Conclusion and Recommendations”

“The OIG recommends that the Director, Office of Domestic Preparedness:...”

Issue 26: ODP Response

ODP stands for the Office for Domestic Preparedness.

Issue 27: OIG Draft Language

Page 18, section entitled “Conclusion and Recommendations,” No. 1

“Require more meaningful reporting by states so ODP can track progress more accurately and assist states when necessary.”

Issue 27: ODP Response

ODP’s new reporting template for FY 2004 grant programs provides for more outcome-based reporting. The new reporting mechanism allows the office to track progress against the goals and objectives included in the State Homeland Security Strategies.

Issue 28: OIG Draft Language

Page 18, section entitled “Conclusion and Recommendations,” No. 1

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“Specifically, ensure that the definition of obligation is consistent for both programmatic and financial reporting purposes...”

Issue 28: ODP Response

This recommendation cannot easily be accomplished. For example, a subgrant is an obligation by the SAA that meets statutory requirements. However, that information is not reported on the Office of Management and Budget (OMB) Standard Form 269, the financial status report form used by all grantees of Federal agencies to report the status of funds.

In addition, ODP and the U.S. Department of Homeland Security (DHS) Office of the General Counsel (OGC) have approved the following definition of a legal obligation for consideration in the implementation of ODP grant programs:

An obligation means: 1) a definite commitment which creates a legal liability for the payment of funds for goods and services ordered or received, or 2) a commitment during the grant period to pay under a grant, subgrant, and/or contract determinable sums for services or goods ordered or received during the grant period; or 3) evidence that funds are encumbered, such as a purchase order or requisition, to cover the cost of purchasing an authorized item during the grant period.

NOTE: The above definition, in particular part 2, does not include operational costs associated with raising the threat level in the State Homeland Security Grant Program – Part II. ODP staff and grantees should refer to ODP program guidelines for specific details on those costs.

Issue 29: OIG Draft Language

Page 18, section entitled “Conclusion and Recommendations,” No. 4

“Seek a legislative change to revise or eliminate the 45-day transfer rule to allow more time for planning.”

Issue 29: ODP Response

The Fiscal Year (FY) 2004 U.S. Department of Homeland Security Appropriations identified that states were provided 60 days, as opposed to 45, in which to make funds available to local governments. This modification was incorporated by ODP in the FY 2004 grant guidance.

Issue 30: OIG Draft Language

Page 18, section entitled “Conclusion and Recommendations,” No. 4

“Accelerate the development of federal guidelines for first responder capabilities, equipment, training, and exercises.”

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Issue 30: ODP Response

Although not a regulatory agency, ODP has produced numerous guidelines and protocols to assist emergency responder communities at the state and local levels. Most notably, ODP has produced the Emergency Responder Guidelines and the Homeland Security Exercise and Evaluation Program (HSEEP). ODP developed the Emergency Responder Guidelines to help provide America’s response community with a baseline understanding of the training necessary to effectively and safely respond to an act of terrorism involving the use of CBRNE. ODP understands that the most effective way of evaluating preparedness prior to an actual incident is, by conducting and evaluating threat-based exercises. Based on this understanding, ODP has defined a methodology and developed guidance for the evaluation of performance-based exercises which are described in HSEEP.

Issue 31: OIG Draft Language

Page 18, section entitled “Conclusion and Recommendations,” No. 5

“Publish program monitoring guidance and ensure that states report their progress in achieving program and performance goals and objectives.”

Issue 31: ODP Response

ODP has formal monitoring protocols that call for Preparedness Officers to review progress that states are making toward their State Homeland Security Strategies.

Issue 32: OIG Draft Language

Page 19, section entitled “Conclusion and Recommendations,” No. 7

“Allow states to use the most recent ODP-approved equipment list when purchasing equipment with prior year grant funds.”

Issue 32: ODP Response

Allowing grantees to use current or future equipment lists that may differ from those provided by ODP in previous fiscal years will ultimately have a negative impact upon accounting practices, vendor selection, equipment maintenance, and training and calibration programs managed by ODP grantees. A grantee’s spending plan and budget from previous fiscal years were based upon that particular fiscal year’s instructions and guidance. Asking the grantee to then alter that spending plan would produce confusion for both the grantees’ accounting system, as well for many of the ODP reporting and monitoring systems in place. If this recommendation were implemented, it would reward grantees for not planning well and not expending funds in a timely manner.

The OIG evaluated the Office for Domestic Preparedness' written comments and has made changes to the report where appropriate. A summary of the written comments and our analysis regarding the recommendations made in the report are as follow:

Recommendations

- 1. Require more meaningful reporting by states so ODP can track progress more accurately and assist states when necessary. Specifically, ensure that the definition of *obligation* is consistent for both programmatic and financial reporting purposes and require states using a “cash basis” accounting system to report the value of binding agreements to be funded by first responder grant funds.**

ODP agrees with the intent of this recommendation, but responded that implementing parts of our recommendation, such as a consistent definition of obligation, would be difficult. For its FY 2004 grant programs, ODP has instituted a new reporting template. This template, according to ODP, allows better tracking of grantee progress in achieving the goals and objectives detailed in their State Homeland Security Strategies.

The OIG's purpose in making this recommendation is to have ODP collect information that will allow it to measure the use of grant funds more effectively. We will review ODP's new reporting template to determine whether it accomplishes that purpose.

- 2. Seek a legislative change to revise or eliminate the 45-day transfer rule to allow more time for planning.**

ODP responded that in FY 2004 the states were given 60 days, as opposed to 45, in which to make funds available to local governments.

The OIG agrees that this is an improvement. ODP, though, should evaluate the effectiveness of the time limit to determine whether or not it results in a more rapid use of grant funds.

- 3. Identify and publish best practices that result in faster and more efficient grant processing and spending. For example, identify state procurement practices that result in first responder equipment being supplied in a timely and cost effective manner.**

ODP did not comment on this recommendation.

4. Accelerate the development of federal guidelines for first responder capabilities, equipment, training, and exercises.

ODP responded that it has produced numerous guidelines and protocols for the emergency responder community and defined a methodology for evaluating performance-based exercises.

The OIG agrees that such activities are important. However, states and jurisdictions were looking to DHS for performance standards, as well as equipping and training standards, that they can apply to their first responder organizations to help them determine where their shortfalls are and identify their highest priority needs. The OIG is not sure that what ODP has accomplished thus far meets those expectations.

5. Publish program monitoring guidance and ensure that states report their progress in achieving program and performance goals and objectives.

ODP responded that it has formal monitoring protocols that call for Preparedness Officers to review progress that states are making toward their State Homeland Security Strategies.

The OIG will review ODP's published monitoring guidance.

6. Monitor state oversight of local jurisdictions' compliance with grant requirements, and develop performance standards that can be used to measure the overall success of the grant programs, including baselines against which to measure progress.

ODP did not comment on this recommendation.

7. Allow states to use the most recent ODP-approved equipment list when purchasing equipment with prior-year grant funds.

ODP responded that this recommendation would have a negative impact on accounting practices, vendor selection, equipment maintenance, and training and calibration programs managed by ODP grantees.

The OIG based this recommendation on the simple logic that current equipment lists have added items of equipment that have been determined to be appropriate for first responders, and that states and jurisdictions should be able to purchase those items with funds from prior years. The OIG changes this recommendation to state that ODP should consider allowing the use of the most recent equipment lists, and we will discuss this recommendation further with ODP.

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Office for Domestic Preparedness
Office of State and Local Coordination

Office of Management and Budget

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DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees as Appropriate

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