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**BEFORE THE**


**COMMITTEE ON HOMELAND SECURITY**


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


**U.S. HOUSE OF REPRESENTATIVES**


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Chairwoman Richardson and Members of the Subcommittee:

Thank you for inviting the Office of Inspector General to testify at this hearing entitled "the Future of FEMA's Grant Programs Directorate."

My testimony today will address challenges facing the department, and specifically the Federal Emergency Management Agency, in mitigating redundancy and duplication among preparedness grant programs. The information provided in this testimony is contained in our March 2010 report *"Efficacy of DHS Grant Programs"* (OIG-10-69), and our March 2009 report *"Improvements Needed in Federal Emergency Management Agency Monitoring of Grantees"* (OIG-09-38). I will also discuss challenges facing the states and urban areas as addressed in our summary reports issued for fiscal years 2008 and 2009 *Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs* (OIG-09-17 and OIG-10-31).

## Background

The Federal Emergency Management Agency (FEMA) coordinates the federal government's role in preparing for, preventing, mitigating the effects of, responding to, and recovering from all natural or manmade domestic disasters, including acts of terror. In FY 2008, FEMA awarded more than $3 billion to state and local governments; territories; tribal governments; and private, public, profit, and nonprofit organizations through preparedness grants and other financial assistance programs (referred to collectively as grants). DHS preparedness grants are intended to enhance preparedness, protection, response, recovery, and mitigation capabilities throughout the Nation by funding such items as planning, training, exercises, equipment, interoperable communications, and personnel costs.

Within FEMA, the Grant Programs Directorate is responsible for business operations, training, policy, and oversight of all FEMA grants. This new directorate was created on April 1, 2007, in response to the *Post-Katrina Emergency Management Reform Act of 2006*, to consolidate the operations of all FEMA grants under a single organization. The *Act* consolidated not only grant operations, but also preparedness grants that previously had program responsibility residing in various DHS organizations.

The Grant Programs Directorate reviews, negotiates, awards, and manages FEMA's preparedness grant portfolio; provides subject matter expertise in response to regional office and stakeholder inquiries; develops grant guidance and formulates risk methodology to support grant allocations; and analyzes investments. This Directorate also receives subject matter expertise through collaboration with offices within FEMA and other components of DHS.

## Comparing and Coordinating Preparedness Grant Program Applications

The preparedness grant application process risks being ineffective because FEMA does not compare and coordinate grant applications across preparedness programs to mitigate potential duplications and redundancy. Barriers at the legislative, departmental, and state levels impede FEMA's ability to coordinate these programs. Since grant programs may have overlapping goals or activities, FEMA risks funding potentially duplicative or redundant projects.

<u>Legislative Barriers to Coordination</u>

Three types of legislative barriers hinder FEMA's ability to identify and minimize duplication and redundancy within preparedness grants. First, Congress enacts legislation for preparedness grants that have similar goals. Second, Congress appropriates funds on an annual basis for these grants and in most instances, the legislation mandates disparate application and award milestones. Finally, the annual appropriation law may contain congressional earmarks that dedicate funds towards specific grant projects, precluding FEMA from coordinating grant programs.

*Multiple Grant Programs Have Similar Legislated Goals.* The 13 grant programs we reviewed during our audit have similar legislated goals. At a broad level, these programs provide federal assistance to state and local governments, nonprofit organizations, emergency responders, and port and transit authorities to improve homeland security and emergency management capabilities. Specifically, the legislated goals of these grant programs focus on activities to prepare for or respond to acts of terrorism or other disasters.

For example, states may request funding for planning projects through both the Urban Areas Security Initiative and the Regional Catastrophic Preparedness Grant Program. While the goals for both programs are directed at improving preparedness planning in high-risk urban areas, the Regional Catastrophic Preparedness Grant Program is focused on all-hazards planning, while the Urban Areas Security Initiative is focused on responding to acts of terrorism.

*Disparate Milestones Are Legislatively Established.* Legislation also mandates grant application processing and award milestones; however, not all grants are set on the same schedule. When grant review periods and award dates overlap, FEMA may not have sufficient time to compare the numerous applications submitted by each state for similar or related projects to prevent duplication. While we are not advocating that all applications be due on the same date, we are identifying the disparate schedules as a potential barrier to FEMA's ability to coordinate related projects.

To illustrate, Figure 1 reflects the different legislated milestone requirements for the Urban Area Security Initiative and the Transit Security Grant Program during FY 2008. Both of these programs may be used for costs to develop and implement homeland

security support programs, and adopt ongoing DHS national initiatives such as enhancing preventive radiological and nuclear detection programs. As shown in Figure 1, FEMA must make award decisions for the Transit Security Grant Program before completing its review of Urban Areas Security Initiative applications, inhibiting coordination of potentially related projects.

**Figure 1. Legislatively Established Grant Milestones for Two Programs**
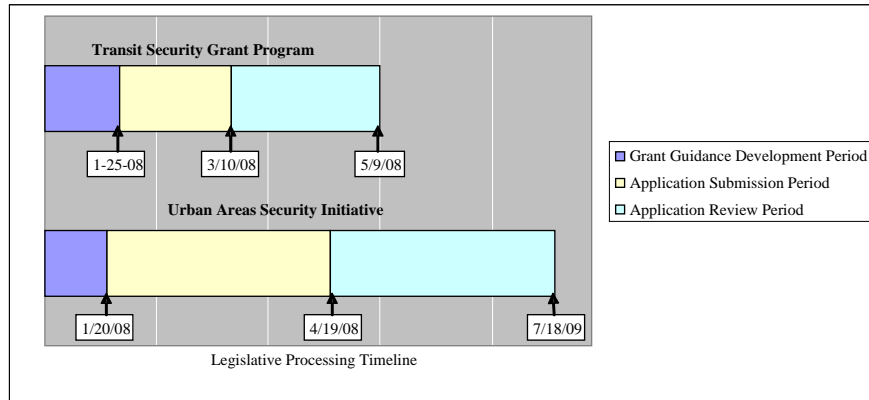


*Congress Earmarks Funds for Specific Purposes.* Annual appropriation law may contain congressional earmarks that fund specific grant projects. These earmarks limit FEMA's ability to ensure federal assistance is being provided to fund grant recipients' most urgent homeland security and emergency management needs and priorities. They also inhibit FEMA's ability for corrective action on potentially duplicative investments for grant recipients who received grants through normal risk-based application processes for purposes similar to the earmarked funds.

Departmental Barriers to Coordination

In addition to legislative barriers, FEMA faces department-level challenges that impede its ability to coordinate grant applications across the many programs. Departmental barriers include:
- Interpreting legislation,
- Developing grant guidance,
- Requiring investment justification details,
- Reviewing applications, and
- Coordinating with subject matter experts located in separate program offices.

*Grant-Related Legislation Requires Interpretation.* FEMA, or its predecessor organizations, created a barrier to coordination in establishing separate stand-alone grant programs to accomplish congressional objectives. Typically, once Congress authorizes a grant to fund an emerging homeland security or emergency management need, FEMA develops a new and separate grant program. While the legislation did not direct FEMA to establish a separate program, FEMA interpreted the legislation as such. FEMA's development of separate grant programs promotes fragmentation and complicates coordination at both the federal and state level.

*Grant Guidance Is Developed for Individual Programs.* Creating individual guidance for each grant program deters coordination because the individual guidance documents establish a separate identity for each program and each grant application will be tailored specifically to the guidance. Grant guidance establishes the individuality and details the scope of a grant program. The substance of individual grant guidance includes identifying funding priorities, describing the application and review process, providing the investment justification template, and other year-to-year changes. While the FEMA Grant Programs Directorate has the main responsibility for issuing grant guidance, the directorate coordinates with individual program offices to develop the substance of the grant guidance for each individual grant program. With the exception of the Homeland Security Grant Program, which combines grant guidance for four interrelated grant programs into one guidance document, individual grant guidance results in a deterrence to coordination because of the number of organizations involved.
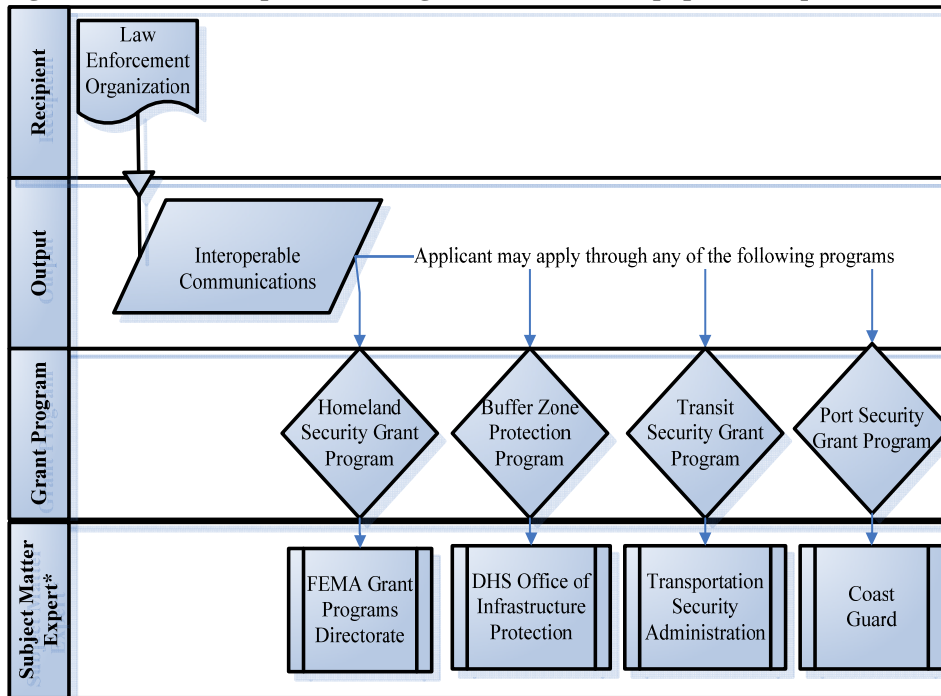
*Applications and Investment Justifications Request Different Levels of Detail.* Typically, the level of detail in grant applications and investment justifications is not sufficient for FEMA to identify potential duplication and redundancy. Investment justifications are a part of a grant application and provide a template for the applicant to describe the proposed project and demonstrate how it addresses deficiencies in current capabilities. However, the level of detail on each project makes it difficult to identify whether states are applying for similar projects under another grant program. The investment justification template for the State Homeland Security Program, for instance, does not provide grant applicants the ability to provide specific details on their proposed projects. The investment template covers topics including critical infrastructure, preparedness planning, and interoperable communications. It also requests a high-level purpose statement, funding plan, and outcomes. Without additional details, FEMA cannot readily identify whether similar projects submitted separate grant program applications overlap.

*Applications Are Reviewed At the Department Level Without Considering Other Grant Programs.* FEMA's ability to determine whether the proposed grant application investments contain duplicative or redundant requests is impeded when grant applications and investment justifications are reviewed one program at a time. After a grant application is submitted, a review panel evaluates applications and proposed investments. While the panel compares the proposed investments to the grant guidance for that program, the panel does not compare proposals against applications for other grant programs submitted by the same grantee.

With the availability of funds from numerous individual preparedness grant programs for similar purposes, applicants may apply for multiple grant programs for the same items to maximize their chances to fully fund a project. Of the 13 programs we reviewed, 11 allow applicants to purchase interoperable communications equipment, such as radios. Therefore, it is possible for a single organization within a state to receive funding from multiple grant programs for similar items. As one example, it is possible for a law enforcement organization to build a cache of radios through multiple grant programs, as shown in Figure 2 below. As these four programs undergo different review processes,

FEMA cannot readily identify whether funds requested are for similar or overlapping projects.

**Figure 2. Use of Multiple Grant Programs for Similar Equipment Requests**



\* Subject matter experts perform the technical review of investment proposals. FEMA also has a role in the application process for all four grant programs.

FEMA has taken initial steps to coordinate application and investment justification reviews for four individual grant programs. The Homeland Security Grant Program is comprised of four interconnected grant programs: (1) the State Homeland Security Program, (2) Urban Areas Security Initiative, (3) Metropolitan Medical Response System, and (4) Citizen Corps Program. During the review process, state and local peer reviewers evaluate and score applications and investment justifications for all four of the individual grant programs in a single application submission and review process. However, while state and local peer reviewers have the capability to perform an internal comparison of grant programs under the Homeland Security Grant Program, they do not have access to applications and investment proposals submitted in response to other grant programs with similar purposes or allowable activities.

*Separate Program Office Responsibilities Hamper Coordination.* Grant program management split among several offices creates organization barriers to coordination. Although the Grant Programs Directorate is responsible for managing DHS preparedness grants, program-specific management is split among different directorates within DHS. FEMA has the lead for managing the review and approval processes and coordinating grant guidance, while separate organizations within DHS identify the funding priorities, provide guidance input, and participate in the review process. While each grant program has a guidance document defining the application and review process for the individual

program, FEMA does not have an overarching policy to outline the roles and responsibilities for coordinating applications across grant programs.

When subject matter experts, who define funding priorities and review investment justifications, reside outside of FEMA, the agency's ability to coordinate across grant programs is impeded. For example, the Buffer Zone Protection Program is not coordinated with other grant programs at the department level. This program provides funding to secure predesignated critical infrastructure sites, which are preselected by the DHS Office of Infrastructure Protection. Once DHS selects the sites, local officials work with site owners to develop security plans and identify equipment needed to implement the plan. Because FEMA does not have a process for ensuring applications are coordinated across grant programs, the Office of Infrastructure Protection is unable to validate with FEMA whether the applicant had requested similar equipment items under other grant programs. While FEMA relies on the subject matter expertise that these organizations provide, it cannot easily identify duplications in its grant programs without an overarching policy outlining roles and responsibilities for coordinating applications across grant programs and across the different organizations.

State-level Barriers to Coordination

FEMA encounters barriers at the state level that impede its ability to compare and coordinate grant applications and investments across preparedness programs. States do not have an overall grant strategy that identifies specific projects and their funding sources. Additionally, there is not one organization within the state that has visibility over all state entities that receive DHS financial assistance.

*Not All States Have Overall Grant Strategies.* The three states we visited did not have overall, comprehensive grant strategies. The states had various preparedness strategies or plans that address target capabilities and identify critical goals, objectives, and implementation steps. However, the plans did not specifically address how the states are using funds from the multiple DHS grants to improve homeland security preparedness. A more comprehensive plan could provide states a tool to promote coordination across the different grant programs which are now planned and accounted for separately.

*State-level Visibility Over All Grant Programs Is Not Centralized.* FEMA cannot rely on the states to coordinate all preparedness grant applications because grants are awarded to multiple organizations within the state. At the three states we visited, none of the states had an organization with visibility across all preparedness grant programs. Some grants are awarded through state administrative agencies while others bypass the state administrative agency and go directly to recipients such as port authorities, local fire departments, and first responders. The prerogative of each state to determine its own organizational structure may or may not coincide with the corresponding federal grant program responsibility. Without the state having visibility over all preparedness grants, FEMA cannot rely on states to identify duplication and redundancy across DHS grant programs.

## Efficiency of Grant Application Processes

FEMA's grant application processes are not efficient because application requirements, review processes, and timelines vary among the grant programs. These numerous processes and requirements can be burdensome on federal and state resources because this creates redundant work for both federal and state personnel. Therefore, coordinating and streamlining these application processes may help ensure the most efficient use of limited federal and state resources.

<u>Inconsistent or Redundant Grant Application Requirements</u>

FEMA issues separate annual guidance to outline the application processes and requirements for each grant program which creates burdensome requirements on both FEMA and grantees as the requirements differ across grant programs. Additionally, the multiple application processes have redundant requirements.

*Grant Requirements for Similar Grant Programs Differ Significantly.* Requirements in grant guidance vary across programs, regardless of the similarities of the grant program, making it difficult for states to have a streamlined planning process that is consistent across all grant programs. Differences include program priorities and investment justification templates that must be followed.

While considerable potential overlap exists in the activities supported by DHS preparedness grant programs, the priorities for these programs may differ. For example, the FY 2008 Urban Areas Security Initiative, Regional Catastrophic Preparedness Grant Program, and Emergency Management Performance Grant Program provide assistance to improve preparedness planning processes. However, each program focuses on a different priority.

- The Urban Areas Security Initiative provides funds to high-risk urban areas to build an enhanced and sustainable capability to prevent, protect against, respond to, and recover from acts of terrorism.

- The Regional Catastrophic Preparedness Grant Program supports improved and expanded regional collaboration for all hazard and catastrophic events, including high-risk urban areas and surrounding regions. This program focuses on eight national planning scenarios identified by the federal government as the most urgent for planning purposes.

- The Emergency Management Performance Grant Program also supports state and local all-hazards emergency management programs and encourages applicants to address national planning scenarios in their work plans, but is focused on evacuation planning, logistics and resource management, continuity of operations planning, and recovery planning.

Since each preparedness planning program focuses on a different priority, states have to undertake three separate planning and grant application processes to request funding under each program.

Grant programs also have different investment justification templates as part of the application process. This requires applicants to prepare investment justifications or documents with unique information for each program regardless of the similarities of the proposed funding activities. These varied templates and program documents may provide consistency for panels reviewing project proposals for the individual grant programs, but present an administrative burden for grant applicants who must prepare similar information in different formats.

*Grant Applications for Similar Programs Incorporate Redundant Requirements.* Grant applicants must perform redundant work to apply for DHS preparedness grants, which is burdensome and time consuming. The use of the website grants.gov has streamlined the application process, but it still requires applicants to prepare and submit redundant information if an applicant applies for multiple grants.

FEMA's grant application process required each State Administrative Agency, the designated applicant for 10 of the 13 grant programs reviewed, to complete an online grant application seven times for the 10 grant programs. Submitting these similar documents multiple times may increase the State Administrative Agency's opportunities for errors on these forms. The process for the seven grant programs included similar application, financial, and administrative compliance requirements.

FEMA also requires State Administrative Agencies to use two online systems to complete and file investment justifications for the Homeland Security Grant Program. First, the State Administrative Agency must complete the State Homeland Security Program and Urban Areas Security Initiative investment justifications through the department's Grant Reporting Tool. Upon completion of the investment justifications, the State Administrative Agency must submit the official copy of its final investment justification through www.grants.gov with the grant application. While these online tools helped to streamline the application processes, they include an inefficient duplication of effort for both federal and state grant administrators.

Review Panels Differ Across Grant Programs

Grant programs have separate review processes to evaluate funding requests for each grant program, which requires FEMA to convene multiple review panels to evaluate applications and investment justifications. For all programs, FEMA verifies the applicant's compliance with administrative and eligibility criteria identified in each grant program's application kit. FEMA then sends the eligible applications through an investment justification review process to evaluate the merits of proposed investments against grant guidance criteria. However, FEMA uses various types of reviews to evaluate proposed investments. The type of review and participants of the review panel are based on the grant program. For the 13 grant programs we reviewed, FEMA

employed 6 different review processes, composed of different personnel such as federal, state, and local government personnel; emergency responders; and members of national associations, as shown in the following table.

**Grant Program Review Methodologies**

> **1. FEMA Review** – FEMA headquarters components and/or regional offices review investments and make award determinations. (Emergency Management Performance Grant Program)
>
> **2. DHS Review** – DHS components outside FEMA, such as the Office of Infrastructure Protection review proposed investments. (Buffer Zone Protection Program Grant)
>
> **3. Peer Review** – A panel of state and local representatives from across the Nation, such as subject matter experts with experience in fire and emergency response, review and score proposed investments. (Homeland Security Grant Program, Assistance to Firefighters Grants)
>
> **4. Federal Review** – A panel of subject matter experts from across DHS, including components within FEMA and outside FEMA such as the DHS Office of Emergency Communications, review proposed investments. (Interoperable Emergency Communications Grant Program)
>
> **5. National Review** – A panel of subject matter experts from across DHS, including FEMA, non-DHS federal components, or national associations, review proposed investments. (Port Security Grant Program)
>
> **6. Subject Matter Expert Review** – National subject matter experts with experience in law enforcement and emergency response review and score proposed investments. (Commercial Equipment Direct Assistance Program)

These numerous panels create additional work for FEMA to request review panel members from federal, state, and local organizations, depending on the grant program. FEMA must also train the numerous panels, provide review materials, oversee the panels, and compile panel results. Consolidating panels where grant programs have similar purposes or activities would provide a more efficient use of federal, state, and local resources.

Sequencing Existing Grant Application Timelines

Grant timelines do not promote the most efficient application preparation and review because they are not arranged in the most optimal sequence. In many cases, the timelines are legislatively established and do not allow states the opportunity to logically develop investment justifications that address overarching needs or define target capabilities while simultaneously focusing on more narrowly focused programs. For example, law enforcement organizations that provide transit security may receive funding through the Transit Security Grant Program. These same organizations may also receive funding for law enforcement terrorism prevention–oriented planning, training, exercise, and equipment activities through both the State Homeland Security Program and the Urban Areas Security Initiative. While we have not defined the most optimal sequence for grant programs, an organized sequence would increase efficiency at the federal level by allowing grant reviewers to use the outcome from various panels as they review their investments and also by reducing the time that states may spend developing investment justifications. This would also provide a better review at the state level to ensure that redundant projects are not duplicated across grant programs.

## Recommendations

We recognize that legislated requirements can complicate the application and review of federal assistance programs. However, FEMA needs to identify alternate ways to improve its grant application and review processes operating within currently legislated requirements or work with Congress to modify the processes to ensure the most efficient and effective use of limited federal resources.

We recommended that the Federal Emergency Management Agency:

- Identify preparedness grant programs that may overlap or duplicate other programs and ensure the application and review processes for these programs are coordinated to mitigate potential duplication and redundancy.

- Document specific agency roles and responsibilities for cross-program coordination of grant application and review processes and ensure internal DHS coordination is in place. This may include establishing memorandums of agreement if roles are outside the Federal Emergency Management Agency.

- Work with Congress and state grant administrators to identify opportunities and implement actions to streamline and standardize multiple preparedness grant program application processes.

The Director of FEMA's Office of Policy and Program Analysis provided written comments on a draft of this report. FEMA concurred with our recommendations and outlined plans and actions to implement our recommendations designed to improve the efficacy of these grant programs.

## Other Challenges in Managing the Homeland Security Grant Program

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, directed the Department of Homeland Security Office of Inspector General to review and evaluate the grant management and oversight practices of the Federal Emergency Management Agency. Improvements are needed in FEMA's grants management and oversight infrastructure to ensure effective monitoring of grantees. Specifically, FEMA does not consistently and comprehensively execute its two major oversight activities, financial and program monitoring. This occurs, in part, because FEMA does not have sufficient grants management staff. Congress has sought to address these unresolved human capital issues by mandating that FEMA conduct an analysis and develop a plan of action. In addition, financial and programmatic monitoring policies, procedures, and plans are not comprehensive.

FEMA's financial and programmatic monitoring activities are critical parts of an effective grant oversight program. FEMA needs an appropriate oversight infrastructure to ensure that all financial and programmatic monitoring activities can be accomplished, as specified in its monitoring plans. Key components of this infrastructure include implementation of a strategic human capital plan and associated workforce analysis, adequate staffing, formal training, comprehensive policies and procedures, realistic and

representative monitoring plans, consistent documentation of monitoring activities, and integrated grant management systems.

Effective oversight will ensure that grantees have adequate internal controls, grant funds are being used as intended, grant programs are carried out as prescribed, and grantees are complying with the terms and condition of their grant award agreements.

FEMA has formed an Intra-Agency Grants Program Task Force that has developed a FEMA Grants Strategy to drive future enhancements in grants policies, procedures, systems, and processes. The task force has identified projects including the development of comprehensive grant management monitoring policies and procedures for the FEMA directorates with program management and oversight responsibilities.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, also required the 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. In the 2 complete years since the law was enacted, the states we audited generally 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, with the most states facing challenges in controls over personal property, monitoring and oversight activities, and planning activities such as establishing measurable program goals and objectives. Other challenges included questioned costs, complying with federal procurement practices, and financial planning, reporting, and support. We also identified nine effective tools and practices used by five states that could be considered for use by other jurisdictions.

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