



# Department of Homeland Security Office of Inspector General

## Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs



*Office of Inspector General*

**U.S. Department of Homeland Security**  
Washington, DC 20528



**Homeland  
Security**

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### 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, and special reports published as part of our oversight responsibilities to promote economy, effectiveness, and efficiency within the department.

This report addresses the annual requirement to report to Congress on the results of audits of individual states' management of State Homeland Security Program and Urban Areas Security Initiatives grants. It is a summary of 11 individual audit reports, including findings and recommendations to the Federal Emergency Management Agency that states take corrective measures and actions to improve their grant management programs.

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 cursive script 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

# OIG

*Department of Homeland Security  
Office of Inspector General*

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## **Executive Summary**

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the Department of Homeland Security, Office of Inspector General to audit individual states' management of State Homeland Security Program and Urban Areas Security Initiatives grants and annually submit to Congress a report summarizing the results of these audits. This report summarizes audits of ten states and one urban area completed in Fiscal Year 2008.

Objectives of the state audits were to determine whether each state (1) effectively and efficiently implemented the first responder grant programs, (2) achieved the goals of the programs, and (3) spent funds in accordance with grant requirements. For the urban area audit, the objectives were to assess whether the state established effective oversight and program monitoring, and whether urban area security initiative funding enhanced the area's homeland security capacity as intended.

The ten states and one urban area were awarded a total of \$1.6 billion in Homeland Security Grants for the periods audited. Overall, the states did an efficient and effective job of administering the grant management program requirements, distributing grant funds, and ensuring that all of the available funds were used. However, individual audit reports identified areas for improvement, including financial reporting, questioned costs, monitoring and oversight, procurement practices, measurable program goals and objectives, needs assessments, and personal property controls.

We made 88 recommendations for improvements and identified several effective tools and practices for possible use by other states. The Federal Emergency Management Agency concurred with 81 of the 88 recommendations, and subsequent explanations and actions have satisfied the intent of 2 of the nonconcurrences. The Federal Emergency Management Agency has been asked to reconsider its position on the remaining 5 nonconcurrences. Actions taken by the Federal Emergency Management Agency and the states have resulted in seven recommendations being closed; actions are underway to implement the remaining recommendations.

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## Background

In accordance with Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, the Department of Homeland Security (DHS), Office of the Inspector General (OIG) is required to submit an annual report to Congress summarizing the audits completed regarding State Homeland Security Program and Urban Areas Security Initiatives grants awarded to states, territories, and the District of Columbia. This report summarizes the Fiscal Year (FY) 2008 audits on the management of Homeland Security Grants awarded to ten states and one urban area for the fiscal years indicated in Table 1. A detailed listing and an internet link to each report are included in Appendix B.

**Table 1: Audits Included In This Report**

<b>Jurisdiction</b>	<b>Fiscal Years Reviewed</b>	<b>Grant Awards ('000s)</b>
New Jersey	2002 - 2004	\$115,265
Pennsylvania	2002 - 2004	150,642
Colorado	2003 - 2005	156,252
New York Urban Area	2003 - 2005	337,000
Florida	2002 - 2004	191,458
Georgia	2002 - 2004	115,181
Ohio	2002 - 2004	142,020
Michigan	2004 - 2006	129,070
Utah	2004 - 2006	55,613
Arizona	2004 - 2006	103,119
Washington	2004 - 2006	121,566
<b>Total</b>		\$1,617,186

### Homeland Security Grant Program

The Homeland Security Grant Program is a grant program administered by the Grant Programs Directorate within the Federal Emergency Management Agency (FEMA). The program provides federal funding to help state and local agencies enhance their capabilities to prevent, protect, respond to, and recover from threats or acts of terrorism. Depending on the fiscal year, the program encompasses some or all of the following federal grant programs: the State Homeland Security Program, the Urban Areas Security Initiative, the Law Enforcement Terrorism Prevention Program, the Citizen Corps Program, the Emergency Management

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Performance Grants, and the Metropolitan Medical Response System Program Grants.

**State Homeland Security Program** provides financial assistance directly to each state and territory to prevent, respond to, and recover from acts of terrorism. The program supports the implementation of the State Homeland Security Strategy to address identified planning, equipment, training, and exercise needs.

**Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high risk urban areas, and assist them in building enhanced and sustainable capacities to prevent, respond to, and recover from threats or acts of terrorism. Allowable costs for the urban areas are consistent with the State Homeland Security Program and funding is expended based on individual Urban Area Homeland Security Strategies.

The overall objectives of the individual state audits were to determine whether the grant programs were implemented effectively and efficiently, achieved their grant goals, and funds were spent in accordance with grant requirements. For the urban area audit, the objectives were to assess whether the state established effective oversight and program monitoring, and whether urban area security initiative funding enhanced the area's homeland security capacity as intended. (See Appendix C for details.)

## **Results of Audits**

Overall, the audits showed that the states did an efficient and effective job of administering the grant program requirements, distributing grant funds, and ensuring that all available funds were used in accordance with the congressional mandate. However, the individual audit reports also identified areas warranting improvements. We made 88 recommendations to the Administrator, Federal Emergency Management Agency for improvements in eight categories, outlined in Table 2. FEMA concurred with 81 of the 88 recommendations, and subsequent explanations and actions have satisfied the intent of 2 of the nonconcurrences. FEMA has been asked to reconsider its position on the remaining 5 nonconcurrences. Actions taken by FEMA and the states have resulted in 7 recommendations being closed;

actions are underway to implement the remaining recommendations.

**Table 2: Status of Audit Recommendations**

Areas for Improvement	Number Issued	Agency Concurrence:		Status:	
		Yes	No	Open	Closed
Financial Reporting	14	14	0	13	1
Questioned Costs	11	10	1	11	0
Monitoring and Oversight	14	12	2	12	2
Federal Procurement Practices	2	2	0	2	0
Measurable Program Goals and Objectives	13	11	2	13	0
Needs Assessments	7	6	1	7	0
Personal Property Controls	20	19	1	16	4
Other Grant Program Areas	7	7	0	7	0
<b>Total</b>	<b>88</b>	<b>81</b>	<b>7</b>	<b>81</b>	<b>7</b>

## Financial Reporting

Our audit reports identified 4 states with financial reporting weaknesses and included 14 recommendations for improvements. The states have already taken actions to implement the recommendations and improve their processes.

- The State of New Jersey and Commonwealth of Pennsylvania had untimely submission of Categorical Assistance Progress Reports. In several instances, states were either unable to locate the progress reports or were ineffectively managing the data submissions necessary to complete them. As a preventative measure, New Jersey required its staff to maintain a checklist of key events in the grant cycle. Pennsylvania will map the entire grant program to determine the grant flow process and develop a strategy for closing any gaps identified.
- The States of New Jersey and Utah, and the Commonwealth of Pennsylvania had untimely submissions of Financial Status Reports. This occurred due to a lack of written guidance and

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ineffective implementation of revised (shorter) submission deadlines. Improvements already implemented included New Jersey's checklist of key events in the grant cycle and review process and Pennsylvania and Utah's revision of procedures to accommodate the 30-day timeframe for report submission.

- The Commonwealth of Pennsylvania was cited for reporting Financial Status Report data that did not agree with the Commonwealth's accounting system. The accounting system did not take into account any advances of funds or invoices received within the last 5 days of the month. These items, along with clerical and posting errors and liquidations of erroneous accounts, caused an overstatement in the Commonwealth's accounting system. The Commonwealth implemented procedures and reconciliations to ensure that obligations are properly liquidated and all variances are documented.
- The State of Ohio was cited for not properly accounting for grant disbursements or submitting accurate Financial Status Report. The State was unable to periodically reconcile drawdowns from the federal account with expenditures recorded in the State's accounting system. The conditions were attributed to the State not always using actual expenditures as recorded in the accounting system, not reconciling differences with expenditures and status reports, and misclassifying or making errors when recording subgrantee expenditures.
- Also in Ohio, one county had commingled FY 2002 through 2004 grant funds with funds from other federal agency grant programs. As a result, the State could not ensure that the subgrantee funds were being appropriately accounted for, or used according to the grant requirements. The fiscal agent for the county placed several federal grants within the same fund without subaccounts to track the activity of each individual grant, and made postings to the accounting system without any considerations as to the purpose of the funds. This was initially reported in a 2005 Ohio Auditor of State financial audit, and remained unresolved at the time of our audit.

FEMA concurred with all 14 recommendations regarding financial reporting. One recommendation has already been implemented and closed. The remaining recommendations will remain open pending completion of corrective actions by FEMA.



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## Questioned Costs

Our audit reports identified seven states and one urban area with unallowable and unsupported costs of \$33.8 million, which comprised approximately 2% of the \$1.6 billion in grant funds awarded. For six states, questioned costs were related to grant funds awarded in fiscal years 2002 through 2004. For one state and one urban area, questioned costs involved awards from FY 2003 through 2005. Specifically,

- State of New Jersey: Questioned costs of \$247,199 (out of \$115,265,000) were due to a lack of supporting documentation, decentralization of records, and staff no longer available with the State or local jurisdiction to locate the documentation. The State subsequently submitted additional documentation to support most of the expenditures and has taken actions to implement an automated, web-based grants tracking system.
- Commonwealth of Pennsylvania: Unauthorized expenditures of \$721,317 (out of \$150,642,000) were charged to federal funds not on the authorized equipment list. The Commonwealth did not sufficiently review items acquired to ensure compliance with grant terms. FEMA required the Commonwealth to conduct an investigation of costs, which is still pending.
- State of Florida: Questioned costs of \$517,127 (out of \$191,458,000) were due to the State spending more than allowed under DHS grant requirements. The recommendation is open, pending corrective action by FEMA.
- State of Georgia: A total of \$23,300,000 (out of \$115,181,000) were questioned costs: \$13,300,000 were due to a lack of controls over centralized purchases and labor costs and ineffective monitoring and acquisition methods, while \$10,000,000 were due to untimely and improperly obligated grant funds awarded in fiscal year 2004. FEMA concurred with the two recommendations regarding lack of controls, and nonconcurred with the recommendation regarding untimely and improper obligations of grant funds. Due to recent action by FEMA, one of the three recommendations is closed and two remain open, pending corrective actions and a request for reconsideration of the nonconcurrence.

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- State of Ohio: Questioned costs of \$23,190 (out of \$142,020,000) were for a vehicle used for unauthorized purposes. The vehicle was used for daily commuting, making it unavailable in case of emergency. FEMA and the State concurred with the recommendation. The State verified the county's need for the vehicle and no longer allows its use for daily commuting.
  - State of Michigan: Questioned costs of \$33,800 (out of \$129,070,000): \$11,000 were questioned because equipment was not being utilized or maintained as intended, and \$22,800 were questioned due to an emergency response vehicle being used for daily commuting. FEMA and the State concurred with the recommendations. The State has planned corrective actions to resolve the recommendations.
  - State of Colorado: Questioned costs of \$7,839,296 (out of \$156,252,000) were due to unapproved transfers and commingling of grant funds for FYs 2003 and 2004; supplanting of grant funds for FY 2004; and unapproved transfers, commingling of funds, ineligible construction costs, and unsupported consulting costs for Urban Areas Security Initiatives grant funds in FYs 2003 and 2004. FEMA concurred with the recommendation without providing specific comments. The OIG is requesting corrective actions from FEMA to address the recommendation.
  - New York Urban Area: Over \$1.15 million in accrued interest earned on grant funds advanced to New York City from October 2003 to December 2005 was not remitted to the federal government. The State was unsure as to when the interest needed to be remitted to the United States Treasury, but believed it was when the grant period closed. FEMA concurred with the recommendation and the interest has been returned to the federal government.

FEMA concurred with 10 of 11 recommendations regarding questioned costs.

## **Monitoring and Oversight**

Monitoring and oversight weaknesses were cited in seven state audit reports, resulting in 14 recommendations for FEMA to require improvements in the states' monitoring and oversight of

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grant programs and processes. The reports also noted that Arizona, Michigan, and Colorado have implemented proactive measures to improve their monitoring and oversight processes, including developing policies, procedures, and program monitoring guidance; performing equipment reviews; and preparing a formal subgrantee guide for site monitoring efforts.

- For six states, monitoring and oversight weaknesses occurred because the states' emergency management organizational structures did not change with the addition of new homeland security grant responsibilities. Also, states did not have written plans to monitor financial or programmatic performance against strategic goals, or conducted infrequent monitoring and site visits to subgrantees.
- State of Colorado: The State did not require local jurisdictions to submit progress reports and its monitoring generally did not cover programmatic issues, only financial issues. Colorado conducted site visits on an ad hoc basis, limiting them to verifying delivery and location of equipment purchased with grant funds.
- New York Urban Area: New York did not have a citywide database for the Urban Areas Security Initiatives grant programs related to monitoring individual expenditures, interest collections, and on-hand assets, resulting in a paper-intensive monitoring and review process. An online database for grant expenditures will permit periodic independent verification of expenditures and facilitate monitoring and oversight activities. FEMA agreed to review specific fees to determine eligibility, but did not concur with recommendations to implement specific monitoring procedures, or develop and use an online database for monitoring. Subsequent explanations and actions by FEMA satisfied the intent of the recommendations, which were closed.

FEMA concurred with the 12 of 14 recommendations regarding monitoring and oversight.

## **Federal Procurement Practices**

Of the 11 jurisdictions audited, only one state did not ensure that federal procurement regulations were followed. Specifically, the State of Ohio did not perform required cost analyses for several

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noncompetitive procurements contracts. Also, a local jurisdiction did not notify the state of noncompetitive procurements, as required prior to awarding the contracts. The recommendations included highlighting, emphasizing, and transmitting the federal requirements to applicable state agencies and subgrantees, and establishing and implementing procedures to ensure federal requirements are followed by grant recipients for noncompetitive procurements exceeding \$100,000.

FEMA concurred with the two recommendations regarding federal procurement policy.

## **Measurable Program Goals and Objectives**

Five audits included 13 recommendations to improve grant management procedures concerning measurable program goals and objectives. Although four of the five states have made some advances in measuring goals and objectives, the states needed to demonstrate progress in achieving goals and objectives, and measuring improvements in local jurisdictions' capabilities in terms of equipment, training, and exercises. Some states' needs assessments were flawed or not clearly defined; other states did not assign necessary resources to address the complexities of developing needs assessments, emphasize the requirement, or view it as a FEMA requirement. Also, states did not establish or require local jurisdictions to establish specific objectives.

- State of Colorado: The State has taken steps to acquire needed equipment and to establish preparedness exercise and training programs. However, it has not ensured equipment readiness or effective exercise and training program implementation. The State did not identify areas for improvement or ensure the adequacy of corrective actions. State officials agreed with the findings and noted that they had developed and implemented policies and procedures for equipment monitoring. Training and exercise functions are also being assessed, with a plan in progress for improving both programs.
- State of Ohio: The State's list of statewide goals and objectives did not provide an adequate basis for measuring improvements in the capabilities of local first responders to respond to terrorist attacks involving weapons of mass destruction. The State did not develop measurable goals and

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objectives or a systematic method to collect performance-related data.

- State of Michigan: The State's established list of goals and objectives, although approved by FEMA, did not provide an adequate basis for measuring improvements in local grantee capability in terms of equipment, training, and exercises. Michigan conducted initiatives from 2005 through 2007 to improve homeland security programs and capabilities, including establishing a quality assurance and evaluation process to assess the status of local, regional, and state programs and identify gaps.
- State of Georgia: The State's Homeland Security Strategy was an incomplete document that contained inadequate or insufficient information or data. The strategy did not adequately or fully address evaluation processes for preparedness, goals, and objectives as required by DHS. In addition, it contained data inaccuracies that were not validated according to DHS instructions. The State did not agree with this finding, asserting that it complied with grant requirements and that DHS had approved the strategy. The State further commented that its emphasis was on administering the grant to effectively enhance capabilities according to the goals of the grant program. The State, however, along with FEMA, agreed with the recommendation to implement improvements in the performance measurement procedures.
- New York Urban Area: When viewed as a single entity, the urban area cannot measure the intended effect of using Urban Areas Security Initiatives funds to build an enhanced and sustainable capability to prevent, respond to, and recover from threats or acts of terrorism. Individual members of the urban area subjectively measured their successes and capabilities based on funding expended for equipment, training and exercises. However, the urban area did not prioritize funding for the collective projects, rate the preparedness of the urban area as a whole, or fully understand the rating system provided by FEMA to move from subjective assessments of capabilities to a more objective and quantifiable methodology. FEMA and the State did not concur with the two recommendations. The report, however, cited as noteworthy recent and ongoing efforts by the State, the working group, and departmental agency representatives to build an enhanced, sustainable homeland security capability.

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FEMA concurred with 11 of the 13 recommendations regarding measurable program goals and objectives.

## **Needs Assessments**

Although the States of Ohio, Michigan, and Colorado have taken steps to improve their program readiness, maintain the results of needs assessments, and approve strategic plans, further improvements were necessary regarding the use of needs assessments. The audit reports identified the following areas for improvement and made seven recommendations:

- State of Ohio: While the State compiled a comprehensive needs assessment, it did not use the results of the needs assessment as a basis for allocating grant funds to its counties. It also did not determine if counties were using grant funds to fill equipment shortfalls or gaps identified by the assessments, and did not establish priorities for the types and quantities of equipment the counties should buy with grant funds. The State concurred with the recommendations and in written comments indicated that in 2006 the State completed a comprehensive needs assessment, identified existing capabilities and gaps, and developed an enhancement plan that included investment justifications. FEMA did not concur with the recommendation regarding the use of grant funds to alleviate identified equipment shortfalls, and has been asked to reconsider its position.
- State of Michigan: The State's strategic plan, in place since 2001, did not require local jurisdictions to link their acquisitions of equipment, training, and exercises to the needs assessments results or state-established priorities. Subgrantees were able to select from approved lists without regard to the needs assessments and priorities. In their written concurrences, the State cited planned actions to address the recommendations, including establishing a Regional Homeland Security Planning Board, and a Program and Capability Enhancement Plan.
- State of Colorado: The State has taken steps to improve program readiness, but did not ensure that equipment readiness or exercise and training programs were based on risk and priorities. Subgrantees are responsible for overall equipment

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readiness, but lacked guidance on equipment readiness requirements and did not always keep equipment inventories. In addition, State representatives responsible for exercises and training programs did not have a clear understanding of their assigned responsibilities and were not in compliance with the objectives and timelines of the State's homeland security strategy. State officials agreed with the recommendation and noted that the Division of Emergency Management has developed and implemented new policies and procedures to assess training and exercise functions and a plan to improve to the programs.

FEMA concurred with the 6 of 7 recommendations regarding needs assessments.

## **Personal Property Controls**

Our audit reports included 20 recommendations for FEMA to require eight states to take actions to strengthen personal property controls in their homeland security grant management programs. Improvements have already been made in the majority of the eight states to address the recommendations. Specifically:

- State of New Jersey: The State did not have adequate documentation to support some of its expenditures. According to the State and local officials, this was due in large part to staff no longer employed by the state/local jurisdictions and available to locate the required documentation. Decentralization of records at the state level also increased the risk that improper expenditures could occur without detection. FEMA and the State concurred with the recommendation, and the State has implemented an automated, web-based Grants Tracking System to track all subawards for the entire life cycle, beginning with FY 2005 grants.
- Commonwealth of Pennsylvania: Unauthorized expenditures were charged to federal funds because the agency did not sufficiently review the acquired items to ensure compliance with grant terms and lacked procedures to review maintenance agreements, spare parts, and other acquisition expenses. FEMA and the Commonwealth concurred with the recommendations. The Commonwealth is currently mapping the entire DHS grant program, which will determine the grant

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flow process and identify gaps. Afterward, the Commonwealth will develop a plan to modify the process and close the gap.

- State of Florida: The State did not properly enter into Memorandums of Understanding with grant subrecipients because it did not have adequate controls to comply with grant funding obligation stipulations. Although FEMA concurred, the State disagreed with this recommendation, stating that FEMA's guidance did not require every equipment recipient to be part of a memorandum of understanding with the State. This recommendation is open pending corrective actions.
- Also, the Florida Division of Emergency Management did not establish policies for controlling centrally purchased equipment distributed to local jurisdictions, resulting in a lack of accountability for the equipment. FEMA concurred with the recommendation, but the State disagreed. Nonetheless, the State has taken corrective measures to implement a process requiring each subgrantee to provide the State agency with a detailed budget worksheet, permitting review of eligibility against the authorized equipment list.
- State of Georgia: The State did not have effective controls over centralized equipment purchases made through the "prime vendor" program with the Defense Logistics Agency. The State did not adhere to guidance in the Code of Regulations regarding effective controls and accountability. The State disagreed with the finding, but along with FEMA concurred with the recommendations to review expenditures and improve controls. The State will perform an internal reconciliation regarding the use of the DHS-approved prime vendor as part of its implementation of the recommendations.
- The State of Georgia claimed costs from grant funds that were not allocable, or may be not allowable, due to a lack of effective controls over labor costs, performance monitoring, and acquisition methods. This may have resulted in government-incurred costs not attributable to the State's grant performance. FEMA and the State concurred with the recommendation and will take the actions recommended.
- The State of Georgia did not obligate FY 2003 Parts I and II funds in a timely manner. The State disagreed, stating that it was compliant with guidance provided by the awarding federal agency. FEMA did not provide specific reasons for its



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nonconcurrence with the recommendation to require the State to develop internal controls to ensure that funds are obligated to local jurisdictions according to grant timeline requirements. FEMA was asked to reconsider its nonconcurrence.

- State of Ohio: Four of the six counties reviewed had developed controls and accountability systems. However, the counties did not maintain controls and systems to safeguard personal property procured with grant funds or ensure that property was used solely for authorized purposes. This occurred because the State did not provide clear guidance to subgrantees and did not visit subgrantees to verify that the required safeguards were in place and that property was used as intended. The remaining two counties had established controls and accountability. FEMA and the State concurred with the recommendations, and State officials indicated that property controls and accountability requirements are being included in various grant-related guidance and presentations being given to a variety of state and local partners.
- State of Arizona: During FYs 2004 through 2006, the Arizona Division of Emergency Management withheld \$7.1 million in grant funds from local jurisdictions to provide centrally procured training. These actions were taken without a required written memorandum of understanding between the State and local jurisdictions to document approval. Without such documentation, no determination can be made whether local governments authorized the State to spend a portion of the grants funds on their behalf. FEMA and the State concurred with the recommendation to implement control procedures to ensure that withheld funds are properly requested in writing by local governments, and that the State maintains such agreements in its records. In their written comments, State officials said they implemented controls during 2006 and incorporated DHS templates into the grant process to help comply with requirements.
- State of Michigan: The State did not enforce the requirement that subgrantees establish and maintain effective control and accountability systems. The State also did not fully explain or document reallocated FY 2003 Part II grant funds. Further, there was no assurance that millions of dollars of personal property procured with federal grant funds was adequately maintained and safeguarded or used solely for authorized purposes. FEMA and the State concurred with the

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recommendations. In their written comments, State officials said they will require subrecipients to provide an inventory of all purchases as part of the onsite subrecipient monitoring review.

- State of Washington: The State did not ensure that subgrantees established and maintained effective control and accountability systems. The State also did not ensure that property was used solely for authorized purposes or was ready for emergency response. FEMA and the State concurred with the three recommendations. In their written response, State officials said that language used in contracts since 2006 provides clear guidance as to expectations in personal property and equipment control and that efforts would continue to implement the recommendations.

FEMA concurred with 19 of 20 recommendations regarding personal property controls.

## **Other Grant Program Areas**

Four audit reports included seven recommendations that FEMA require improvements in various state grant programs. FEMA and the states concurred with the recommendations and have taken actions to address them.

- Commonwealth of Pennsylvania: The administrative grant process was burdensome, time consuming, and therefore inefficient because of the number and multiple levels of personnel required for subgrant agreement approval, as well as insufficient planning and preparation on the part of the Pennsylvania Emergency Management Agency. As a result, for each grant year from FYs 2002 through 2004, the Commonwealth requested at least one extension of the grant period to complete all grant requirements. Pennsylvania Emergency Management Agency is currently mapping the entire DHS grant program and will develop a plan to reduce the time frames associated with the grant signature processes and facilitate timely expenditure of grant funds.
- Commonwealth of Pennsylvania: Supporting documentation for expenditures charged to federal funds was not accessible because of a change in the method for filing the supporting documentation. This hampered the Pennsylvania Emergency

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Management Agency's ability to support the allowability of grant expenditures. FEMA and the Commonwealth concurred with the recommendations. The Commonwealth has taken actions to facilitate a more efficient auditing process for purchases and is exploring the possibility of using a new addition to the accounting system to permit a more automated purchasing process.

- State of Ohio: During site visits to six counties, three instances were identified where counties had used vehicles for general purposes instead of those justified by the State Administrative Agency. This occurred because of unclear communication to the subgrantees by the state agency. While two counties stopped using the vehicles after receiving the guidance, one continued to do so. FEMA and the State concurred with the recommendation regarding unauthorized vehicle use. State officials said that they have since verified the county's need for the vehicle in question and that it was no longer being used for daily commuting.
- State of Michigan: Training needs were not met because FY 2003 Part II funds were not used before the grant deadline expired. More than 50% of the funds allocated for training to seven counties were withdrawn and reallocated by the State for other purposes, resulting in lost opportunities for needed training. FEMA and the State concurred with the recommendation. In its written comments, the State agreed that training needs identified for FY 2003 were not met. The State also included comments on efforts to publicize and promote training opportunities.
- State of Utah: For FYs 2004 through 2006, the State did not allocate subgrantee grant funds to the regions within the required 60 days after grant award. This occurred because the Utah Department of Public Safety, Division of Homeland Security's process for allocating grant funds to subgrantees is untimely. The State's process for allocating funds to the regions does not begin until after an award is made, delaying the regions from obtaining the needed equipment, training, or exercises. FEMA and the State concurred with the recommendation.

FEMA concurred with all seven recommendations in this area.

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## Best Practices

During the course of these performance audits, several effective tools and practices were identified for possible use by, and sharing with, other states and jurisdictions. We recommended that the Administrator, Federal Emergency Management Agency, consider evaluating the potential benefits of the following processes to help improve grant management:

- The State of New Jersey's Governor, Attorney General, Congressional and State legislators, and Director of the Office of Homeland Security and Preparedness have set a positive tone that emphasizes the importance of homeland security and coordination and collaboration among the various levels of government. As early as 2001, New Jersey established the New Jersey Domestic Preparedness Task Force as a state cabinet level agency with dedicated staff. The State of New Jersey implemented a strong support network for procuring and delivering emergency response equipment and services, and modified its procurement practices to allow counties and other local jurisdictions to procure through established state and federal contracting vehicles, thereby streamlining and expediting the process.
- New Jersey also established a monitoring and oversight program that involves site visits and monthly reporting. The site review team included eight personnel from the State Police Office of Emergency Management and two Office of the Attorney General personnel. Audits will be conducted by four Field Review Liaisons and two auditors from the State Police. Also, monthly reports from the county liaisons are used to monitor spending and program performance.
- The Commonwealth of Pennsylvania established nine Regional Task Forces to unify subject matter experts, first responders, and support agencies. Each Regional Task Force is comprised of five to eight member counties, with a core county that maintains responsibility for conducting monthly meetings and managing the overarching homeland security initiatives within its jurisdiction. FEMA staff stated that the Pennsylvania Emergency Management Agency continues to be commended for developing and engaging in a regional structure that works well throughout the Commonwealth and could serve as a model for the nation.

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- The Commonwealth of Pennsylvania also established an Equipment Acquisition Team within the Pennsylvania Emergency Management Agency headquarters to handle all equipment purchases using grant funds. Staffed by acquisition personnel from the Office of the State Purchasing Agent and headed by an experienced senior contracting officer, the Equipment Acquisition Team consolidated requirements and purchased equipment for all first responders throughout the Commonwealth. The Commonwealth therefore was able to negotiate best available contract prices; provide standardization, interoperability, and volume purchasing discounts; and relieve financial and administrative burdens from the individual local jurisdictions.
  
  - The State of Washington adopted and linked its State Strategy to the National Priorities and Target Capabilities List and established goals to support them. For each project submitted for funding, the agency or region must link its proposed project to the State Strategy, indicate which National Priority and Target Capability it addresses, and establish action plans to execute project objectives. This linking of individual projects to the State Strategy ensures that funds are used to advance State-established strategic goals and objectives, and increases the likelihood of successful implementation.
  
  - The State of Washington also formed an Equipment Subcommittee for its Committee on Homeland Security. All equipment purchases proposed by state agencies, regions, and local jurisdictions are reviewed by the Equipment Subcommittee to verify eligibility with the DHS Authorized Equipment List. Where applicable, a representative from the State General Services Administration indicates when the equipment is available through a State contract. When contracts are executed between the State Administrative Agency and a subrecipient, proposed equipment items have already been reviewed and evaluated, thereby reducing the risk of ineligible equipment purchases and achieving cost efficiencies by utilizing centralized State procurement contracts.

## **Appendix A**

### **Purpose, Scope, and Methodology**

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The purpose of this report, prepared in accordance with Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, was to assess and summarize the audit reports on State Homeland Security Program and Urban Areas Security Initiatives grants awarded to states, territories, and the District of Columbia completed during FY 2008. Specifically, we were to determine (1) the number of audits conducted and completed; (2) whether findings are applicable to the mandate; (3) whether the funds awarded were used in accordance with the law, program guidance, and State homeland security plans and other applicable plans; and (4) the extent to which funds awarded enhanced the ability of a grantee to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism and other man-made disasters.

The 11 audit reports included in this annual consolidated report to Congress were the result of nine audits conducted by independent public accounting firms under contract to the Office of Inspector General; the remaining two audits were conducted by the Office of Inspector General. The audits were conducted in the locations indicated in Table 2. A detailed listing and an internet link to each report are included in Appendix B.

The individual audits summarized in this report were conducted in accordance with the Government Auditing Standards as prescribed by the Comptroller General of the United States. No additional audit work was performed in preparing this report.

**Appendix B**  
**Audit Reports Included in this Report**

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<b>Report</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Internet Link</b>
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## **Appendix C**

### **Scope of State Grant Program Management Audits**

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The purpose of each individual state audit was to determine whether the state effectively and efficiently implemented the State Homeland Security Grant Program, achieved the goals of the program, and spent funds according to grant requirements. The goal of each audit was to identify problems and solutions that would help the state prepare for and respond to terrorist attacks. In addition, the New York Urban area audit objectives were to determine whether the FEMA and the State of New York established effective oversight and program monitoring over New York City urban area, and Urban Areas Security Initiatives preparedness funding enhanced the urban area's capability to prevent, respond to, and recover from threats or acts of terrorism. The audit enabled us to answer the following researchable questions for each state:

- Did the State use reasonable methodologies for assessing threat, vulnerability, capability, and prioritized needs?
- Did the State appropriately allocate funding based on threats, vulnerabilities, capabilities, and priorities?
- Has the State developed and implemented plans to measure improvements in preparedness as a result of the grants and have such measurement efforts been effective?
- Are the State's procurement methodologies (centralized, local, or combination) reasonable and in conformance with its homeland security strategies?
- Does the State Administrative Agency have procedures in place to monitor funds and activities at the local level to ensure that grant funds are spent according to grant requirements and state-established priorities? Have these monitoring procedures been implemented and are they effective?
- Did the State comply with cash management requirements and DHS financial and status reporting requirements for the grant programs and did local jurisdictions spend grant funds advanced by the State in a timely manner and, if not, what caused the delays?
- Were grant funds used according to grant requirements and state-established priorities?



**Appendix C**  
**Scope of State Grant Program Management Audits**

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- Was the time it took the State to get funds/equipment to first responders (from the time the funds/equipment were available to the State until they were disbursed/provided to the jurisdiction) reasonable (auditor judgment), and if not, what caused the delays?
- Are there best practices that can be identified and shared with other states and DHS?

**Appendix D**  
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