



Department of Homeland Security Office of Inspector General

**The State of Maryland's Management
of State Homeland Security Program
and Urban Areas Security Initiative
Grants Awarded During Fiscal Years
2005 through 2007**





**Homeland
Security**

SEP 10 2010

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 prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

The attached report presents the results of the audit of the State of Maryland's Management of State Homeland Security Program and Urban Areas Security Initiative Grants awarded during Fiscal Years 2005 through 2007. We contracted with the independent public accounting firm Regis & Associates, PC to perform the audit. The contract required that Regis & Associates, PC perform its audit according to generally accepted government auditing standards. Regis & Associates, PC's report identifies five reportable conditions where the State of Maryland's management of the grant funds could be improved, resulting in five recommendations addressed to the Assistant Administrator, Grant Programs Directorate, Federal Emergency Management Agency. Regis & Associates, PC is responsible for the attached auditor's report dated March 8, 2010, and the conclusions expressed in the report.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust 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 "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits

March 8, 2010

Ms. Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security
245 Murray Drive, S.W., Building 410
Washington, DC 20528

Dear Ms. Richards,

Regis & Associates, PC performed an audit of the State of Maryland's management of the Department of Homeland Security's State Homeland Security Program and Urban Areas Security Initiative grants for Fiscal Years 2005 through 2007. The audit was performed in accordance with Contract No. TPD-FIG-BPA-07-0014; Task Order 0072 dated September 27, 2008. This report presents the results of the audit, and includes recommendations to help improve the State of Maryland's management of the audited State Homeland Security Program and Urban Areas Security Initiative grants.

Our audit was conducted in accordance with applicable *Government Auditing Standards*, 2007 revision. The audit was a performance audit, as defined by Chapter 1 of the *Standards*, and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by the State of Maryland, we did not perform a financial audit, the purpose of which would be to render an opinion on the State of Maryland's financial statements, or the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. Should you have any questions or need further assistance, please contact us at (202) 296-7101.

Sincerely,



Peter R. Regis, CPA
Partner
Regis & Associates, PC

Table of Contents/Abbreviations

Executive Summary	1
Background	2
Results of Audit	6
State Grants Management Practices Were Generally Effective, But Some Improvements Needed	6
Strategic Planning Process Was Not Comprehensive	7
Recommendation	12
Management Comments and Auditor’s Analysis	13
FY 2005 Financial Status Reports Were Inaccurate	14
Recommendations	15
Management Comments and Auditor’s Analysis	16
Quarterly Financial Status Reports Were Not Submitted Timely	16
Management Comments and Auditor’s Analysis	18
Subgrantee Monitoring Requirements Not Enforced or Documented	18
Recommendation	20
Management Comments and Auditor’s Analysis	20
Reimbursements Not Supported by Invoices	21
Recommendation	22
Management Comments and Auditor’s Analysis	22

Appendices

Appendix A: Purpose, Scope, and Methodology	23
Appendix B: Management Comments to the Draft Report	26
Appendix C: Organization Chart	32
Appendix D: Report Distribution	33

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*

Executive Summary

Regis & Associates, PC completed an audit of the State of Maryland's management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during Fiscal Years 2005 through 2007. The objectives of the audit were to determine whether the State of Maryland distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The audit included a review of approximately \$39.8 million in State Homeland Security Program grants and \$33 million in Urban Areas Security Initiative grants included in the approximately \$99.2 million of Homeland Security grants awarded by the Federal Emergency Management Agency to the State of Maryland.

Overall, the State Administrative Agency did an efficient job of administering the program and distributing grant funds. Funding was linked to plans and core priorities identified by the Governor's Office of Homeland Security, and funds and resources were distributed based on those priorities. Reasonable methodologies were used for assessing threats and vulnerabilities and response capability. Grants were generally administered in compliance with applicable laws, regulations, and guidance.

However, improvements were needed in the State of Maryland's management of the State Homeland Security Program grants in the following areas: strategic planning and performance measurement, submitting accurate and timely financial status reports, subgrantee monitoring, and support for expenditures submitted for reimbursement. Five recommendations were made to the Federal Emergency Management Agency, which, if implemented, should help strengthen program management, performance, and oversight. Federal Emergency Management Agency officials verbally concurred with the recommendations. State officials disagreed with one recommendation, agreed "with comment" on another, and provided a written response to all recommendations, included as Appendix B.

Background

The Homeland Security Grant Program is a federal assistance grant program administered by the U.S. Department of Homeland Security (DHS), Grant Programs Directorate, within the Federal Emergency Management Agency (FEMA). The current Grant Programs Directorate, hereafter referred to as FEMA, began with the Office of Domestic Preparedness, which was transferred from the Department of Justice to DHS in March 2003. The Office of Domestic Preparedness was subsequently consolidated into the Office of State and Local Government Coordination and Preparedness, which, in part, became the Office of Grants and Training, which subsequently became part of FEMA.

Although the grant program was transferred to DHS, applicable Department of Justice grant regulations and legacy systems were still used, as needed, to administer the program. For example, through Fiscal Year (FY) 2008 the Office of Justice Programs' Grants Management System was used to receive grantee applications and to administer the award and reporting processes. Also, prior to the transfer, the State Administrative Agency entered payment data into the Office of Justice Programs' Phone Activated Paperless Request System, which was a drawdown payment system for grant funds. That payment system was replaced in May 2007 by FEMA's Payment and Reporting System, which allows grantees to make payment requests and complete and transmit their quarterly Financial Status Reports online.

Homeland Security Grant Program

The Homeland Security Grant Program provides federal funding to help states and local agencies enhance their capabilities to prevent, deter, respond to, and recover from threats or acts of terrorism. The program encompasses several interrelated federal grant programs that together fund a range of preparedness activities including planning, organization, equipment purchase, training, and exercises, as well as management and administrative costs. Depending on the fiscal year, the program included some or all of the following:

- **State Homeland Security Program** provides financial assistance directly to each of the states and territories to prevent, respond to, and recover from all-hazards. The program supports the implementation of the State Homeland

Security Strategy to address the identified needs for planning, equipment, training, and exercises.

- **Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas; and to assist them in building an enhanced and sustainable capacity 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 the Urban Area Homeland Security Strategies.
- **Law Enforcement Terrorism Prevention Program** provides law enforcement communities with funds to support the following prevention activities: information sharing to preempt terrorist attacks; target hardening to reduce vulnerability of selected high value targets; recognition and mapping of potential or developing threats; counterterrorism and security planning; interoperable communications; interdiction of terrorists before they can execute a threat; and intervention activities that prevent terrorists from executing a threat. These funds may be used for planning, organization, training, exercises, and equipment.
- **Citizen Corps Program** is the department's grass-roots initiative to involve all citizens actively in hometown security, through personal preparedness, training, and volunteer service. Funds support Citizen Corps Councils with efforts to engage citizens in preventing, preparing for, and responding to all hazards, including planning and evaluation, public education and communication, training, participation in response exercises, providing proper equipment to citizens with a role in response, and management of Citizen Corps volunteer programs and activities.
- **Metropolitan Medical Response System Program** supports jurisdictions in enhancing and sustaining integrated, systematic, mass casualty incident preparedness to respond to mass casualty events during the first hours of a response. This includes the planning, organizing, training, and equipping concepts, principles, and techniques, which enhance local jurisdiction's preparedness to respond to the range of mass casualty incidents – from chemical, biological, radiological, nuclear, and explosive events to epidemic outbreaks, natural disasters, and large-scale hazardous materials incidents.

-
- **Emergency Management Performance Grant Program** funds are used to support comprehensive emergency management at the state and local levels and to encourage the improvement of mitigation, preparedness, response, and recovery capabilities for all hazards. DHS is responsible for leading and supporting the nation in a comprehensive, risk-based, all-hazards emergency management program, and these performance grant funds are a primary means of ensuring the development and maintenance of such a program. Funds may also be used to support activities that contribute to a state or jurisdiction's capacity to manage consequences of acts of terrorism.

State Administrative Agency

State governors appoint a State Administrative Agency to manage and administer Homeland Security grants and to serve as the pass-through entity for funds sub-granted to other state government agencies, regional, or local recipients. The Maryland Emergency Management Agency is the State Administrative Agency designated to provide administrative oversight for the State Homeland Security Program and Urban Areas Security Initiative grants. The Governor's Office of Homeland Security is the Homeland Security Advisor for the State of Maryland and is responsible for formulating the Homeland Security strategy and setting resulting policy for the State of Maryland.

The Maryland Emergency Management Agency was created by Article 14 of the Annotated Code of Maryland as an agency within the Maryland Military Department. This Article also authorized the political subdivisions of the State of Maryland to create emergency management offices of their own. The State of Maryland is comprised of 26 local emergency management jurisdictions, which include 23 counties and the cities of Annapolis, Baltimore, and Ocean City. The Maryland Emergency Management Agency is responsible for coordinating the State of Maryland's civil defense and response to any major emergency or disaster, supporting local governments as needed or requested, and coordinating assistance with FEMA and other federal partners.

While the Maryland Emergency Management Agency is one of several agencies within the Maryland Military Department and under the authority of the Adjutant General, during emergencies

the Governor is given emergency powers to assume direct authority over the Maryland Emergency Management Agency. In addition, in the event of an emergency, the Director of Maryland Emergency Management Agency reports directly to the Governor. The Maryland Emergency Management Agency's organizational structure is shown in Appendix C to this report.

Grant Funding

The State of Maryland received approximately \$99.2 million in funds from the Homeland Security Grant Program during FYs 2005 through 2007. Of this amount, \$39.8 million was from the State Homeland Security Program and \$33 million was from Urban Areas Security Initiative grants.

The State of Maryland utilizes the grant funds primarily to aid public safety personnel in acquiring specialized training, exercises, and equipment necessary to safely respond to and manage all-hazard incidents. Table 1 identifies a breakdown of the grant funds by fund activity and year. Note that not all funded activities were part of the Homeland Security Grant Program during each of the fiscal years.

Table 1

Maryland Homeland Security Grant Program Awards Fiscal Years 2005 through 2007				
Grant Programs (\$000)				
Funded Activity	FY 2005	FY 2006	FY 2007	Total
State Homeland Security Program	\$19,866	\$8,120	\$11,800	\$39,786
Urban Areas Security Initiative	11,438	9,670	11,910	33,018
Law Enforcement Terrorism Prevention Program	7,224	5,910	8,430	21,564
Citizen Corps Program	252	359	272	883
Emergency Management Performance Grant	3,242	Not Included	Not Included	3,242
Metropolitan Medical Response System Program	228	232	258	718
Total	\$42,250	\$24,291	\$32,670	\$99,211

Regis & Associates, PC completed an audit of the State of Maryland's management of DHS' FY 2005 through FY 2007 State Homeland Security Program and Urban Areas Security Initiative grants. The objectives of the audit were to determine whether the State Administrative Agency (1) effectively and efficiently implemented the programs, (2) achieved the goals of the programs, and (3) spent funds in accordance with grant requirements. The goal of the audit was to identify deficiencies, problems, and solutions that could help the State of Maryland better prevent, prepare for, and respond to, terrorist attacks and other hazards, as applicable to the goals of the programs.

Nine researchable questions provided by the DHS-OIG established the framework for the audit. These researchable questions were related to the State Administrative Agency's planning, management, and evaluation of grant activities. Appendix A to this report provides additional details on the purpose, scope, and methodology of this audit, including the nine researchable questions.

Results of Audit

State Grants Management Practices Were Generally Effective, But Some Improvements Needed

Overall, the State Administrative Agency did an efficient job of managing over \$39 million in State Homeland Security Program and \$33 million in Urban Areas Security Initiative grant funds received during FYs 2005 through 2007. Funding was linked to plans and core priorities identified by the Governor's Office of Homeland Security, and funds and resources were distributed based on those priorities. The State of Maryland also conducted a statewide comprehensive review to assess its capabilities. The State of Maryland used reasonable methodologies for assessing threats through data gathered by the Maryland Coordination and Analysis Center, annual assessments of local jurisdiction vulnerabilities, and the State Tips Hotline. With the exception of the FY 2005 financial status reports, grants were generally administered in compliance with applicable laws, regulations, and guidance.

However, we noted that improvements were needed in the State of Maryland's management of the State Homeland Security Program grants in the following areas: strategic planning and performance measurement, timely and accurate submission of financial status reports to FEMA,

monitoring of subgrantees, and support for expenditures submitted for reimbursement.

Strategic Planning Process Was Not Comprehensive

The State of Maryland's Homeland Security Strategy was limited in its effectiveness in enhancing emergency management. Specifically:

- The strategy was outdated,
- The strategy lacked fully measureable goals and objectives,
- The process to incorporate local input required improvement, and
- The process to collect and analyze performance data required updating and refinement.

This occurred because there was no adequate process in place for developing an effective State of Maryland Homeland Security Strategy for emergency management. As a result, the State Administrative Agency was unable to systematically measure and report progress toward achieving its program goals, and to update the State Homeland Security Strategy as priorities changed.

State of Maryland's Homeland Security Strategy Is Outdated

The State of Maryland has not revised its State Homeland Security Strategy even though the State's priorities have changed. The State Administrative Agency's initial State of Maryland's Homeland Security Strategy was developed in 2003 and included 17 broad-based goals, 53 objectives, and multiple implementation steps with target dates for achieving the objectives. Our review noted that as of 2007, the State of Maryland's Homeland Security Strategy, approved by FEMA, included the same 17 goals, 53 objectives, and implementation steps that were developed and included in the 2003 State Homeland Security Strategy. However, during this period there were changes in the States' priorities that were not reflected in the document.

Specifically, according to State Administrative Agency officials, the State of Maryland's Homeland Security Program began to transition in 2006 from the FEMA-approved strategy to the 12 Core Priorities established by the newly elected Governor. Two of the Governor's core priorities, to have a robust closed circuit television network and to develop a bio-surveillance system in every jurisdiction in the State of Maryland, were not reflected in the current FEMA-approved strategy, thereby requiring an update.

While the Governor's 12 Core Priorities have become the State's strategic focus to address homeland security, the 12 priorities have not been developed into a formal strategic plan. According to State Administrative Agency officials, the Governor's 12 Core Priorities have not been vetted through the FEMA approval process.

In 2008, the Governor's Office of Homeland Security conducted a comprehensive assessment of the State of Maryland's emergency preparedness. The October 2008 report, *A Report to Provide an Assessment of Emergency Preparedness in the State of Maryland*, found that,

“The State of Maryland Office of the Governor has recently outlined the twelve priorities for homeland security in the State Homeland Security Strategy.... This strategy is meant to encompass both emergency management and homeland security. However, the State Homeland Security Strategy has not in turn translated to the development of a strategic plan for emergency management by the Maryland Emergency Management Agency.”

We nevertheless noted during our site visits to subgrantee locations, that local officials regarded the Governor's 12 Core Priorities as the strategic focus for the State of Maryland.

State of Maryland's Homeland Security Strategy Lacked Fully Measurable Goals and Objectives

Neither the FEMA-approved State of Maryland's Homeland Security Strategy, nor the Governor's 12 Core Priorities were comprehensive with specific, measurable, results-oriented, and time-limited objectives. For example, we identified the following conditions in the 2007 State of Maryland Homeland Security Strategy:

Examples from FEMA-Approved Strategy		
Goal	Objective	Deficiency
Improve information sharing at all levels and facilitate the ready identification and apprehension of potential terrorists	Ensure secure and non-secure threat-based information sharing by developing a state information security program and classified information distribution process.	The objective is not: <ul style="list-style-type: none"> • Specific • Measureable • Time-limited
Strengthen defenses to protect the Citizens of Maryland against catastrophic chemical, biological, radiological, nuclear, and explosive device threats	Through the Health and Medical Subcommittee, coordinate public health, emergency medical services, and hospitals in preparation for chemical, biological, radiological, nuclear, and explosive device terrorist threats and recognize, evaluate, and control chemical, biological, radiological, hazards to protect human health and the environment.	The objective is not: <ul style="list-style-type: none"> • Specific • Measureable • Time-limited • Results-oriented
	Ensure preparedness and capacity for response to chemical, biological, radiological, nuclear, and explosive terrorist threats.	The objective is not: <ul style="list-style-type: none"> • Specific • Measureable • Time-limited • Results-oriented
	Enhance statewide detection capabilities and institute a statewide plan for regional Chemical Biological Radiological Nuclear Explosive detection.	The objective is not: <ul style="list-style-type: none"> • Specific • Measureable • Time-limited
	Implement a statewide health and medical surge plan.	The objective is not: <ul style="list-style-type: none"> • Specific • Measureable • Time-limited
	Enhance dispensing and distribution modalities.	The objective is not: <ul style="list-style-type: none"> • Specific • Measureable • Time-limited • Results-oriented

Examples from Governor's 12 Core Priorities		
Core Goal	Objectives	Deficiency
Intelligence and Information Sharing	Integrate existing law enforcement and other data systems relevant to homeland security in order to transmit and receive information from the field and share that information on a real time basis.	The objective is not: <ul style="list-style-type: none"> • Measureable • Time-limited
	State and local first responders should work together to develop a statewide information sharing model that uses common information sharing standards, produces products useful to field personnel as well as executive decision makers, and work on a real time basis.	The objective is not: <ul style="list-style-type: none"> • Measureable • Time-limited

The *State and Urban Area Homeland Security Strategy, Guidance on Aligning Strategies with the National Preparedness Goal*, (Strategy Guidance) states that the primary determinants of an overall successful strategy are the quality of the goals and performance against those goals. As demonstrated in the examples noted above, the objectives included in the State's Strategy are too broad to determine whether or when the objectives have been achieved. Generally, the objectives were not:

- Specific, detailed, and focused in helping to identify what was to be achieved and accomplished;
- Measurable or quantifiable to provide a standard for comparison, and identify a specific achievable result;
- Results-oriented to identify a specific outcome; and,
- Time-limited to identify a target date when the objectives would be achieved.

The Strategy Guidance also states that the State Administrative Agency or Urban Area Working Group should assess the strategy's objectives to determine whether the measures are meaningful, that the measurement methodology is sound, and the measures can be verified with reliable data.

Process to Update Strategy or Incorporate Local Input Requires Improvement

The State does not have an adequate process to conduct a review and update of the State of Maryland's Homeland Security

Strategy's goals and objectives, or to ensure that local input is incorporated into the strategy.

The State Administrative Agency conducts annual regional workshops as a part of the needs assessment phase of the strategic planning process. Subgrantees complete a survey to identify their local needs and capabilities. However, the needs assessment phase culminates in each jurisdiction's "wish list" for Homeland Security projects without regard to budget constraints or regional and State of Maryland needs. According to State Administrative Agency officials, the purpose of the needs assessment is to provide input into the grant application process and not to update the State of Maryland's Homeland Security Strategy. Identifying the needs of the local jurisdictions is only the starting point in the strategic planning process. An effective strategic planning process should develop and implement the strategic plan, include an annual assessment of capabilities, and incorporate periodic updates into the strategic plan.

Process to Collect or Analyze Performance Data Requires Updating and Refinement

The State Administrative Agency does not have an adequate process to collect, measure, and analyze performance data related to the accomplishment of the goals and objectives outlined in the State of Maryland's Homeland Security Strategy. In addition, the goals and objectives do not include performance measures that enable the State Administrative Agency to track progress made in achieving the goals.

We noted during our review that the State Administrative Agency monitors subgrantees' homeland security activities in support of the State's Strategy; however, data related to progress made for ongoing projects or completed projects is not collected or documented. According to State Administrative Agency officials, project progress is based on the status of expenditures and is considered complete when the subgrantee has expended the funds awarded. State officials further stated that metrics to measure the accomplishment of goals in the State of Maryland's Homeland Security Strategy had not been developed in part due to a lack of guidance from FEMA. However, the Code of Federal Regulation 28 §66.40, *Monitoring and reporting program performance*, requires grantees to report on progress and deviations in performance when comparing actual accomplishments to the established objectives.

Without a process to collect and analyze performance data, the State Administrative Agency was not able to provide adequate documentation demonstrating the progress that has been made toward achieving the State of Maryland's homeland security goals.

An assessment report issued in October 2008 by another contractor on the State of Maryland's emergency preparedness conveyed results similar to our audit finding. The report stated that there is currently no strategic planning process for emergency management in the State of Maryland. In response to the report, the Governor's Office issued a statement that corrective action has been initiated to update the State of Maryland's Homeland Security Strategy. However, this is only the first step in addressing these concerns.

The success of the State of Maryland's Homeland Security program is at risk because of its uncoordinated and non-strategically planned process. Furthermore, without an updated Strategy with measureable and meaningful objectives, the State is at risk of not providing a comprehensive strategic plan that prevents, responds to, and provides for recovery from major emergency events.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to:

Recommendation #1: Implement a strategic planning process that:

- Establishes a formal process to periodically update the strategic plan to include new priorities,
- Incorporates specific, measurable and results-oriented objectives into the updated strategy, with each objective including a performance measure to track progress for achieving the goals,
- Incorporates local input into the strategy, and
- Ensures that appropriate performance data are collected, measured, and analyzed to demonstrate progress towards achieving goals and objectives.

Management Comments and Auditor's Analysis

At the exit conference, the FEMA Grant Programs Directorate officials orally concurred with this finding and recommendation. The Maryland Emergency Management Agency agreed with this finding in writing, but requested that we change the tone of the report, which we have done based on mutually agreed suggested language. The State agency did not agree with all the recommended actions related to this finding.

Specifically, with regard to the recommendation to establish a formal process to periodically update the strategic plan to include new priorities, the Maryland Emergency Management Agency agreed and stated that it has submitted an updated strategy to FEMA for review on November 4, 2009. The strategy was approved by FEMA on November 19, 2009.

With regard to the recommendation to incorporate specific, measurable, and results-oriented objectives into the updated strategy, and include performance measures to track progress for achieving the goals, the Maryland Emergency Management Agency agreed and stated that it has begun to link goals with the National Priorities as established by FEMA. However, it said in its comments that it is unrealistic to impose upon it standards and expectations not yet fully defined at the federal level, nor dictated within the implementation program guidance.

The Maryland Emergency Management Agency did not agree with the part of the recommendation to establish a process to incorporate local input into the strategy. The Maryland Emergency Management Agency said that the state maintains a continuous dialogue with its sub-grantees to ensure funds are used to address common goals and objectives. It further said that as part of the homeland security grant application process, local jurisdictions are surveyed to identify local needs and propose remedial spending plans. While the State's response discussed obtaining input from local jurisdictions, it did not address how this input would be used to update the State's Homeland Security Strategy.

The Maryland Emergency Management Agency also did not agree with the part of the recommendation to ensure that appropriate performance data are collected, measured, and analyzed to demonstrate progress towards achieving goals and objectives. The Maryland Emergency Management Agency said that the state currently meets all the federal data reporting requirements for the

grants. Despite this claim, the State is still responsible for showing progress towards accomplishing its goals, and cannot do so without collection, measuring, and analyzing appropriate performance data.

The State's responses will not fully address the intent of this recommendation. The recommendation will remain open until it is fully implemented. Within 90 days the Administrator, Federal Emergency Management Agency, needs to outline corrective actions and a plan to implement the actions in response to the recommendation.

FY 2005 Financial Status Reports Were Inaccurate

Information on federal and recipient outlays in the Homeland Security Grant Financial Status Reports for FY 2005 did not agree with the State's accounting system records. We compared the amounts stated in the Financial Status Reports to accounting records at the summary and detail levels, and identified inaccuracies.

The FY 2005 Grant Guidance requires grantees to report obligations and expenditures on a quarterly basis through the Financial Status Report. A Financial Status Report must be submitted for every quarter an award is active, including partial calendar quarters, as well as for periods where no grant activity occurs. In addition, Code of Federal Regulation Title 28 § 66.20, *Standards for financial management systems*, requires grantees to maintain accurate, current, and complete disclosure of the financial results of financially assisted activities, in accordance with the financial reporting requirements of the grant or sub-grant.

Also, according to Office of Management and Budget Circular A-123, monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations, or comparisons of data should be included in the regularly assigned duties of personnel. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations.

For FY 2005, the Emergency Management Performance Grant program had a 50% federal and 50% state cost-share matching requirement. In its FY 2005 financial status reports, the State reported more than sufficient funds for its cost-share match. However, the State erroneously included the FY 2006 cost-share match with the FY 2005 cost-share match, resulting in a \$1.0 million deficit in cost-share, as shown in Table 2.

Table 2

FY 2005 Emergency Management Performance Grant State Matching Share Underreported	
Financial Status Report state cost-share match	\$4,097,489
FY 2006 Emergency Management Performance Grant state cost-share match erroneously included in FY 2005 amount	\$1,870,207
Actual FY 2005 cost share match	\$2,227,282
Emergency Management Performance Grant (and therefore state matching requirement)	\$3,242,045
FY 2005 Cost Share Deficit	\$1,014,763

According to Maryland Military Department officials, the State Administrative Agency's inability to accurately report the expenditures for the homeland security grants program was in part due to problems with the State Administrative Agency's internal controls over the financial administration of the Homeland Security Grant Programs.

Specifically, in 2006, the responsibility for program administration and fiscal management over the Homeland Security Grants Program was transferred from the Maryland Military Department's Fiscal Services Division to the Maryland Emergency Management Agency's Grants Management Program Office. The individual given responsibility for financial reporting over the program did not have an understanding of the financial reporting requirements. This transfer of the fiscal responsibilities also eliminated adequate segregation of duties to ensure accurate accounting and reporting of the financial activities of the Homeland Security Grant Programs. At that time, the Grants Management Program Office was given responsibility to record grant program activities; prepare, authorize, and execute drawdowns; and perform reconciliations. Consequently, drawdowns were not independently reconciled, reviewed, and properly approved prior to being executed. Independent reconciliation would likely have identified the erroneous cost-share match.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Maryland Emergency Management Agency to:

Recommendation #2: Determine the appropriateness of the State matching share amount for the FY 2005 Emergency Management

Performance Grant. If at the end of the performance period, the State is unable to substantiate the appropriateness of its matching share, the State should reimburse FEMA for any federal funds drawn down in excess of the State's matching share.

Recommendation #3: Submit corrected Financial Status Reports for the FY 2005 and FY 2006 Homeland Security Grant Program.

Management Comments and Auditor's Analysis

At the exit conference, the FEMA Grant Programs Directorate officials verbally concurred with the finding, but did not concur with recommendation #2 as written in the draft report. FEMA officials said at the exit conference that the issue of questioned amounts will not arise until the end of the performance period, when the final Financial Status Report is submitted by the state. FEMA officials concurred with revised recommendation #2, and agreed that the State should submit corrected reports for FY 2005 and FY 2006.

In written comments, the Maryland Emergency Management Agency did not agree with the finding and recommendations #2 and #3. The State said that it has reviewed the appropriateness of its matching share and determined that it exceeded its matching requirement. The state said it has submitted an amended Financial Status Report to FEMA for FY 2005.

If validated by FEMA, the actions the state reported it has taken will resolve the recommendations. Within 90 days, the Administrator, Federal Emergency Management Agency, needs to outline corrective actions and a plan to implement the actions in response to the recommendations.

Quarterly Financial Status Reports Were Not Submitted Timely

The Maryland Emergency Management Agency did not comply with the reporting requirements of the Homeland Security Grant Program, which requires that Financial Status Reports be filed in a timely manner. We identified six Financial Status Reports for Fiscal Years 2005 through 2007 that were not submitted within the required filing period, detailed in Table 3 below.

Table 3

Maryland Homeland Security Grant Awards Fiscal Years 2005 through 2007				
Untimely Quarterly Financial Status Reports				
Grant Year	Calendar Quarter	Date Financial Status Reports Due	Date Financial Status Report was Submitted	No. of Days Late
2005	Q1 2007	05/15/2007	6/28/2007	59
2005	Q1 2008	05/15/2008	Never Submitted	
2006	Q3 2006	10/30/2006	11/22/2006	23
2006	Q1 2007	04/30/2007	6/29/2007	60
2006	Q1 2008	04/30/2008	5/16/2008	16
2007	Q1 2008	04/30/2008	5/16/2008	16

In accordance with the 2005 Grant Guidance, obligations and expenditures must be reported to Office of Domestic Preparedness on a quarterly basis through the Financial Status Report, within 45 days of the end of each calendar quarter. The grant guidance for FY 2006 and 2007 require the Financial Status Reports be submitted within 30 days of the end of each calendar quarter. In addition, the Code of Federal Regulations Title 28 § 66.20, *Standards for financial management systems*, require grantees to maintain accurate, current, and complete disclosure of the financial results of financially assisted activities, and in accordance with the financial reporting requirements of the grant or subgrant.

According to State Administrative Agency officials, untimely reporting of financial status reports was, in part, due to limited staff within its organization. At that time, the day-to-day fiscal responsibilities were transferred from the Maryland Military Department's Fiscal Services Division to the Maryland Emergency Management Agency's Grants Office. This transfer eliminated adequate segregation of duties to ensure that the financial activities were accurately accounted for and reported, because the agency making the expenditures was also preparing the status reports. As a result, the Maryland Emergency Management Agency was at risk of future grant funds and drawdowns being withheld, which could affect its emergency preparedness and incidence response readiness.

According to agency officials, the fiscal responsibilities for filing the Financial Status Reports were transferred back to the Maryland Military Department as of March 2008. Because the State has taken action to resolve the problem, no recommendation is being made at this time.

Management Comments and Auditor's Analysis

At the exit conference, the FEMA Grant Programs Directorate officials verbally concurred with the finding.

Maryland Emergency Management Agency officials also agreed with the finding at the exit conference, but did not provide written comments since there was no recommendation.

Subgrantee Monitoring Requirements Not Enforced or Documented

The State Administrative Agency did not enforce requirements for subgrantees to submit to the grantee their quarterly financial and performance reports, nor document subgrantee performance and progress towards program goals. The State Administrative Agency implemented its monitoring program in 2006 when the Grants Coordinator position was filled. However, the State did not enforce the subgrantee requirements established under its monitoring program. As a result, the State Administrative Agency did not ensure that its subgrantees program goals were being achieved and that funds were being expended as intended for FYs 2005 through 2007.

Code of Federal Regulation Title 28 § 66.40, *Monitoring and reporting program performance*, requires grantees to be responsible for managing the day-to-day operations of grant and subgrant supported activities that cover each program, function, or activity. The Code of Federal Regulation also requires that grantees must monitor grant and subgrant-supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved.

The *Memorandum of Agreement* between the State Administrative Agency and its subgrantees includes requirements for the subgrantees to submit quarterly financial and performance reports for all Department of Homeland Security grants in effect during the reporting period. The State Administrative Agency's *Grant Monitoring Site Visit Protocol* states that site visits will encompass open grants and the most recently closed grants. The protocol also states that site visits will include a review of the requested documentation and a discussion of program progress.

Although the Memorandum of Agreement between the State Administrative Agency and subgrantees stipulates that subgrantees are to submit quarterly financial and performance reports, the requirement to submit performance reports was not enforced and the financial reporting

requirement was not consistently enforced. Our review of the site visit monitoring reports showed that the lack of submission of the performance reports by the subgrantees was not discussed in the site visit monitoring reports.

State Administrative Agency officials cited multiple reasons for not consistently enforcing the quarterly financial and performance reporting requirement including:

- Subgrantees typically have no activity to report in the first year of the grant award because procurement requirements delay reimbursement requests. Some subgrantees opt to bundle their reimbursement requests to minimize paperwork.
- Limited staff hindered the State's ability to conduct active follow-up of delinquent reports. Similarly, subgrantees with limited staff were also hindered in their ability to report timely.

According to State Administrative Agency officials, reimbursement requests were used as a tool to judge subgrantees' performance and timely project execution. However, reviewing program spending does not ensure that program goals and objectives are achieved. In addition, we noted during our review that because some subgrantees delayed submitting reimbursement requests, tracking subgrantee expenditures as a means to provide oversight was an ineffective method for monitoring progress. Furthermore, only one individual was responsible for monitoring 26 local jurisdictions, 11 State Agencies, Nongovernmental Organizations and over 50 subgrantee projects implemented under the Urban Areas Security Initiative grant program.

Our review of the site visit monitoring reports maintained by the State Administrative Agency showed that the State Administrative Agency did not document the status of the subgrantees performance and progress made toward achieving their grant goals as required by the State Administrative Agency's *Grant Monitoring Site Visit Protocol*. According to Agency officials, site visit reports focused on the fiscal status of subgrantees because metrics have not been provided by FEMA to assess program progress.

Lastly, the site visits conducted of the local jurisdiction subgrantees during FYs 2006 and 2007 included a review of the closed grants that were awarded during FYs 2003 through 2005, and only the expenditures that had been reimbursed, as of the date of the site visit, for the FYs 2006 and 2007 open awards. However, the State Administrative Agency does not require that reimbursement requests be submitted timely. The State's ability to adequately monitor subgrantees' projects and achievement of

their program goals is diminished when the subgrantees delay reimbursement requests.

Because the State Administrative Agency did not consistently enforce the financial and performance reporting requirements, and did not document the status of subgrantees' performance during site visits, the State was unable to assure compliance with federal regulations with respect to its responsibility to provide day-to-day management oversight.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Maryland Emergency Management Agency to:

Recommendation #4: Improve its subgrantee monitoring practices by:

- Enforcing the requirements in the Memorandum of Agreement requiring subgrantees to submit quarterly financial and performance reports, and
- Incorporating specific procedures into its monitoring site visit protocol to document subgrantee progress towards accomplishing program goals.

Management Comments and Auditor's Analysis

At the exit conference, the FEMA Grant Programs Directorate officials verbally concurred with the finding and recommendation.

In written comments, the Maryland Emergency Management Agency agreed with the finding and recommendation, attributing delays in submission of reimbursement requests to the lengthy approval process of the jurisdictional governing bodies. The State agency also said that it has expanded the roles and responsibilities of the Grant Program Managers to include regular contacts with the subgrantees to ensure progress toward achieving program goals.

If properly implemented, the Maryland Emergency Management Agency's planned actions will address the intent of this recommendation. The recommendation will remain open until the actions are fully implemented.

Within 90 days, the Administrator, Federal Emergency Management Agency, needs to outline corrective actions and a plan to implement the actions in response to the recommendations.

Reimbursements Not Supported by Invoices

During our review of expenditures for reimbursement, we noted that over \$54,000 in expenditures were reimbursed under the State of Maryland’s Homeland Security Program, but were not properly supported with required documentation. Purchase orders were the only support provided in some instances, instead of the required third party invoices. For larger reimbursement requests with a significant number of expenditures, all documentation had not been provided at the time the request was processed for payment. Table 4 below shows \$54,313.72 in expenditures that we identified as unsupported during our review:

Table 4

Maryland Homeland Security Grant Program Awards Fiscal Years 2005 through 2007			
Expenditures Not Supported by Documentation			
Grant Year	Jurisdiction	Vendor	Amount
FY 2005	Howard	Global Protection	\$ 4,148.25
FY 2005	Howard	Highway Info. Systems	750.00
FY 2005	Howard	LPB	1,995.00
FY 2005	Howard	Columbia Telecom. Corp.	2,383.30
FY 2005	Howard	Howard County Dept. of Fire & Rescue	40,225.92
FY 2005	Howard	Columbia Telecom. Corp.	4,760.25
FY 2006	Howard	Aero Company	51.00
		Total	\$ 54,313.72

In accordance with Code of Federal Regulations Title 28 §66.20, *Standards for Financial Management Systems*, grantees and subgrantees’ financial accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, and contract and subgrant award documents. Without proper supporting documentation, there is an increased risk of unauthorized or unsupported expenditures being incurred or reimbursed.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Maryland Emergency Management Agency to:

Recommendation #5: Obtain and provide the supporting documentation for the \$54,313.72 we identified in unsupported reimbursed expenditures. If unable to provide the appropriate documentation, reimburse FEMA for the unsupported expenditures.

Management Comments and Auditor's Analysis

At the exit conference, the FEMA Grant Programs Directorate officials verbally concurred with the finding and recommendation.

In its written comments, the Maryland Emergency Management Agency said that documentation was provided to the auditors during fieldwork to support the questioned amounts. However, we determined that this documentation was not sufficient to support the amounts claimed for reimbursement.

Subsequent to the issuance of the draft report, additional documentation was provided by the Maryland Emergency Management Agency to the auditors, which resulted in the reduction of the questioned amounts to \$46,369.17. The State also agreed to provide FEMA with the supporting documentation for the remaining reimbursements.

The proposed action by Maryland Emergency Management Agency, if achieved, would resolve this recommendation. However, the recommendation will remain open until the action is fully implemented. Within 90 days, the Administrator, Federal Emergency Management Agency, needs to outline corrective actions and a plan to implement the actions in response to the recommendations.

Appendix A

Purpose, Scope, and Methodology

The objective of the audit was to determine whether the State of Maryland distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The goal of this audit was to identify problems and solutions to help FEMA and the State of Maryland improve the nation's ability to prevent and respond to all-hazards on a local as well as statewide level. The audit further enabled us to answer the following nine researchable questions:

- Were measurable goals developed from plans?
- Do funded plans link all-hazards response capabilities to goals?
- Were funds and resources distributed based on goals?
- Does the State accurately measure risk?
- Does the State measure response capability?
- Can the State demonstrate improved performance?
- Were grants administered compliantly?
- Did the State monitor grant programs?
- What innovative practices can be used by other States?

The scope of the audit included the following grant programs, described in the background section of this report:

- FY 2005 State Homeland Security Program and Urban Areas Security Initiative
- FY 2006 State Homeland Security Program and Urban Areas Security Initiative
- FY 2007 State Homeland Security Program and Urban Areas Security Initiative

The audit methodology included work at FEMA Headquarters, State of Maryland offices responsible for the management of the grants, and various subgrantee locations. To achieve our audit objectives we analyzed data, reviewed documentation, and interviewed the key state and local officials directly involved in the management and administration of the State of Maryland.

We conducted 20 site visits and held discussions with the appropriate officials from four State agencies that were awarded State Homeland Security Program Grants, in order to determine whether grant program funds were expended according to grant requirements and priorities established by the State of Maryland. We conducted site visits of the following 20 subgrantee organizations:

Local Jurisdictions

- The City of Annapolis
- Baltimore City
- Ocean City
- Anne Arundel County
- Baltimore County
- Calvert County
- Carroll County
- Harford County
- Howard County
- Montgomery County
- Prince George's County

State Agencies

- Maryland Emergency Management Agency
- Maryland Department of Transportation
- Maryland State Police

Non-Governmental Organizations

- Beth Israel Congregation
- Greentown Community Development Center
- Har Sinai Congregation
- Ner Israel Rabbinical College
- Owens Brown Interfaith Center
- Temple Oheb Shalom

At each location, we interviewed responsible officials, reviewed documentation supporting the State of Maryland and subgrantee management of the awarded grant funds (including expenditures for equipment, training and exercises), and physically inspected some of the equipment procured with the grant funds.

We conducted the audit between December 2008 and July 2009, according to *Government Auditing Standards* as prescribed by the Comptroller General of the United States (Yellow Book-2007 Revision). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

Appendix A

Purpose, Scope, and Methodology

Although this audit included a review of costs claimed, we did not perform a financial audit of those costs. This was a performance audit as defined by Chapter 1 of the *Standards*, and included a review and report of program activities with a compliance element. Regis and Associates PC was not engaged to, and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, we were neither required to review, nor express an opinion on, the costs claimed for the grant programs included in the scope of the audit. Had we been required to perform additional procedures, or conduct an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the State of Maryland.

Although the audit was being performed and the report was prepared under contract, the audit results are being reported by the DHS Office of Inspector General to appropriate FEMA and State of Maryland officials.

Appendix B Management Comments to the Draft Report

STATE OF MARYLAND
MILITARY DEPARTMENT



MARTIN O'MALLEY
GOVERNOR
ANTHONY G. BROWN
LIEUTENANT GOVERNOR

JAMES A. ADKINS
BRIGADIER GENERAL
THE ADJUTANT GENERAL
RICHARD G. MUTH
DIRECTOR

MARYLAND EMERGENCY MANAGEMENT AGENCY
State Emergency Operations Center, Camp Fretterd Military Reservation
5401 Rue Saint Lo Drive, Reisterstown, MD 21136
(410) 517-3600 • Fax (410) 517-3610 • Toll Free 1 (877) 636-2872
TTY Users: 1 (800) 735-2258

December 18, 2009

Mr. Lateef Abassi
Regis & Associates, PC
1400 Eye Street NW, Suite 425
Washington, DC 20005

Dear Mr. Abassi,

This memorandum has been prepared in response to the findings and recommendations detailed within the Department of Homeland Security Office of Inspector General Report titled, "The State of Maryland's Management of State Homeland Security Program and Urban Area Security Initiative Grants Awarded During Fiscal Years 2005 through 2007". The report consists of six findings and five recommendations. Each will be addressed below.

Finding #1: *State Grant Management Practices Were Generally Effective, But some Improvements Needed*

Response: Each noted area will be discussed below; however, we disagree with the tenor and tone of this section as it implies that the areas reported upon were of a recurring systemic nature when in several instances they were restricted to a single incident, grant or jurisdiction.

Strategic Planning Process Was Not Comprehensive:

- *State of Maryland's Homeland Security Strategy is outdated*
- *State of Maryland's Homeland Security Strategy lacked Measurable Goals and Objectives*
- *No process to Update Strategy or Incorporate Local Input*
- *State Has No process to collect or Analyze Performance Data*

Note: During the Agency out briefing you agreed to consider the rewording of the above bullets. Suggestions follow.:

- *State of Maryland's Homeland Security Strategy Is Outdated*
- *State of Maryland's Homeland Security Strategy Lacked Fully Measurable Goals and Objectives*
- *Process to Update Strategy or Incorporate Local Input Requires Improvement*
- *Process to Collect or Analyze Performance Data Requires Updating and Refinement*



Appendix B Management Comments to the Draft Report

Recommendation #1: *Implement a strategic planning process that:*

- *Establishes a formal process to periodically update the strategic plan to include new priorities,*
- *Incorporates specific measurable and results-oriented objectives into the updated strategy, with each objective including a performance measure to track progress for achieving the goals.*
- *Incorporates local input into the strategy, and*
- *Ensures that appropriate performance data is collected, measured, and analyzed to demonstrate progress towards achieving goals and objectives.*

Response: Concur with comment. We concur that a successful homeland security program must be based upon a strategy that is current and relevant. To this end, the state strategy was recently revised and updated to reflect changing homeland security conditions and requirements within Maryland. The strategy was submitted for FEMA review on November 4, 2009, and approved on November 19, 2009. This was a self-initiated action. Prior to its completion the SAA was in full compliance with all FEMA requirements associated with strategy submission, review, and update. Both the previous and current strategy were formatted as prescribed by FEMA to reflect goals, supporting objectives and implementing steps. The report notes that the “State of Maryland’s Homeland Security Strategy lacked measurable goals and objectives.” This statement is supported by citing specific objectives from the previous state homeland security strategy. Strategic goals and objectives are by their very nature broadly stated. Measurable performance metrics are normally found within the implementing steps associated with each objective. The report fails to note that each of the objectives cited for inadequate metrics, e.g., “Implement a statewide health and medical surge plan” is further supported by multiple unmentioned implementing steps which provide the specificity of actions lacking in the overarching goals and objectives. (E.g. “By January 1, 2008, complete county plans identifying alternate care sites and locations of . . . caches of equipment.”) It is within these implementing steps that planners detail actions that are Specific, Measurable, Achievable, Results-Oriented and Time-Limited. Omitting implementing steps from the report fails to convey the full scope of activities to be undertaken. The adequacy of the state strategies, both past and present is supported by FEMA’s review and approval of them.

This agency agrees that one of the most significant challenges faced in implementing an effective homeland security strategy is development and employment of measurable goals and objectives. We have attempted to do so by linking each reported goal to the National Priorities as established by FEMA. While FEMA has strived to provide additional means and methods to measure program progress (E.g., the Cost to Capabilities program) to date many of these programs remain in the development phase. It is unrealistic to impose upon the state standards and expectation, not yet fully defined at the federal level nor dictated within implementing program guidance. This agency will continue to strive to improve and validate goals and objectives to assess program performance, yet it is imperative for this effort to be fully successful that ongoing parallel federal initiatives come to fruition.

This agency disagrees with the observation that the previous or current state homeland security strategy, “was not updated to incorporate local input”. The SAA maintains a continuous dialogue with its sub-grantees to ensure funds are used to address common goals and objectives.

Appendix B Management Comments to the Draft Report

This interchange takes place both in informal and formal settings. As part of the homeland security grant application process local jurisdictions are surveyed to identify local needs and proposed remedial spending plans. These plans are required to meet the twelve core goals established for Maryland which in turn are tied to the eight national priorities established by DHS. Local input from these submissions is used to develop the Investment Justifications submitted by the state in its homeland security application. Additionally, MEMA maintains a robust program of regional liaisons to coordinate federal/state support of local programs. This is achieved via routine personal visits, telephone conversations, e-mails, etc. Local liaison staff resides within the regions they support and respond to all incidents of note occurring within their assigned areas of responsibility. Thus their understanding of jurisdictional and regional requirements is based upon first hand observation as well as second hand reports and requests. Also the Director maintains a comprehensive outreach program to local emergency managers as evidenced via monthly teleconferences, semi-annual local emergency managers' conferences, regional visits, etc. These initiatives are further supported by the grants monitoring program which strives to visit all jurisdictions on a biannual basis. During the course of these comprehensive visits considerable time is spent in discussions with local emergency managers and other local agencies to ascertain the effectiveness of funds spent to date and future needs and requirements. While the report correctly notes that early local needs surveys were determined without respect to resource availability starting with the 2009 survey, local jurisdictions are required to develop requirements based upon the budget planning figures established within DHS grant guidance for that year.

This agency further disagrees that the SAA "had no capability to collect or analyze performance data." The SAA maintains a comprehensive ability to monitor in real time grant reimbursement rates, equipment inventories, and by discipline assignments of resources. This meets all existing federal data reporting requirements found within the Initial Strategy Implementation plan (ISIP) and the Biannual Strategy Implementation Reports (BSIR). Admittedly, while financial data alone does not provide a complete picture of program performance it is an essential element of it. The report cites that grantees are required to report on progress and deviations in performance as outlined within Code of Federal Regulations 28 §66.40. It fails to note that performance reporting to DHS is captured within the ISIP, BSIR, and CAPR requirements as established with applicable DHS grant guidance and that this agency is in compliance with those reporting requirements.

Comments regarding specific sub-elements of Recommendation #1 are provided below.

- *Establishes a formal process to periodically update the strategic plan to include new priorities,*
Response: The state maintains a formal process to update the state's Homeland Security Strategy. This entailed in the most recent update of the state strategy over a year of meetings involving state agencies and local jurisdictions to ensure state and local needs were identified and prioritized against existing funding streams at the federal, state, and local level.
- *Incorporates specific, measurable and results-oriented objectives into the updated strategy, with each objective including a performance measure to track progress for achieving the goals,*
Response: The state strategy currently consists of goals, objectives and implementing steps. It is not a static document and will be periodically reviewed, refined and updated. The current strategy fully conforms to all FEMA standards and requirements.

Appendix B Management Comments to the Draft Report

- *Incorporates local input into the strategy, and*

Response: Local input was and will continue to be sought to support creation and execution of homeland security grant goals and objectives. See earlier discussions of the varied avenues used to achieve this goal.

- *Ensures that appropriate performance data is collected, measured, and analyzed to demonstrate progress towards achieving goals and objectives.*

Response: Data will continue to be collected to measure program expenditures and to ensure compliance with existing Federal reporting requirements. The current absence of detailed federal standards places the burden on individual states to develop performance data relevant to their respective needs and capabilities.

Finding #2: *FY 2005 Financial Status Reports were inaccurate*

Recommendation #2: *Determine the appropriateness of the State matching share for the FY 2005 Emergency Management Performance Grant. If the State is unable to substantiate the appropriateness of its matching share for FY 2005, reimburse FEMA \$1,014,763 for the federal funds drawn down in excess of the State's share of the costs.*

Response: Non-concur. The Maryland Military Department has reviewed the appropriateness of the State matching share for the FY 2005 EMPG grant and determined that the recipient share of outlays (i.e. State matching funds) totaled \$3,803,127 as documented in the attached amended final FSR for the FY 2005 HSGP funds. The State matching amount exceeds the required FY 2005 EMPG matching requirement of \$3,242,045 by \$561,082.

Recommendation #3: *Submit corrected Financial Status Reports for the FY 2005 Homeland Security Grant Program.*

Response: Concur. The Maryland Military Department has submitted an amended final FSR for the FY 2005 Homeland Security Grant program. See attached correspondence and documentation.

Finding #3: *Quarterly Financial Status Reports Were Not Submitted Timely*

No recommendation/No Action required

Finding #4: *Sub grantee Monitoring Requirements Not Enforced or Documented*

Recommendation #4: *Improve its sub grantee monitoring practices by:*

- *Enforcing the requirements in the Memorandum of Agreement requiring sub grantees to submit quarterly financial and performance reports, and*

Response: We concur with the sub-grantee reporting deviations outlined within the report. With the adoption of an on-line real time grants management system the requirement to submit quarterly financial reports was suspended. Efforts will continue to encourage timely reporting for those grants where this requirement exists.

Appendix B Management Comments to the Draft Report

Comments on the delayed submission of reimbursement requests after grant award is accurate for some jurisdictions, however delay is often a factor in the lengthy approval process required by jurisdictional governing bodies. In several cases the length of time between grant award and authorization to expend funds exceeds six months this is driven by public notice requirements, council pre-review requirements, and a host of other administrative requirements. Additionally, once approval is received local procurement policies and requirements may introduce lengthy delays especially for large purchases. Most jurisdictions once purchases are invoiced submit reimbursement requests quickly to preclude the jurisdiction having to front dollars from general funds. Jurisdictions which have shown unusually lengthy delays are contacted and offered assistance to expedite the reimbursement of grant funded purchases.

• *Incorporating specific procedures into its monitoring site visit protocol to document sub grantee progress towards accomplishing program goals.*

Response: Early monitoring visits focused on records maintenance and equipment tracking. Program progress was measured in the timely execution of approved spending plans. While this process provides valuable insight into sub-grantee progress and program effectiveness, this Agency has undertaken to expand the roles and responsibilities of Grant Program Managers. Among the major tasks assigned to these individuals is to ensure sub-grantees incorporate national, state and regional goals into local and state agency grant programs. In turn through regular contact they will ensure progress toward achieving these goals is tracked and reported. Development of specific metrics remains an ongoing process.

Finding #5: *Reimbursements Not Supported by Invoices*

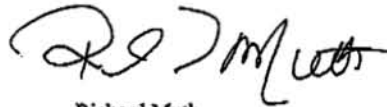
Recommendation #5: *Obtain and provide the supporting documentation for the \$54,313.72 we identified in unsupported reimbursed expenditures. If unable to provide the appropriate documentation, reimburse FEMA for the unsupported expenditures.*

Documentation for the listed vendors was previously provided to the audit team during the course of their visit with the exception of one expense. Subsequent exchange of additional documentation over the past week has reduced the reported \$54,313 to a lower figure and efforts will continue in the period prior to report finalization to reduce this total to \$0. Prior to the start of this audit, members of the SAA staff had verified through review of county accounting records that all claimed expenditures were paid and that the questioned equipment and supplies were available for inspection. While desirable, there is no absolute Federal requirement that an invoice be available prior to reimbursement being made. The issue of accepting purchase orders in lieu of invoices is moot. The SAA does not approve for payment any reimbursement request without an accompanying invoice(s) and conducts a 100% review of all reimbursement requests to ensure compliance. This policy has been in effect since the beginning of Federal Fiscal Year 2006. If this finding is carried over into the final report this agency is prepared to provide FEMA representatives with sufficient documentation to support the appropriateness of the reimbursed expenditures.

Appendix B
Management Comments to the Draft Report

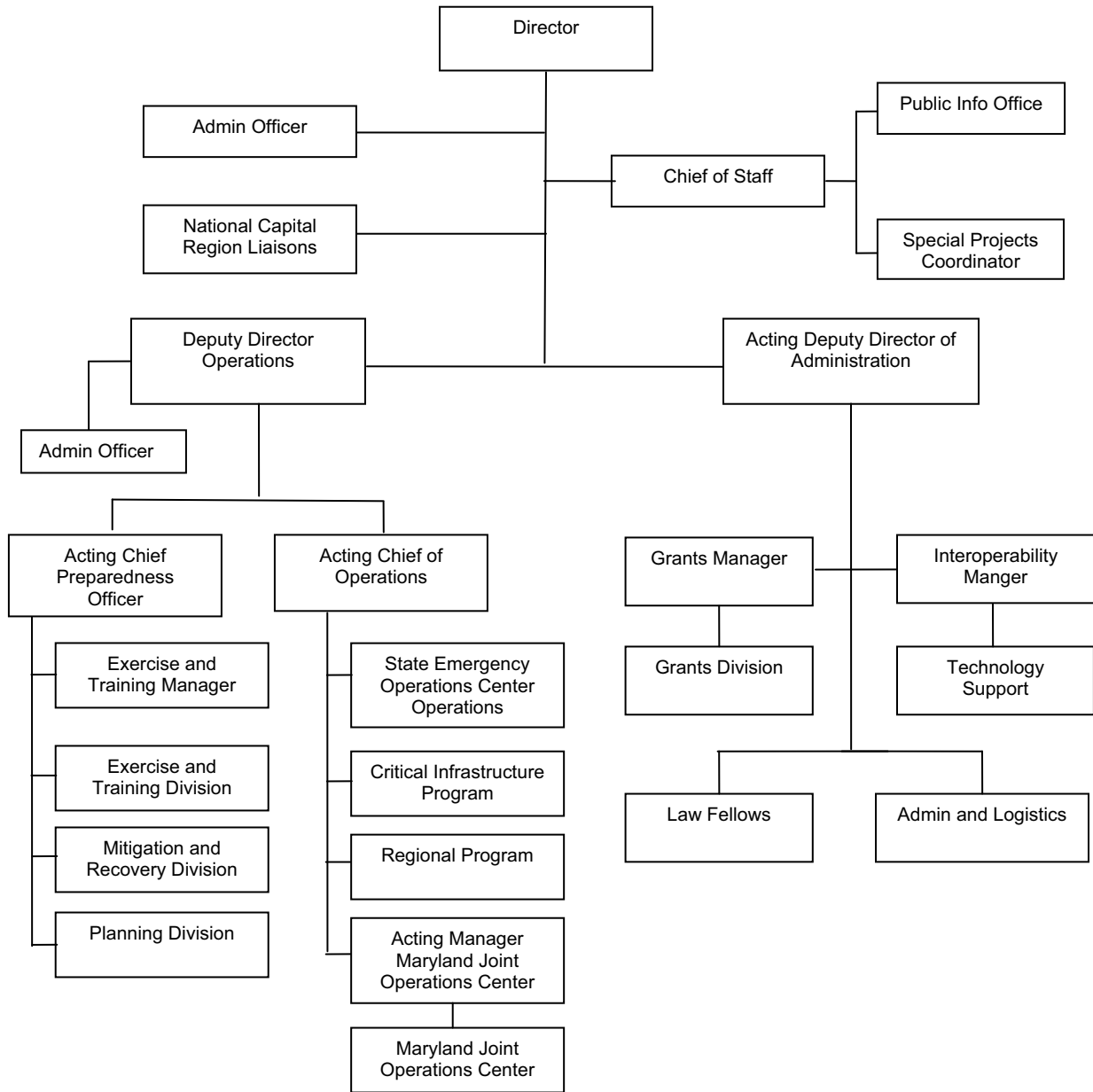
If further questions arise regarding the above responses, do not hesitate to contact my Grants Coordinator, Gary Harity at (410) 517-5116 or gharity@mema.state.md.us. We stand ready to assist.

Respectfully yours,

A handwritten signature in black ink, appearing to read "R. Muth". The signature is fluid and cursive, with a large initial "R" and a stylized "Muth".

Richard Muth
Executive Director
Maryland Emergency
Management Agency

Maryland Emergency Management Agency



Appendix D
Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
General Council
Executive Secretariat
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs

Federal Emergency Management Agency

Administrator
Assistant Administrator, Grant Programs Directorate
Federal Emergency Management Agency Audit Liaison
Grant Programs Directorate Audit Liaison

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate



ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202) 254-4100, fax your request to (202) 254-4305, or visit the OIG web site at www.dhs.gov/oig.

OIG HOTLINE

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations:

- Call our Hotline at 1-800-323-8603;
- Fax the complaint directly to us at (202) 254-4292;
- Email us at DHSOIGHOTLINE@dhs.gov; or
- Write to us at:
DHS Office of Inspector General/MAIL STOP 2600,
Attention: Office of Investigations - Hotline,
245 Murray Drive, SW, Building 410,
Washington, DC 20528.

The OIG seeks to protect the identity of each writer and caller.