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BEFORE THE

**SUBCOMMITTEE ON EMERGENCY PREPAREDNESS, RESPONSE, AND
COMMUNICATIONS**

COMMITTEE ON HOMELAND SECURITY

U.S. HOUSE OF REPRESENTATIVES

CONCERNING

**“ENSURING THE TRANSPARENCY, EFFICIENCY, AND EFFECTIVENESS OF
HOMELAND SECURITY GRANTS”**

MARCH 20, 2012



Good morning Chairman Bilirakis, Ranking Member Richardson, and Members of the Subcommittee:

I am Anne Richards, Assistant Inspector General for Audits of the Department of Homeland Security (DHS). Thank you for inviting me to testify today about the result of our audits of the Federal Emergency Management Agency's (FEMA) oversight and management of the Homeland Security Grants.

My testimony today will address the improvements the Federal Emergency Management Agency can make in three areas to ensure the grants process is transparent, efficient, and effective and I will briefly discuss a fourth area of emerging concern. Specifically, FEMA needs to make improvements in strategic management, performance measurement, and oversight. Also, our most recent audits have shown that some states do not have the capacity or even contingency plans to sustain critical programs that have been funded by the State Homeland Security Grants and Urban Areas Security Initiative without federal funds. Since 2003, the Department of Homeland Security has awarded more than \$16.3 billion for the State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) grants.

The information provided in this testimony is contained in our summary reports issued for fiscal years (FY) 2009-11 *Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs* (OIG-10-31, OIG-11-20, and OIG-12-22), and individual audits of states and territories. We have completed the audits for 20 individual states and territories, and have audits underway in an additional 19 states.

Strategic Management: FEMA needs to improve its guidance on strategic management for State Homeland Security Grants. In our most recent Annual Report to Congress, we summarized where states' strategies were deficient in matters concerning fully measurable goals and objectives.

While current guidance for state Homeland Security strategic plans encourages revisions every two years; the language is such that it does not **require** revisions to be made—it is just strongly encouraged. For example, the states of Maryland, Minnesota, and the territory of the Virgin Islands have outdated strategic plans. Additionally, we have identified states that do not have Homeland Security strategy plans with goals and objectives that are specific, measurable, achievable, results-oriented, and time-limited (SMART objectives).

For example, the Homeland Security Strategies for California, Nevada, New Jersey, New York, Pennsylvania, and Texas lacked SMART goals and objectives applicable to first responder capabilities. Nevada, New Jersey, New York, Pennsylvania, and Texas did not develop adequately defined goals and objectives to use for measuring improvements in their preparedness and response capabilities.

Without some form of measurable goal or objective, or a mechanism to objectively gather results-oriented data, states may have no assurance of the level of effectiveness of their preparedness and response capabilities. Also, states are less capable of determining progress toward goals and objectives when making funding and management decisions. We have found deficiencies in strategic management in 15 of the 20 state audits completed to date.

Performance Measurement: In regard to performance measurement, FEMA needs to improve its guidance on establishing metrics and measuring performance. Our audits show that states continue to lack the proper guidance and documentation to ensure accuracy or track milestones.

Providing guidance on the appropriate metrics and requiring those metrics to be documented would provide the states with tools to help them understand the effectiveness of each grant program; however, FEMA has not provided sufficient guidance in this area.

In our fiscal year 2010 Annual Report, we reported that the states of South Carolina, Maryland, and West Virginia did not have mechanisms to collect performance data, nor any procedures to analyze data and maintain documentation to support evaluations. Without these tools and processes, there is no assurance that information is accurate.

For example, South Carolina prepared annual threat and vulnerability assessments, but did not document and retain supporting data, like emergency call logs for fire trucks and ambulances. Although the state did form Counterterrorism Coordinating Councils to develop, define, and review the state strategy and goals, no mechanisms were created to collect data, nor procedures to analyze data and maintain documentation to support evaluations. This weakness prevented auditors, FEMA, and even the State Administrative Agency from validating assessments and ensuring consistency of information from year to year.

In another example, Maryland's State Administrative Agency conducted annual workshops to focus on the needs assessment phase of the strategic planning process; however, Maryland did not have an adequate process to conduct a review and update of its Homeland Security strategy's goals and objectives, or to ensure that local input was incorporated into the strategy. This needs assessment phase culminated in what was considered the "wish list" for Homeland Security projects with no regard to budget constraints or regional and State of Maryland needs.

Additionally, the State of West Virginia did not perform an analysis of capabilities and performance with respect to equipment purchased and training obtained. West Virginia also did not have written policies and procedures that required the analysis of capabilities and performance, and the documentation of such, in order to determine improvements in performance and progress toward achieving program goals.

FEMA also needs to strengthen its guidance on reporting progress in achieving milestones as part of the states' annual program justifications. When we reviewed the large investment programs that continue from year to year for the states of Nevada, New York and Texas, we found that the milestones for these states' continuing investment programs were not comparable to previous years' applications. Additionally, the status of the previous year milestones was not included in the application. Because of these weaknesses, FEMA could not determine, based on the annual application process, if a capability had been achieved, what progress had been made, or how much additional funding was needed to complete individually justified programs. Without this information, FEMA cannot be assured it is making sound investment decisions.

Because of insufficient information on milestones and program accomplishments, FEMA has been annually awarding Homeland Security Grant Program (HSGP) funds to states for ongoing programs without knowing the accomplishments from prior years' funding or the extent to which additional funds are needed to achieve desired capabilities. Tracking accomplishments and

milestones are critical elements in making prudent management decisions because of the evolving, dynamic changes that can occur between years or during a grant's period of performance.

We have found problems with performance measurement in 19 of 20 state audits completed to date.

Oversight: Focusing now on grants oversight, FEMA needs to improve its oversight to ensure the states are meeting their reporting obligations in a timely manner to ensure FEMA has the information it needs to make program decisions and oversee program achievements. Further, FEMA needs to improve its oversight to ensure that states are complying with federal regulations in regard to procurements and safeguarding of assets acquired with federal funds. In our annual audits of the State Homeland Security Program, we have repeatedly found weaknesses in the states' oversight of grant activities. Those weaknesses include inaccuracies and untimely submissions of financial status reports; untimely allocation and obligation of grant funds; and not following federal procurement, property, and inventory requirements.

For example, the States of Maryland, South Carolina, and West Virginia did not submit timely financial status reports to FEMA. The state-prepared quarterly financial status reports are designed to provide FEMA with financial information about the grant program expenditures that it can use to monitor grant implementation. The report is due within 30 days of the end of each calendar quarter (a change from 45 days in FY 2005).

Delays in the submission of Financial Status Reports may hamper FEMA's ability to effectively and efficiently monitor program expenditures and may prevent the State from drawing down funds in a timely manner, and ultimately affects the functioning of the program.

California, New York, and New Jersey, among other states, did not allocate grant funds timely. For instance, a California urban area did not make grant funds available to subrecipients for 15 to 18 months after the funds were received. As a result, expenditures for approved programs were delayed, the FYs 2006 and 2007 UASI grant performance periods were extended, and administrative costs increased. Most important, these delays prevented timely delivery of needed plans, equipment, exercises, and training to first responders.

New York State obligated grant funds to subgrantees in accordance with federal requirements, but the funds were not available for expenditure for months after the date of obligation because the subgrantees needed to sign contracts with the State before seeking reimbursement. The time available for subgrantees to make expenditures and be reimbursed by the State was significantly reduced and overall expenditure of grant funds was delayed. As a result, the opportunity for first responders to be better equipped, trained, and prepared was delayed because it took 8 to 12 months for subgrantees to receive signed contracts from the State.

New Jersey did not make funds available to all UASI subgrantees in accordance with federal pass-through requirements. This occurred because of delays by both the UASI Executive Committee and the state Office of Homeland Security and Preparedness in approving spending plans. New Jersey subgrantees did not always initiate projects in a timely manner, and as a result, SHSP and UASI grant funds were not expended within the grant performance period.

Consequently, first responders were less likely to be as equipped, trained, and prepared as possible.

Sustainment: In our audits in fiscal years 2011 and 2012, we have noticed an emerging trend with issues of sustainment. States did not prepare contingency plans addressing potential funding shortfalls if DHS grant funding was significantly reduced or eliminated. We found this issue in New York, California, Nevada, Florida, and Minnesota. In an era of growing budget constraints it is important to use budget resources for projects that can be sustained. FEMA has told us that it is addressing this issue in FY 2012 grant guidance by focusing on sustainment rather than new projects.

In conclusion, strategic planning, performance measurement, and oversight—to include tracking states' milestones and accomplishments for HSGP-funded programs—are important management controls for FEMA to ensure that federal funds are used for their intended purpose and that enhancements in preparedness capabilities are being achieved.

Despite the significant issues I have outlined here today, I do not want to leave the impression that the program has not made progress. For the past several years, states have generally maintained efficiency and effectiveness in administering grant requirements, distributing grant funds, and ensuring available funds were used. The states also continue to use reasonable methodologies to assess threats, vulnerabilities, capabilities, and needs, as well as allocate funds accordingly.

Further, our audits have identified several effective tools and practices of some states that can be of benefit to all states that FEMA and the individual states have willingly shared. FEMA has been responsive to our recommendations. In 2010, it concurred with all our recommendations to address areas of improvement in strategic planning and oversight, and it concurred, or concurred with the intent of 70 recommendations we made for fiscal year 2011 and is taking action to implement those recommendations.

Mr. Chairman, this concludes my prepared remarks. I welcome any questions that you or the Members of the Subcommittee may have.