

**DEPARTMENT OF HOMELAND SECURITY**

**Office of Inspector General**

**Federal and State Oversight of the  
New York City Urban Area Security  
Initiative Grant Program**



Office of Inspector General

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Homeland  
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### Preface

The Department of Homeland Security Office of Inspector General was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

We assessed whether the Department of Homeland Security's Office of Grants and Training and the State of New York established effective oversight and program monitoring of Urban Area Security Initiative grants awarded to the State of New York. The audit is based on interviews with employees and officials of relevant federal, state, and urban area agencies, institutions, working groups, and advisory committees; direct observations; and a review of applicable documents.

The recommendations herein have been developed according to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General

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## Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
UASI	Urban Area Security Initiative
Working Group	New York City Urban Area Working Group

## **Executive Summary**

The Urban Area Security Initiative grant program provides states and local governments with the funding needed in high-risk urban areas to build an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism. This audit assessed whether (1) the Office of Grants and Training and the State of New York established effective oversight and program monitoring over the New York City urban area, and (2) Urban Area Security Initiative funding enhanced the area's homeland security capacity as intended. The New York City urban area received \$337 million from fiscal years 2003 to 2005, and our audit covered \$244 million provided to the urban area's three largest subgrantees.

The level of federal and non-federal funding expended to enhance preparedness in the New York City urban area is noteworthy and indicative of a concerted effort at all levels to prevent and recover from terrorist attacks. However, improvements are needed in overseeing and monitoring grant expenditures, and rating the preparedness of the New York City urban area when viewed as a single regional entity.

We are recommending that the Assistant Administrator, Grant Programs Directorate, review and act on the questionable expenditures, develop procedures that assure subgrantees are using funds to purchase authorized equipment, and collect interest earned on federal grant funds.

We also are recommending that the Grant Programs Directorate encourage the State Administrative Agency to develop an automated system for all urban area subgrantees to report grant expenditures, use the automated information to verify expenditures, and provide the Directorate limited access to, or reports from, the system for independent monitoring and oversight of grant activities.

Lastly, we are recommending that the Directorate (1) require the Urban Area Working Group to establish priorities and rate the preparedness of the urban area in total after clarifying the Woodbury Scale Rating System currently in use by subgrantees and (2) work with Working Group members to develop criteria and guidance for measuring success as it relates to goals and objectives.

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## Background

In February 2003, the President signed Public Law 108-7 that allocated funds to a vital grant program available to states and local governments in support of the national effort to combat terrorism (Appendix B provides the complete title of this and other applicable public laws pertinent to the UASI grant program). The UASI grant program specifically provided yearly financial assistance to high risk urban areas to address unique planning, equipment, training, and exercise needs; and assist these urban areas in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism. The Office of Grants and Training, formerly the Office for Domestic Preparedness,<sup>1</sup> reports to the Under Secretary for Preparedness within DHS and is the lead federal agency for awarding grant funds intended to assist state and local governments in preparing for or responding to act of terrorism.

Since its inception in FY 2003, the UASI grant program has experienced significant growth. The FY 2003 UASI Part I program resulted in grant awards of \$96 million made directly to seven urban areas located in five states and the District of Columbia. Beginning with FY 2003 UASI Part II, grant funds were awarded to the states and then sub-granted to numerous urban areas. In FY 2005, \$830 million in grant funds were awarded to 27 states and the District of Columbia for sub-grant awards to 50 urban areas. Through FY 2005, grant funding available totaled \$2.4 billion to address the homeland security needs identified by state and local governments, nonprofit organizations, and commercial companies. New York City has received \$337 million of the \$2.4 billion, and our audit covered \$244 million provided to the city's three largest sub-grantees.

Federal, state, and local roles and responsibilities as well as program funding and descriptions from FY 2003 to FY 2005 are discussed below:

**Office of Grants and Training (Grants & Training).** Grants and Training oversees the UASI grant program, and provides a “one-stop-shop” for numerous other DHS preparedness grant programs and initiatives applicable to state and local “first responders”; i.e., police, fire, and emergency medical personnel, etc. Although Grants and Training has program management responsibilities for domestic preparedness grants, through FY 2005 it relied upon the U.S. Department of Justice, Office of the Comptroller, for grant fund distribution and assistance, financial management support, and financial monitoring of grantees. Each grant year, Grants and Training provides UASI

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<sup>1</sup>In 2005, the Office for Domestic Preparedness became the Office of Grants and Training. The Office of Grants and Training became part of the Federal Emergency Management Agency (FEMA) on April 1, 2007 and was renamed the Grant Programs Directorate. For the purposes of this report, we will use Office of Grants and Training as the grant awarding entity.

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program guidance to assist state and local governments in applying for and administering the grant awards. Grants and Training works closely with the New York State Administrative Agency in its administration of the grants.

**State Administrative Agency.** The New York State Office of Homeland Security is the State Administrative Agency<sup>2</sup> for the New York City urban area with overall responsibility for conducting comprehensive urban area assessments and developing the statewide homeland security strategy. In addition, the State Administrative Agency is the single point of contact with Grants and Training regarding application for and administration of Grants and Training grant funds.

The State Administrative Agency develops a methodology for allocating grant funds to sub-grantees and works through the New York City Mayor's office to identify a point-of-contact to serve on the New York City Urban Area Working Group (Working Group). In addition, the State Administrative Agency monitors, oversees, and attends the Working Group meetings to obtain the current status of the grants but does not affect or influence the outcome of the rating process for the urban area's priorities.

**New York City Urban Area Working Group.** FY 2003 UASI grant guidance required the State of New York to develop and implement working groups for each high risk designated urban area. The working groups were responsible for coordinating, developing, and implementing all program elements, including the urban area assessment, homeland security strategy development, and any direct services Grants and Training requested or delivered. Grants and Training and the Working Group use the urban area assessment and strategy to allocate funding and guide delivery of direct services in the form of training, exercises, and technical assistance.

The Working Group includes numerous participants from New York City, Westchester, Nassau and Suffolk Counties, the City of Yonkers,<sup>3</sup> the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey, and the New York State Office of Homeland Security. Based on the urban area assessments and the state homeland security strategy, the Grants and Training preparedness officer and the sub-grant recipients are required to mutually agree on a rating score for UASI fundable projects, however, the preparedness officer makes the final project determination. Prior to FY 2006, sub-grantees subjectively rated each project, however beginning

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<sup>2</sup> From this point forward we will use the State Administrative Agency in place of New York State Office of Homeland Security.

<sup>3</sup> Prior to 2006, the City of Yonkers was represented by Westchester County.

in FY 2006; the Woodbury Scale<sup>4</sup> was used to rate the importance of each project (discussed in detail later in this report).

**UASI Program Funding.** Under FY 2003 Part I guidance, Grants and Training provided UASI grant funding directly to the urban areas selected by the Secretary, Department of Homeland Security. Beginning with FY 2003 Part II grants, UASI awards were made to the state, and the grant guidance required that the urban areas in the state receive at least 80% of the allowable funding with the state retaining not more than 20%. As indicated below, for the New York City urban area, the city itself received most of the urban area funding by agreement between New York’s Governor and New York City’s Mayor. Table 1 shows the amount received by the State for distribution to all urban areas, the State share, and the amount received by New York City.

**Table 1 - Summary of UASI Program Dollar Amounts  
For the State of New York and New York City \*  
(Dollars in millions)**

<b>UASI GRANT AWARDS*</b>	<b>TOTAL NEW YORK STATEAWARD**</b>	<b>NEW YORK STATE SHARE (20%)</b>	<b>NEW YORK CITY SHARE (80%)</b>
FY 2003 Part 1 - \$96	\$0	N/A	\$25
FY 2003 Part 2 - \$699	\$135	\$27	\$100
FY 2004 \$725	\$79	\$16	\$43
FY 2005 \$830	\$221	\$44	\$169 ***

\* Data provided by State Administrative Agency and New York City Criminal Justice Coordinator.

\*\* Includes money for New York City and Buffalo urban areas for FYs 2003 through 2005, Albany urban area for FY 2004, and funding of the state’s share.

\*\*\* New York City used \$3.1 million to supplement the Law Enforcement Terrorism Prevention Program because Congress reduced funding in FY 2005 by 25 percent.

- **Fiscal Year 2003 - UASI Program Part I.** FY 2003 Part I grant funding totaled \$96 million and was awarded directly to seven urban areas: New York City, the National Capital Region, Los Angeles, Seattle, Chicago, San Francisco, and Houston. Funding for this program was determined by a formula using a combination of current threat estimates, critical assets, and population density within the specified urban areas.

<sup>4</sup> Intended to evaluate grantee progress in meeting the goals and objectives of the state’s homeland security strategy as well as meeting national priorities.

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New York City received \$25 million, which it used to fund police and fire department homeland security activities. The activities were funded based on a plan, which identified and justified the use of the funds. According to New York State personnel, all funds were expended by December 31, 2006, and the grant is now in the final closeout phase.

- **Fiscal Year 2003 - UASI Program Part II.** FY 2003 Part II provided \$699 million in grant funding to 19 states and the District of Columbia for subsequent distribution to 30 urban areas including the 7 urban areas funded by Part I. New York City received \$100 million. Grants and Training allowed New York State to retain 20% of the total grant to cover administrative expenses; however, the state distributed the entire amount to the New York City and Buffalo Urban Areas. See Appendix C for a breakdown of state share distribution. New York City distributed its funds to the following eight agencies:
  - Department of Environmental Protection,
  - Department of Information Technology and Telecommunications,
  - Office of Emergency Management,
  - Fire Department,
  - Department of Transportation,
  - Police Department,
  - Department of Health and Mental Hygiene, and
  - The Health Hospitals Corporation.

Grants and Training based grant awards on a formula that considered population density, critical infrastructure, and current threat estimates as articulated in urban areas' strategic plans. Grants and Training required the recipients to provide budgets detailing their needs before issuing the funds. This process resulted in long delays and extensions up until December 31, 2006.

- **Fiscal Year 2004 - UASI Program.** The FY 2004 UASI grant program provided \$725 million in discretionary grants to 27 states and the District of Columbia for 50 urban areas -- some previously identified areas and some new ones. Of the \$725 million, New York City received \$43 million and used all of it to cover orange alert overtime for the police department.<sup>5</sup> Grants and Training made an exception to the overtime cap for FY 2004 UASI funding; therefore, 100% of the funding was applied to personnel and fringe benefits for the police department.

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<sup>5</sup> Funding from UASI, other federal grants, and state, and local governments were used to cover orange alert activities including the Republican National Convention in New York City.



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In an effort to expedite the process to local governments, Grants and Training advanced the funds and relied on the entities to submit expenditure reports. [Subsequent to the issuance of our draft report, the Grant Programs Directorate, the successor to Grant and Training asked us to clarify the above by indicating that the Directorate requires grantees to maintain a minimum of cash on hand.] All funds were expended by the end of the first quarter of 2005. As with FY 2003, Grants and Training based grant awards on a formula that considered population density, critical infrastructure, and current threat estimates as articulated in urban areas' strategic plans.

- **Fiscal Year 2005 - UASI Program.** FY 2005 UASI grants totaled \$830 million for 50 urban areas located in 27 states and the District of Columbia. New York City received \$169 million. In FY 2005, Congress waived the *Cash Management Improvement Act of 1990*<sup>6</sup> [31 USC 3335 and 31 USC 6503] allowing the funds to flow better. The State Administrative Agency administered the funds on a reimbursement basis allowing the recipients to provide a budget detailing their needs before issuing the funds. FY 2005 funds remained available through March 31, 2007, the end date of the grant performance period.

FY 2005 funding allocations changed from previous allocations in that they were based on credible threats, the presence of critical infrastructure, vulnerability, population, population density, law enforcement investigative and enforcement activity, and the existence of formal mutual aid agreements.

## Results of Audit

Grants and Training, the State Administrative Agency, the New York City urban area, and related department, agency, and authority officials have demonstrated a commitment to preventing, deterring, responding to, and recovering from terrorist attacks. This commitment is evidenced by their efforts and the level of federal and non-federal funding expended in the New York City urban area to enhance preparedness since FY 2003. However, improvements are needed in overseeing and monitoring the grants and rating the preparedness of the New York City urban area when viewed as a single regional entity.

## Improving Grant Monitoring and Oversight

Grants and Training and the State Administrative Agency can strengthen controls over grant spending by enhancing the monitoring and oversight

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<sup>6</sup> In 2006, the waiver became permanent.

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processes related to grant execution. In their efforts to have grant funds released and expended more timely, Grants and Training and the State Administrative Agency have not performed the same level of in-depth monitoring as was performed during FY 2003 of the UASI grant program. Specifically, neither Grants and Training nor the State Administrative Agency enhanced their post award monitoring of expenditures. Enhancing the monitoring processes within Grants and Training and the State Administrative Agency could reduce potential unauthorized expenditures.

Expenditures against the FY 2003 UASI Program Part II grant, including \$3.17 million for an automated student health record system, \$160,949 for landlord administrative fees, and other smaller items such as newspaper subscriptions, did not have supporting documentation in Grants and Training and State Administrative Agency files. Therefore, we considered these expenditures questionable and requested additional information.

Grants and Training agreed that the expenditures identified above, when considered at face value, are questionable and would require more information. When asked for additional support, Grants and Training had little information on file that would justify these expenditures. Our research on these questionable areas is discussed below:

- While the New York City urban area requested and justified the automated student health record system to monitor suspected health problems within the school system and to detect a bio-terrorism as early as possible, school personnel using the system stated the automated system replaced a manual system and had no bio-terrorism application. Grants and Training personnel indicated a higher-level DHS official provided approval on the urban area's request to obtain the system.

During a January 2007 meeting, New York City officials pointed out to us that the automated health system was included in their initial strategic plan that was approved by Grants and Training and again in a recent letter from Grants and Training. City officials viewed the approval of the strategic plan as authorization to make expenditures. Therefore, any subsequent review of expenditures would result in unnecessary micro-management by federal and state officials. Further, these officials stated that grant program funds were approved based on the urban area's strategic goals and objectives and that funding decisions as to how to meet those goals and objectives were left up to the urban area.

Our review of the urban area's initial strategic plan confirmed that the automated student health record system was included in the plan approved by Grants and Training and the State Administrative Agency. However, despite the city's comments to the contrary, federal and state officials are

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responsible for overseeing financial and programmatic execution of grant terms and conditions. This includes periodic verification of expenditures to assure that the urban area is achieving or has achieved the goals and objectives articulated in its strategic plan.

Subsequent to our fieldwork, Grants and Training provided additional information regarding the automated student health record system discussed above. Grants and Training indicated the system

*... was an approved expense as part of a syndromic<sup>7</sup> surveillance system for the Public Health Department. The Capabilities Division is certain that the automated student health record contains a bio-terrorism application and possibly the appropriate school personnel were not interviewed.*

- At the end of our audit fieldwork, Grants and Training had not determined the validity of the landlord administrative fees paid for with grant funds.
- The State Administrative Agency provided Grants and Training with support from New York City stating that newspapers and news magazines offered open sources of intelligence to assist the urban area in identifying and analyzing terrorist threats in a timely and useful fashion.

As discussed below, Grants and Training and the State Administrative Agency need to make improvements in the monitoring of individual expenditures, interest collections, and on-hand assets. Better monitoring and oversight processes would provide Grants and Training and the State Administrative Agency with the ability to advise urban area grant recipients not to make unauthorized expenditures or to require additional support justifying expenditures.

### **Monitoring Individual Expenditures**

The New York City Criminal Justice Coordinator served as the focal point to collect and monitor the expenditures for all New York City agencies. This paper-intensive process required the Coordinator to obtain copies of purchase orders generated by the grant recipients and to prepare expenditure reports summarizing all expenditures related to the UASI grant. These reports were then forwarded to the State Administrative Agency for further reporting to Grants and Training.

To provide in-depth monitoring of grant expenditures and to verify the eligibility of those expenditures, Grants and Training and the State Administrative Agency would require copies of all purchase orders and

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<sup>7</sup> A syndrome is a complex of symptoms indicating the existence of an undesirable condition or quality.

monitoring reports regularly submitted by the grant recipients. The State Administrative Agency recognized the difficulty in reviewing all purchase orders and has initiated steps to improve its monitoring capabilities. One option being considered is a software module that could be added to the statewide online database that could be used by all grant recipients to report grant expenditures. Currently, the statewide system is used for grant application and tracking. New York City did not have a central database to monitor the expenditures of its eight sub-grantees; instead, they tracked expenditures through a paper-intensive method of monitoring and overseeing grant execution. However, the State Administrative Agency is currently working with the city, the largest urban area grant recipient, on ways to incorporate the city into the system and to develop ways to improve on line financial reporting and accountability.

New York City officials stated they rely on an extensive internal control system, the citywide financial management system, city budget process, and internal and external audits to monitor city and agency spending. City officials also said they rely on feedback they receive from Grants and Training yearly visits as an indicator of New York City urban area performance in executing grant requirements. While the comments offered by New York City officials indicated a degree of expenditure monitoring and oversight, the volume and dollar amount of New York City transactions in a paper driven system makes monitoring expenditures by Grants and Training and the State Administrative Agency difficult and time consuming. Automating the process would allow for enhanced monitoring and would allow for eliminating questionable and potential duplicate expenditures.

### **Monitoring Interest Collections**

The New York City Criminal Justice Coordinator reported \$1.15 million in accrued interest earned on grant funds advanced to New York City but the interest has not been remitted to the federal government. In this instance retaining the interest earned on federal grant funds violates the *Cash Management Improvement Act of 1990* (31 USC 6503(c)(1)).

Table 2 below shows the interest earned by New York City as reported to the State Administrative Agency and, in turn, to Grants and Training in its quarterly fiscal cost reports beginning with the second quarter of 2005.

**Table 2 – Interest earned on grant funds advanced to New York City**

<b>Quarter/FY</b>	<b>Period</b>	<b>Amount</b>
Second/2005	Oct. 2003 - Jun. 2005	\$936,032
Third/2005	Jul. 2005 - Sep. 2005	114,446
Fourth/2005	Oct. 2005 - Dec. 2005	101,308
Total		\$1,151,786

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The Department of Justice's Office of Justice Programs originally identified the accrued interest during a November 2004 on-site monitoring visit requested by the DHS Office for Domestic Preparedness. The Office of Justice Programs recommended that the New York State Division of Criminal Justice Services remit the accrued interest to the U.S. Department of Health and Human Services.

Because the grant funds were administered by the State Administrative Agency and had not yet been remitted, in May 2005, Grants and Training requested that the State Administrative Agency remit the interest to the U.S. Treasury rather than the U.S. Department of Health and Human Services.

Grants and Training, State Administrative Agency, and New York City officials were unsure as to when the interest earned on federal funds needed to be remitted to the U.S. Treasury but indicated that the interest may not be due until the grant is closed out. In January 2007, Grants and Training, State Administrative Agency, and New York City officials stated they would research the issue of when to remit the interest and determine how much interest has currently been earned. Subsequent to our fieldwork, Grants and Training directed the grantee to return the interest already earned, to return interest thereafter on a quarterly basis, and to report interest on its Financial Status Report (Standard Form -269)

### **Monitoring On-Hand Assets**

New York City could not easily monitor on-hand assets because it had not developed a citywide database to do so. New York City and two of the three sub-grant agencies we visited could only identify UASI funded non-expendable equipment by reviewing individual purchase orders. Further, our review of equipment inventory procedures at the three sub-grant agencies showed that each used a different method of controlling and reporting assets. Developing a citywide database would enable the city to monitor on-hand assets; increase the visibility of quantities, locations, and availability of assets during response and recovery efforts; and help avoid duplicate assets. Details of our review are discussed below.

- One agency's Office of Homeland Security Grants maintained a centralized database. This office made inputs into its database based on notification from the various agency divisions that expenditures against the grant had been made. When the divisions failed to provide copies of purchase orders or otherwise notify the grants office of the expenditure and acquisition of the asset, a record was not created in the database. Further, this system was not accessible outside of the grants office. However, separate databases and tracking mechanisms for grant funded

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equipment acquisitions were developed within the other divisions. During our inventory, we noted two such databases already in existence.

- The other two agencies could not provide complete supporting documentation identifying equipment purchased with UASI funds. For example, one agency provided us a list of equipment that they subsequently determined was a wish list of equipment to be purchased with UASI funds. We later received a new list from the agency's accounting department, but the list contained a variety of equipment items purchased with UASI and other DHS grant funds. Divisions and precincts in those agencies kept spreadsheets, budgets, wish lists, and copies of purchase orders to support grant funded equipment acquisitions but those records were not always indicative of on-hand assets. As such, we could not always reconcile assets physically located on site against the inventory records. Furthermore, some equipment was purchased with multiple funding sources, and it was not clear where the equipment was reported. Some divisions were developing their own databases to track and monitor on-hand assets.

During our January 2007 meeting, city officials indicated they were working with other Working Group members on a citywide assets and logistics management system that could be used for the entire urban area.

## **Recommendations**

We recommend that the Assistant Administrator, Grant Programs Directorate:

**Recommendation #1:** Review the landlord administrative fee expenditure to determine the applicability for funding by the UASI program and take appropriate actions.

**Recommendation #2:** Implement monitoring procedures that assure that grantees and sub-grantees use UASI funds to purchase authorized equipment.

**Recommendation #3:** In coordination with the State Administrative Agency, collect the \$1.15 million in interest earned on federal grant funds through the fourth quarter of FY 2005 and any interest earned thereafter.

**Recommendation #4:** Encourage the State Administrative Agency to:

- Develop an online database to report grant expenditures for use by all urban area sub-grantees,

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- Use the database to perform periodic independent verifications of expenditures and on-hand assets, and
  - Provide the Office of Grants and Training access to, or reports from, the statewide database to allow for independent monitoring and oversight of expenditures, inventories of on-hand assets, and interest collections.

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## **Management Comments and OIG Analysis**

### **Management Comments to the Recommendations**

For Recommendation #1, the Financial Accountability and Oversight Division (FAO) will review the landlord administrative fee with the grantee to determine the eligibility of the fee for UASI program funding.

In response to Recommendation #2, the Acting Assistant Administrator did not agree that additional monitoring procedures were needed to assure that grantees and sub-grantees use UASI funds to purchase authorized equipment. The Grant Programs Directorate has a robust grantee monitoring protocol in place and the Grant Development and Administration Division has been monitoring all 50 States and the Territories on an annual basis, and the Urban Area participants every 2 years. Additionally, the Financial Accountability and Oversight Division conducts financial monitoring of FEMA grantees. The Preparedness Officer assigned to New York State has frequent contact with both the State Administrative Agency and New York City regarding authorized equipment. For FY 2003 grants, grantees were required to submit detailed budget worksheets identifying every item to be purchased with grant funds.

The \$1.15 million in interest earned on federal grant funds has been returned to the federal government as we suggested in Recommendation #3.

In response to Recommendation #4, the Grant Programs Directorate did not agree that it should encourage the state to implement a specific information system. Rather, it encourages states to implement the best available means to gather and track data. Additionally, Directorate officials said that State Administrative Agencies are held to their state's rules and regulations regarding the responsible administration of federal grant funds for the direct oversight of sub-recipients' management of DHS passed through funds. In addition, the State Administrative Agencies are responsible for implementing processes that will ensure compliance with DHS guidance requirements and other Federal rules and regulations.

### **OIG Analysis**

The Grant Programs Directorate's response to Recommendation #1 and Recommendation # 3 meet the intent of those recommendations.

Regarding Recommendation #2 and Recommendation #4, the report recognizes that the level of federal and non-federal funds expended in the New York City urban area shows a concerted effort to prevent and recover



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from terrorist attacks. Throughout our fieldwork and in this report, we recognize the extensive monitoring efforts of Grant Program Directorate staff.

The intent of Recommendation #2 was to highlight some areas at the State Administrative Agency and urban area levels needing improvement so that the Grant Programs Directorate could implement additional processes to enhance its programmatic and financial monitoring. The Grant Programs Directorate has enhanced its grant guidance to states and urban areas since the inception of the UASI grant program in FY 2003, and has demonstrated its robust programmatic and financial monitoring protocols in recent years. Therefore, we accept the Directorate's comment that no additional monitoring procedures are needed at this time.

The Directorate's comment to Recommendation #4 regarding its encouragement to states on implementing the best available means to gather and track data meets the intent of the recommendation. As with Recommendation 2, our intent was have the Grant Program Directorate urge the state to streamline its processes to help the state better monitor grant expenditures and determine the eligibility of those expenditures and to make programmatic and financial monitoring at the federal level easier.

### **Improving the Ability to Measure UASI Program Success**

The New York City urban area, when viewed as a single entity, cannot measure the intended effect of using UASI funds to build an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism. However, each member of the area subjectively measured their individual successes and capabilities based on funding expended from all sources for equipment, training, and exercises. Urban area-wide capacities were not measured because the Working Group did not prioritize funding of projects as a group, rate the preparedness of the urban area collectively, or fully understand the Woodbury Rating System. In addition, the measurement of enhanced and sustainable homeland security capacities cannot be determined solely from the expenditure of UASI funds but rather should be determined from the total federal and non-federal investment in these capacities. Therefore, the recently reported ratings for measuring the intended effect of using UASI funds are misleading.

Grant guidance from Grants and Training required designated urban areas to establish working groups that would be responsible for coordinating the development and implementation of all program elements, including the urban area assessment, strategy development, and any direct services delivered by Grants and Training. The guidance required the state to semi-annually report its progress in executing the grant. Categorical/Discretionary Assistance Progress Reports included a general, subjective statement regarding progress in the areas of acquiring equipment, training, and exercises.

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According to Appendix C of the FY 2006 Office of Grants and Training Strategic Monitoring Protocols for Eastern, Central, and Western Division:

Preparedness Officers will need to focus their strategic monitoring on two fronts: (1) the progress made in achieving Goals and Objectives stated in the most recently approved Homeland Security Strategy; and (2) progress made in accomplishing the National Priorities issued under the guidance of Homeland Security Presidential Directive - 8.

In its efforts to measure enhanced homeland security capabilities and to show progress in meeting national priorities, Grants and Training provided grantees the Woodbury Scale as a means to move from subjective assessments of capabilities to a more objective and quantifiable methodology. The Woodbury Scale, when properly applied, was intended to evaluate grantee progress in meeting the goals and objectives of the state's homeland security strategy as well as meeting national priorities. The rating/scoring of priority areas or goals is described in Table 3 below:

**Table 3 – Woodbury Scale**

<b>Rating/Score</b>	<b>Description</b>
0	Priority area/goal not being addressed
1	Priority area/goal identified
2	Initial efforts have commenced
3	Efforts are well on the way
4	Priority area/goal nearing completion
5	Priority area/goal completely addressed

While the Grants and Training preparedness officer and the grant recipient mutually agree on a rating score based on grant execution, the preparedness officer makes the final determination concerning priority areas and goals. Measuring program success has been problematic for the four reasons discussed below.

**1. The Working Group did not prioritize the funding of projects as an urban area.**

The Working Group serves as the executive steering committee to provide overall governance of the UASI program. The Working Group's mission is to maximize the efforts of jurisdictions in the metropolitan area to prevent, prepare for, respond to, and recover from acts of terrorism and events involving weapons of mass destruction. The Working Group should link and coordinate activities such as equipment acquisitions, joint training and

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exercises, public education and outreach, and the development of response protocols under various grant programs; e.g., UASI grant program and other homeland security grant programs. Further, the Working Group is tasked with conducting urban area assessments and developing urban area homeland security strategies. The Working Group consists of multi-jurisdictional and multi-disciplinary members from all contiguous jurisdictions and mutual aide partners.

Despite its formidable mission, the Working Group worked well at developing their strategies and plans, developing exercises and response protocols, and other key areas for strengthening the response to terrorist actions. However, until recently, setting and funding urban area priorities as a single entity was not an issue dealt with by the Working Group. We met with city officials in January 2007 during which we were told that the Working Group decided that urban area-wide priorities were not actively considered because, as discussed below, all urban area funding in the early years of the UASI program went directly to New York City. Both Grants and Training and State Administrative Agency officials stated that the meetings we monitored during the audit were the Working Group's first efforts at looking at priorities and funding as a single regional entity. Prior to this, each Working Group member developed individual funding priorities for the use of UASI funds.

Grants and Training UASI grant guidance (FY 2003 Part II through FY 2005) required urban areas to receive at least 80% of the authorized funding with the state retaining not more than 20%. Although all eight members of the Working Group qualified for urban area grant funding, the full 80% for urban area members went to only one member -- New York City -- as decided by the State Governor in conjunction with the City Mayor. At the Governor's discretion, a portion of the remaining 20%, representing the state's share intended to fund state purposes, was distributed among the other Working Group members. Appendix C shows how the state distributed its 20% share as direct "unmarked" funding allocations to various UASI sub-grantees. Many of these sub-grantees received other state share funds for specific agencies or projects, i.e. "marked" funding.

Since the Working Group's mission is to maximize the efforts of jurisdictions in the metropolitan area, it should have assessed and evaluated the needs of all Working Group members and developed a prioritized list of projects covering the entire urban area. By doing so, the Working Group could have funded the highest priority projects that benefited the urban area as a whole. However, the manner in which UASI grant program funds were distributed undermined the Working Group's control over urban area priorities and funding decisions. It also increased the potential for funding lower priority projects before funding a project that may have been a higher priority project when viewing the urban area as a whole. In addition, Working Group members, other than

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New York City, were limited in funding long-term, high cost projects thereby extending project completion unless other sources of funds were found.

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## **2. Woodbury Scale ratings were not accurate.**

Grants and Training and the Working Group first used the Woodbury Scale in June 2006 in an attempt to collectively rate/measure projects against state and national homeland security goals and objectives. Each Working Group member provided a Woodbury Scale ranking of between zero and five for how they saw the urban area's current status in regards to state and national goals and objectives. Working Group members agreed that the rating that received the most votes would be the rating used for the whole urban area.

We observed the June 2006 monitoring meeting and concluded that the Working Group representatives had different approaches for determining their numeric rating and, as a result, ratings assigned to state and national goals and objectives were not accurate. For example, some members gave ratings based on their own jurisdiction while others gave ratings based on what they thought the overall urban area should receive. Some believed they deserved a higher rating of accomplishment within the urban area when viewed as a whole but they were unable to assess the ratings for other jurisdictions. Furthermore, members were concerned about rating themselves at a one or two for each strategy and national priority, because they were concerned that the public would misinterpret their ratings to mean that they were not as prepared as they should be since 9-11. In addition, it became apparent during the meeting that some members' ratings were based on the ratings given by those who spoke up first or were based on New York City's assessment. Collectively, the "ad hoc" methodology in determining Woodbury Score ratings reduced the Working Group's ability to provide a well-founded rating for the urban area as a whole.

## **3. Working Group members were not familiar with the Woodbury Scale.**

The Working Group members and represented jurisdictions were not familiar with the Woodbury Scale as a means to measure enhanced homeland security capabilities and to show progress in meeting national priorities. During the June 2006 meeting, the representatives indicated that they required specific guidance, not previously provided, and more time to prepare for the rating. Repeatedly, the members asked questions as to what each individual rating meant in an attempt to determine a consistent basis for ratings given by each member.

The Working Group could not support an overall urban area rating on the state and national goals and objectives addressed during the meeting because the rating process lacked any pre-established rating or measurement criteria. For example, each jurisdiction identified its own critical infrastructures and individually rated the measures taken to protect that infrastructure. However, the Working Group did not identify or prioritize critical infrastructure on an

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urban area-wide basis. While one large jurisdiction like New York City could have its “efforts well under way” (Woodbury Scale rating of 3), other surrounding jurisdictions could have similar critical infrastructure protections that had not been addressed or had just been identified (Woodbury Scale ratings of 0 or 1). Without pre-established rating and measurement criteria, the Working Group could not assign an accurate rating to state and national goals and objectives.

#### **4. Woodbury Scale ratings were not based solely on UASI funding.**

The ratings provided during the monitoring meeting were not determined on the basis of UASI grant funds alone. Therefore, the Working Group could not effectively coordinate the development and implementation of all UASI grant program elements or accurately report its progress in executing the grant. Some Working Group members rated progress on the basis of all federal and non-federal funds spent on homeland security improvements. This included grants from the Homeland Security Grant Program, Law Enforcement Terrorism Prevention Program, Urban Area Security Initiative, COPS’ Homeland Security Overtime Program, Citizen Corps, and Metropolitan Medical Response System, as well state and local funds. These representatives indicated that measuring progress solely on UASI funding could result in Woodbury Scores of one (priority area/goal identified) or two (initial efforts have commenced). On the other hand, considering all sources of funding would result in higher scores. While the Working Group members provided compelling reasons why all homeland security funding should be considered, the layering effect of all funding source provides a misleading rating for the benefits of using UASI funds. In that regard, Grants and Training should determine the most effective means to determine UASI grant programs effectiveness.

### **Recommendations**

We recommend that the Assistant Administrator, Grant Programs Directorate:

**Recommendation #5:** Require that the New York City Urban Area Working Group (1) establish critical infrastructure funding priorities relative to the urban area as a whole, and (2) rate the preparedness of the urban area when viewed as a single regional entity.

**Recommendation #6:** Provide the Working Group members clear guidance on the use of the Woodbury Scale Rating System, and work with Working Group members to develop criteria for measuring success as it relates to UASI goals and objectives.

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## **Management Comments and OIG Analysis**

### **Management Comments to the Recommendations**

The Grant Programs Directorate did not concur with Recommendation #5 and stated that the New York City Urban Area is required to develop and implement an Urban Area Homeland Security Strategy and fund projects accordingly. The New York City Urban Area does have an operational Urban Area Working Group, and progress is being made in the implementation of memoranda of understanding, joint projects, etc. Additionally, the Grant Programs Directorate emphasized that there is a long-standing agreement within New York State such that New York City has received the UASI funds and the State funded the rest of the Urban Area from the State funds.

Likewise, the Grant Programs Directorate did not concur with Recommendation #6 because Directorate officials thought we placed too much emphasis placed on the Woodbury Scale as a measure of meeting UASI Program goals and objectives. Those officials pointed out that (1) the Woodbury Scale is only one measure used to identify the progress states and urban areas make in implementing their homeland security strategies (2) FY 2006 was the first year the Scale was used as a measure, and (3) it is certainly likely that some members of the Urban Area Working Group were unfamiliar with the Scale, unclear as to its use, or uncomfortable with the self-reporting mechanism included in the Scale and part of the monitoring process.

### **OIG Analysis**

We agree with the Grant Programs Directorate regarding the existence of an urban area homeland security strategy, the establishment of the urban area working group, and the Governor's agreement with the New York City Mayor that the 80% share of UASI program funds would be provided to New York City.

The Directorate's response to Recommendation #5 falls short of addressing the points we made in that recommendation; namely that the Working Group establish critical infrastructure funding priorities relative to the urban area as a whole, and rate the preparedness of the urban area when viewed as a single regional entity. The response does recognize that "...progress is being made in the implementation of memoranda of understanding, joint projects, etc." but provides little information as to what the outcomes of the memoranda of understand and joint projects will be, and when these actions will be completed.

While our report does place a substantial amount of emphasis on the use of the Woodbury Scale Rating System, the Directorate's response to

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Recommendation #6 did not address the second part of that recommendation wherein we recommended that Directorate officials work with the Working Group to develop criteria for measuring success as it relates to UASI goals and objectives. The responses allude to measures other than the Woodbury Scale Rating System that are used to identify the progress states and urban areas make in implementing their homeland security strategies but does not identify those measures or how program effectiveness is determined. Furthermore, the responses recognize the first time use of the rating system and the likelihood that Working Group members were unfamiliar with the Scale, unclear as to its use, or uncomfortable with the self-reporting mechanism but do not address if or how this situation will be remedied.

## **Conclusions**

Recent and on-going efforts by the State Administrative Agency and the Working Group members and their departmental/agency representatives in building an enhanced and sustainable homeland security capacity are noteworthy. Specifically:

- Efforts by the State Administrative Agency to implement a statewide online database system and other methods for improving oversight should enhance the monitoring of UASI spending and assets. In addition, it could enable Grants and Training and the State Administrative Agency to follow through with analyses on issues that warrant further verification.
- Progress made at the May 2006 Working Group meeting to distribute funds to all Working Group members should move the Working Group towards the setting of overall funding priorities and accurately matching critical infrastructure throughout the urban area to available funding. This process could replace the previous method of New York City receiving the full 80% of initial UASI funding provided by the state while the remaining members received their funding from the state's portion.
- On-going and planned efforts by individual agencies, such as the three we visited during the audit, should lead to improved monitoring of on-hand assets and their availability. However, instead of funding three separate databases, funding could be considered for efforts in developing a single urban area-wide database to track and monitor assets.



The audit objectives were to determine whether: (1) the Department of Homeland Security's (DHS) Office of Grants and Training and the State of New York established effective oversight and program monitoring over the New York City urban area, and (2) UASI preparedness funding enhanced the urban area's capacity to prevent, respond to, and recover from threats or acts of terrorism.

We conducted the audit fieldwork from April 2006 to July 2006 and reviewed federal and state oversight and monitoring of FY 2003, FY 2004, and FY 2005 UASI funds allocated and spent by New York City. We reviewed: (1) UASI appropriations authorized by Public Laws 108-7, 108-11, 108-90 and 108-334; (2) applicable federal and state regulations including Title 28, Code of Federal Regulations, Section 66.40 and OMB Circular A-103, *Grants and Cooperative Agreements with State and Local Government*, both of which discuss on monitoring and reporting program performance; (3) applicable Grants and Training UASI program guidelines; and (4) various congressional reports and newspaper articles related to the UASI grant program.

Audit fieldwork covered four review components:

- Office of Grants and Training Headquarters in Washington, DC
- New York State Office of Homeland Security in Albany, NY
- New York City Offices (Office of Management and Budget and Office of the Criminal Justice Coordinator)
- New York City Agencies (The Department of Health and Mental Hygiene, Fire Department, and Police Department)

During the audit, we (1) reviewed program policies, procedures, and controls used to monitor UASI grants; (2) reviewed program documentation, (3) interviewed responsible officials, and (4) as appropriate to the location visited, physically inspected some of the equipment purchased with UASI funds.

#### **Office of Grants and Training Headquarters**

We researched and obtained background information on UASI grants provided to New York and obtained UASI guidelines and program policies and procedures used in the allocation of these grants. We reviewed program grant files, evaluated Grants and Training monitoring practices and controls over the expenditures of the funds, and reviewed applicable management and monitoring reports. To gain an understanding of oversight and monitoring responsibilities, we interviewed personnel from the External Oversight

Division and the Office of Grants Operations, as well as the preparedness officer for New York State.

### **New York State Office of Homeland Security**

We obtained background information on the UASI grants from officials at the New York State Office of Homeland Security and interviewed officials from the Division of Criminal Justice Services to identify New York State guidelines and program policies and procedures used to monitor grant progress. We were presented a briefing on the state's database and reviewed program files used to track UASI funding, evaluated state monitoring practices and controls over expenditures, and reviewed applicable management and monitoring reports. We interviewed financial personnel to gain an understanding of their methodology in reporting expenditures and reviewed a memorandum of understanding between the state and New York City outlining mutual responsibilities for the purpose of providing financial assistance. Finally, we determined that previous audit work performed by the state internal auditors differed from our work in that it only covered the Buffalo urban area. Thus, it was excluded from our review.

### **New York City Offices**

Since the city's Office of Management and Budget coordinated with the state regarding financial assistance provided to the city, we obtained background information on the financial operations of the grants and interviewed key personnel to identify the procedures used in administering the grants. We also reviewed program files and interviewed personnel from the Office of the Criminal Justice Coordinator to gain an understanding of their methodology for reporting the financial information. Finally, we visited three city agencies as discussed below.

### **New York City Agencies**

- The Department of Health and Mental Hygiene is responsible for all health-related issues in response to weapons of mass destruction attacks in the New York urban area. The department receives about half a billion dollars a year in grants from various sources and separately tracks each grant. UASI funding comes from the state to the city's Office of Management and Budget<sup>8</sup> that in turn distributes the funds to the department and other city agencies. The department then distributes the funds among 24 different projects.

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<sup>8</sup> The UASI grant is the only one that is processed through the City's Office of Management and Budget.

- The Fire Department is responsible for protecting the life and property of the city through its response to fire and medical emergencies.
- The Police Department is responsible for responding safely and effectively in the event of an attack involving a weapon of mass destruction.

For all three city agencies, we visited several locations throughout New York City to review training and exercise records, equipment, and to interview personnel regarding processes or systems in place to track UASI funding and measure grant performance.

The audit was conducted under the authority of The Inspector General Act of 1978, as amended, and according to the *Government Auditing Standards* prescribed by the Comptroller General of the United States.

Appendix B  
Applicable Public Laws, Regulations, and Circulars

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FY 03 UASI I, Consolidated Appropriations Resolution, Public Law 108-7, enacted February 20, 2003. Conference Report 108-10 page 637 (High Threat Urban Area)

FY 03 UASI II, Emergency Wartime Supplemental Appropriations Act of 2003, Pub. L. 108-11, enacted April 16, 2003

FY 04 UASI III, Homeland Security Appropriation Act, Public Law.108-090, enacted October 1, 2003

FY 05 UASI IV, Homeland Security Appropriation Act, Pub. L. 108-334, enacted October, 18, 2004

Cash Management Improvement Act of 1990 [31 USC 3335 and 31 USC 6503]

Title 28, Code of Federal Regulations, Section 66.40

Title 2, Code of Federal Regulations, *Grants and Agreements*

OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Government*

Appendix C  
Distribution of New York State 20 Percent Share

	<b>FY 2003</b> (Part II)	<b>FY 2004</b>	<b>FY 2005</b>
Amounts represent 20% state's share (See Table 1)	<b>\$ 27,053,321</b>	<b>\$ 15,942,149</b>	<b>\$ 44,216,581</b>
<b>UASI FUND RECIPIENTS</b>			
Port Authority of New York and New Jersey	\$ 5,300,387	\$ 749,945	\$ 13,000,000
Nassau County Office of Emergency Management	2,000,000	1,000,000	2,000,000
Nassau County Police Department	0	0	100,000
Suffolk County Dept. of Fire Rescue and Emergency	2,000,000	1,000,000	2,000,000
Suffolk County Police Department	0	0	100,000
Westchester County Dept. of Emergency Services	2,000,000	1,000,000	2,000,000
Westchester County Dept. of Public Safety	0	0	100,000
Division Military Naval Affairs/Orange Alert	3,886,449	0	0
New York State Police	2,363,550	0	0
New York Division of Criminal Justice Services	755,368	0	0
New York State Thruway Authority	0	0	2,750,000
New York State Department of Motor Vehicles	0	0	1,080,000
Mount Vernon Fire Department	0	0	250,000
New Rochelle Fire Department	0	0	250,000
White Plain Public Safety	0	0	250,000
Yonkers Fire Department	0	0	500,000
Queens Manhattan DA	0	0	750,000
Non-Profit Supplemental	0	0	1,100,000
UASI Local Grants Uncommitted	0	0	516,599
Metropolitan Transportation Agency	6,694,245	16,131,689	5,000,000
<b>Non-Profit</b>	0	0	6,311,701
<b>Other Urban Areas</b>	2,053,321	3,369,867	1,441,599
<b>State UASI</b>	0	0	6,576,133

Notes:

1. Data provided by State Administrative Agency (not audited).
2. This chart illustrates the breakdown of funding according to the New York State's discretion.
3. The amounts listed on line one represent the 20% share of the UASI funding that New York State was authorized to maintain by applicable Public Laws (See Appendix B).
4. This chart indicates that New York State distributed its entire share including its Management and Administration portion to all the urban areas.

Appendix C  
Distribution of New York State 20 Percent Share

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5. Westchester, Suffolk, and Nassau counties received \$1 or \$2 million each year, or \$5 million total.
6. On face value, it appeared that the state originally retained more than 20%. However in some of the cases, such as Metropolitan Transportation Agency and the Port Authority of New York and New Jersey, a portion of the funds listed on chart came from earmarked funds designated by the Grants and Training guidance. Those earmarked funds were not part of the 20% but were shown by the State Administrative Agency as UASI funds. Over the years, there have been other types of UASI grants that were agency specific. Based on documents reviewed at the State Administrative Agency, we could not determine how much came out of the State Administrative Agency's share or went directly to the two agencies from these other funds.

Fiscal Year 2003 UASI Part 1. The program required grant recipients to submit: (a) financial status reports within 45 days at the end of each calendar quarter that the award is active, (b) program progress reports within 30 days after the end of the reporting periods of June 30 and December 31 for the life of the award; and (c) financial and compliance audit reports no later than 9 months after the end of the recipient's fiscal year if the recipients expended \$300,000 [now \$500,000] or more of federal funds during their fiscal year.

The state was required to develop and implement urban area working groups and an urban area assessment and strategy development component to be used by Grants and Training and the working groups to allocate funding and guide delivery of direct services in the form of training, exercises, and technical assistance. The assessment<sup>9</sup> was intended to support the development of an urban area homeland security strategy, thus providing a roadmap for sustainable prevention and preparedness and guiding the allocation of grant funds and direct services provided by Grants and Training.

Fiscal Year 2003 UASI Part II. The program required the State to sub-grant at least 80% of the total grant award to the selected urban area(s) within 45 days of the receipt of funds and to use up to 20% to complement state assets that provide direct assistance to the urban areas excluding any administrative costs. The reporting requirements were the same as for the FY 2003-UASI Part I program. In addition, recipients could use up to 25% of the gross amount of their award to reimburse for operational expenses, including overtime costs for personnel and costs associated with increased security measures at critical infrastructure sites incurred during the Orange Alerts in 2003.

Fiscal Year 2004. The program required the State to sub-grant at least 80% of the total grant award to the selected urban area(s) within 60 days of the receipt of funds. Funding distribution was classified under five categories: 1) planning: 2) equipment acquisitions: 3) training: 4) exercises, and 5) management and administrative. Other than a three percent cap on management and administrative funds, there were no restrictions on allocations of funds across these categories.

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<sup>9</sup> The assessment must be coordinated with and developed jointly by the core city, core county/counties, the state, and any other jurisdictions designated by the core city, core county/counties, or the state.

Fiscal Year 2005. Grants and Training consolidated six programs<sup>10</sup> in a single grant award in an effort to streamline funding to states and territories. Grants and Training was required to obligate the funds no later than 60 days after the enactment of the Public Law 108-334 and states were required to sub-grant at least 80% of the funds to local units of government within 60 days of receiving the funds. The reporting requirements stayed the same as those stipulated for the FY 2004-UASI program.

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<sup>10</sup> The Homeland Security Grant Program; Urban Areas Security Initiative; Law Enforcement Terrorism Prevention Program; Citizen Corps Program; Emergency Management Performance Grants; and the Metropolitan Medical Response Team Program Grants.



Appendix E  
Management's Responses to the Draft Report

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



**FEMA**

**MEMORANDUM FOR:** Richard L. Skinner  
Inspector General

NOV 16 2007

**FROM:** Lisa A. Lewis *Lisa A. Lewis*  
Acting Assistant Administrator  
Grant Programs Directorate

**SUBJECT:** *Response to Draft Inspector General Report, "Federal and State Oversight of the New York City Urban Area Security Initiative Grant Program"*

This is in response to your June 1, 2007 memorandum requesting comments on the draft Office of the Inspector General report, *Federal and State Oversight of New York City Urban Area Security Initiative Grant Program*. Please note that the attachment contains formal responses to each of the six recommendations contained in this report.

Please accept our appreciation for the opportunity to respond to the draft report and to work with the Office of the Inspector General during this engagement.

Attachment

Cc: Jennifer Capps  
Tracey Trautman  
Judy Hampton  
Brad Shefka  
Mildred Lloyd

[www.fema.gov](http://www.fema.gov)

Response to the OIG Draft Report: *Federal and State Oversight of the New York City Urban Area Security Initiative Grant Program*

**Recommendation #1:** Review the landlord administrative fee expenditure to determine applicability for funding by the UASI Program and take appropriate actions.

**Response:** The Financial Accountability and Oversight Division (FAO) within FEMA's Grant Programs Directorate will work with the Grantee to acquire, review, and determine eligibility of the landlord administrative fee.

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**Recommendation #2:** Implement monitoring procedures that assure that grantees and sub-grantees use UASI funds to purchase authorized equipment.

**Response:** FEMA does not concur with this recommendation as the Grant Programs Directorate (GPD) within FEMA has a robust grantee monitoring protocol in place. The Grant Development & Administration Division within GPD has been monitoring all 50 States and the Territories on an annual basis, and the Urban Area participants every 2 years. Additionally, the Financial Accountability & Oversight Division within GPD conducts financial monitoring of FEMA grantees.

In addition to on-site monitoring, the Grant Development & Administration's Preparedness Officer assigned to New York State has frequent contact with both the State Administrative Agency and New York City regarding authorized equipment. For FY 2003 grants, grantees were required to submit detailed budget worksheets identifying every item to be purchased with grant funds.

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**Recommendation #3:** In coordination with the State Administrative Agency, collect the \$1.15 million in interest earned on federal grant funds through the fourth quarter of FY 2005 and any interest earned thereafter.

**Response:** FEMA has addressed this issue and the interest has been returned to the Department of Health and Human Services as required. No additional corrective action is required for this recommendation and it is recommended that it be closed.

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**Recommendation #4:** Encourage the State Administrative Agency to:

- Develop an online database to report grant expenditures for use by all urban area sub-grantees,
- Use the database to perform periodic independent verifications of expenditures and on-hand asset, and
- Provide the Office of Grants and Training access to, or reports from, the statewide database to allow for independent monitoring and oversight of expenditures, inventories of on-hand assets, and interest collections.

Appendix E  
Management's Responses to the Draft Report

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**Response:** FEMA does not concur with this recommendation. It is neither the stated purpose nor the desired aim of FEMA to require States to implement specific information management systems. However, FEMA does encourage the States to implement the best available means to gather and track data.

Additionally, SAAs are held to their State's rules and regulations for the responsible administration of federal grant funds and implementing processes that will ensure compliance with DHS guidance requirements and other Federal rules and regulations. The SAAs are responsible for the direct oversight of sub-recipients' management of DHS passed through funds.

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**Recommendation #5:** Require that the New York City Urban Area Working Group 1) establish critical infrastructure funding priorities relative to the urban area as a whole, and 2) rate the preparedness of the urban area when viewed as a single regional entity

**Response:** FEMA does not concur with this recommendation. The New York City Urban Area, like the other urban areas in the Country, is required to develop and implement an Urban Area Homeland Security Strategy and fund projects accordingly. The New York City Urban Area does have an operational Urban Area Working Group, and progress is being made in the implementation of memoranda of understanding, joint projects, etc. Additionally, it needs to be emphasized that there is a long-standing agreement within New York State such that New York City has received the UASI funds and the State has funded the rest of the Urban Area from the State funds.

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**Recommendation #6:** Provide the Working Group members clear guidance on the use of the Woodbury Scale Rating System, and work with Working Group members to develop criteria for measuring success as it relates to UASI goals and objectives.

**Response:** FEMA does not concur with this recommendation because too much emphasis has been placed on the Woodbury Scale in this Report. It is but one measure used to identify the progress States and Urban Areas have made in implementing their Homeland Security Strategies. In addition, FY 2006 was the first year the Scale was used as a measure and it is certainly likely that some members of the Urban Area Working Group were unfamiliar with the Scale, unclear as to its use, or uncomfortable with the self-reporting mechanism included in the Scale and part of the monitoring process.

Appendix F  
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  - DHS Office of Inspector General/MAIL STOP 2600, Attention:**
  - Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,**
  - Washington, DC 20528.**

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