

# Department of Homeland Security **Office of Inspector General**

The State of Illinois' Management of Urban Areas  
Security Initiative Grants Awarded During  
Fiscal Years 2006 Through 2008





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Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

NOV 9 2012

MEMORANDUM FOR: Elizabeth M. Harman  
Assistant Administrator  
Grant Programs Directorate  
Federal Emergency Management Agency

FROM: Anne L. Richards *Anne L. Richards*  
Assistant Inspector General for Audits

SUBJECT: *The State of Illinois' Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008*

Attached for your action is our final report, *The State of Illinois' Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008*. We incorporated the formal comments from the Office of Policy and Program Analysis and substantive comments from State of Illinois officials in the final report.

The report contains eight recommendations aimed at improving the State's management of Urban Areas Security Initiative grants. Your office concurred with the intent of three recommendations and concurred with the remaining five recommendations. State of Illinois officials also agreed with the recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 through 5, 7, and 8 resolved and open. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Recommendation 6 remains unresolved and open. As prescribed by the Department of Homeland Security Directive 077-01, Follow-Up and Resolution for the Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.



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Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact John E. McCoy II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



September 20, 2012

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 Illinois' management of the Department of Homeland Security's Urban Areas Security Initiative grants for Fiscal Years 2006 through 2008. The audit was performed in accordance with Contract Number TPD-FIGBPA-07014; Task Order 0001, dated September 29, 2009. This report presents the results of the audit, and includes recommendations to help improve the State of Illinois' management of the audited 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, we did not perform a financial audit, the purpose of which would be to render an opinion on the State of Illinois' 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,

A handwritten signature in black ink, appearing to read "Peter R. Regis". The signature is fluid and cursive, with a large, sweeping initial 'P'.

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



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## Abbreviations

|       |  |
|-------|--|
| DHS   | Department of Homeland Security                      |
| FEMA  | Federal Emergency Management Agency                  |
| FY    | fiscal year  |
| OIG   | Office of Inspector General                          |
| THIRA | Threat and Hazard Identification and Risk Assessment |
| UASI  | Urban Areas Security Initiatives                     |



## **Executive Summary**

Regis & Associates, PC completed an audit of the State of Illinois' Management of the Urban Areas Security Initiative Grants awarded during fiscal years 2006 through 2008. The audit objectives were to determine whether the State distributed and spent Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The audit included a review of approximately \$145 million of Urban Areas Security Initiative grants awarded by the Federal Emergency Management Agency (FEMA) to the State of Illinois.

Generally, the State did an efficient and effective job of administering the program requirements and distributing grant funds to the State's two Urban Areas Security Initiative subgrantees, the City of Chicago and Cook County, which comprise the Chicago/Cook County urban area. The Chicago/Cook County urban area developed measurable goals, which were reflected in the Urban Area Strategy, and linked all-hazards capabilities to goals through related projects. The Urban Area used reasonable methodologies for prioritizing needs, and the State distributed funds and resources based on the Urban Area strategic goals and investment justifications. Grants were generally administered in compliance with applicable guidance and the State generally provided adequate monitoring and oversight.

However, improvements are needed in the State's management of the Urban Areas Security Initiative grants to enhance capabilities and risk assessments; measure performance; require the Urban Area subgrantees to comply with property, inventory, and procurement requirements; and ensure subgrantee funds are awarded in a timely manner. The eight recommendations call for FEMA to initiate improvements, which if implemented, should help strengthen program management, performance, and oversight. FEMA concurred with the intent of three recommendations and concurred with the remaining five recommendations. The Illinois Emergency Management Agency agreed with the recommendations, and while it did not provide a formal response for inclusion in the final report, it provided substantive comments to the draft report.

Comments to the draft report are incorporated as appropriate, and FEMA's written comments are included in their entirety in appendix B.



## **Background**

### **Homeland Security Grant Program**

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 FEMA.

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 terrorist attacks, major disasters, and other emergencies. The Homeland Security Grant 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. A description of the individual grant programs within the Homeland Security Grant Program is included in appendix C.

### **State Administrative Agency**

The Governor of Illinois designated the Illinois Terrorism Task Force, a Bureau of the Illinois Emergency Management Agency, the responsibility to manage the grant programs in accordance with established Federal guidelines, and allocate funds to Urban Areas Security Initiative (UASI) recipients. Appendix D contains a chart depicting the structure and relationship of the Illinois Emergency Management Agency, the Illinois Terrorism Task Force, and Chicago/Cook County Urban Area.

### **Urban Area Working Group**

Chicago/Cook County Urban Area Working Group is the Federally-required governance group for purposes of the UASI grant. The Urban Area Working Group responsibility is to aid the Urban Area to plan, set priorities, and determine how UASI grant funds will be spent to further homeland security preparedness for its region. The Urban Area Working Group is also responsible for coordinating the development and implementation of all program initiatives related to UASI funds.

Chicago Office of Emergency Management and Communications, and the Cook County Judicial Advisory Council provided the grants management functions for City of Chicago and Cook County, during the period covered by the audit. The City and County departments provided staff support and meeting organization for the Urban Area





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Working Group, and assisted in writing and submitting Federally required grant documents to the State.

**Grant Funding**

The State of Illinois received approximately \$145 million in funds for the UASI grant program during fiscal years (FYs) 2006 through 2008. During each of those years, the State Administrative Agency awarded subgrants to the Urban Area’s two subgrantees, which are the City of Chicago and Cook County.

The Urban Area used the grant funds primarily to purchase equipment for interoperability among law enforcement, fire service, and medical emergency agencies; and to provide preparedness training and exercises. Table 1 identifies a breakdown of the UASI grant funds awarded by year.

**Table 1**

| <b>Illinois Homeland Security Grant Program<br/>UASI Awards FYs 2006 through 2008</b> |                |                |               |
|---|----------------|----------------|---------------|
| <b>FY 2006</b>  | <b>FY 2007</b> | <b>FY 2008</b> | <b>Total</b>  |
| \$52,260,000  | \$47,280,000   | \$45,861,000   | \$145,401,000 |

Regis & Associates, PC completed an audit of the State of Illinois’ management of UASI grants awarded during FYs 2006 through FY 2008. The audit objectives were to determine whether the State distributed and spent Urban Areas Security Initiative grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. Appendix A to this report provides details on the purpose, scope, and methodology of this audit.

**Results of Audit**

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

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Generally, the State did an efficient and effective job of administering the program requirements and distributing grant funds, but improvements are needed. The Urban Area developed measurable goals, which were reflected in the Urban Area Strategy, and linked all-hazards response capabilities to goals through related projects. The Urban Area used reasonable methodologies for prioritizing needs, and the State distributed funds and resources based on the



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Urban Area strategic goals and investment justifications. Grants were generally administered in compliance with applicable guidance, and the State generally provided adequate monitoring and oversight.

To enhance Illinois' management of the UASI grant program the State needs to:

- Perform capabilities and risk assessments;
- Establish and document a performance measurement process;
- Comply with property, inventory, and procurement requirements; and
- Award subgrantee funds in a timely manner.

### **Capabilities and Risk Assessments**

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The Urban Area performed a capability assessment in FY 2006. However, the Urban Area did not reassess its capability gaps in FY 2007 and FY 2008. Also, the Urban Area did not perform a comprehensive risk assessment.

### **Urban Area Did Not Update Capabilities Assessments**

In FYs 2007 and 2008, the Urban Area did not update its capabilities assessments to reflect capabilities enhancements, as part of the annual planning process. During FY 2006, first responders and emergency management officials from the City of Chicago and Cook County, representing the Urban Area, participated in a Statewide capabilities assessment, conducted by the State of Illinois. This Statewide assessment was part of the State's Program and Capability Review Enhancement Plan that was required to be submitted to FEMA with the FY 2006 grant application. However, in FY 2007 and FY 2008 the Urban Area did not conduct assessments of current capabilities. Although an updated assessment was not mandated, updated assessments are necessary to reevaluate gaps identified in FY 2006.

The *National Preparedness Guidelines, September 2007* states that strategies are multi-year planning vehicles supported by specific annual work plans that describe each year's approach to meeting the longer term strategy. The core of the Capabilities-Based Preparedness approach is the comparison of current capabilities with risk-based target capability levels. Further, the *National Preparedness Guidelines* state that capability assessments measure the current level of capability against the target levels of capability from the Target Capabilities List applicable to the respective level of government.



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We discussed with Urban Area officials why capabilities were not reassessed for the Urban Area. According to the City of Chicago grants management officials, they did perform subsequent capability assessments in FY 2007 and FY 2008, which they believed to be sufficient. They noted that these assessments were done at the City of Chicago department level, and discussed at the Urban Area committee meetings. However, the documentation provided to us during the audit did not validate that these capability assessments were performed. For example, the documentation provided consisted of a series of handwritten meeting notes, which had very little content to support performance of actual capability assessment. In our discussion with Cook County officials, they stated they did not have the resources to complete a formal capability assessment in FYs 2007 and 2008.

### **Urban Area Did Not Perform a Comprehensive Risk Assessment**

The Urban Area did not perform a comprehensive risk assessment that focused on the Urban Area as a whole during FYs 2006-2008. The City of Chicago conducted a risk assessment in March 2006, but it only covered the City of Chicago and did not address any other area of Cook County. Cook County did not complete a risk assessment; therefore, the entire Urban Area risk assessment was not addressed.

Risk assessments are critical to the planning process, because they allow the Urban Area Working Group to measure existing capability levels against the target or planned levels of capability, and aid in the decision making process in allotting funds to those areas to minimize or close capability gaps. The risk assessment process is significant, because it can provide an assessment of strengths and weaknesses of the Urban Area's threats and vulnerabilities, and its capabilities to protect citizens, facilities, infrastructure, and key assets.

The FY 2006 National Infrastructure Protection Plan required States to establish security partnerships, facilitate coordinated information sharing, and enable planning and preparedness for Critical Infrastructure/Key Resource protection within their jurisdictions. The process for Critical Infrastructure/Key Resource protection included developing a unified approach to Critical Infrastructure/Key Resource identification, risk determination, mitigation planning, prioritized security investment, and exercising preparedness among all relevant stakeholders within their jurisdictions.

According to Cook County officials, they did not have the resources to complete the risk assessments countywide. Their grant funding was targeted at



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investments to acquire equipment and infrastructure resources that were prioritized in the Urban Area strategy.

Without risk assessments, the Urban Area may not be able to identify capability gaps, which could lead to investing grant funds in efforts that do not reduce gaps. The need for capabilities or risk assessments may also create unnecessary redundancies, or having funds targeted to areas where capabilities are no longer needed. In the event of an all-hazards situation, these capability gaps could result in some or all portions of the designated Urban Area being unprepared, which may lead to loss of life and property.

### **Recommendations**

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group:

#### **Recommendation #1:**

Updates capabilities assessments at least annually, in order to determine the status on the Urban Area's capabilities.

#### **Recommendation #2:**

Performs risk assessments that cover the entire Urban Area.

### **Management Comments and Auditors' Analysis**

FEMA concurred with the intent of Recommendations 1 and 2, and indicated in its written response that its Threat and Hazard Identification and Risk Assessment (THIRA), a risk assessment process, incorporates the intent of the recommendations. The THIRA is now a requirement for grantees, with the first iteration due December 31, 2012.

Although the State did not provide a formal response for inclusion in the final report, it provided substantive comments to the draft report. In its comments, the State noted that the Urban Area participated in the development of the State Preparedness Report in FY 2007 and FY 2008 as required in the guidance. The Urban Area also conducted multiple Homeland Security Exercise and Evaluation program validations during this period. The State also noted that during this period, the State of Illinois conducted a comprehensive Statewide risk



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assessment as part of the 2006 Emergency Management Accreditation Program process. Additionally, the State of Illinois conducted a Statewide multi-hazard assessment for FEMA in October 2007.

The actions proposed by FEMA, and comments from the Illinois Emergency Management Agency, meet the intent of the recommendations. Recommendations 1 and 2 are considered resolved and open, pending final implementation of the proposed FEMA actions.

### **Performance Measurement Processes**

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The Urban Area did not establish a process to measure performance and progress towards strategic goals and objectives. The Urban Area also did not establish procedures for documenting the performance measures it claimed to have performed. Specifically, City of Chicago officials stated that there were informal performance measurement processes, during FYs 2006 through FY 2008, but they were not able to explain, demonstrate, or adequately support those assertions. City of Chicago officials stated that they collected performance data at City of Chicago department and agency levels. However, there was no indication that such data was being analyzed, reconciled, or used for performance measurement.

Cook County did not provide any evidence that a performance measurement process existed during the period covered by our audit. According to Cook County officials, they conducted annual exercises from multiple disciplines within the Urban Area to measure performance, but were unable to provide documentation to support this assertion. Cook County officials also stated they measured performance through a criteria-based evaluation program identified in the Urban Area Homeland Security Strategy. However, these officials were unable to provide evidence that this occurred.

According to *DHS State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal (July 2005)*, to ensure the success of the strategy, the Urban Area must guarantee that it has an evaluation plan for monitoring progress, compiling key management information, tracking trends, and keeping the strategy on track. The evaluation plan should outline a process for reviewing and analyzing the steps being taken to achieve the goals and objectives of the strategy as well as determining whether the right elements are being used to measure progress. Measurable goals and objectives are the foundation to determining progress. Goals and



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objectives that are specific, quantifiable, and time sensitive allow for progress to be measured during the evaluation process.

The Urban Area Working Group did not invest funding and staffing to establish a process for measuring performance of the Urban Area. Without a performance measurement process, the Urban Area was not be able to demonstrate progress towards achieving its strategic goals and objectives, or to measure the affect of grant-funded projects effectively. Further, the Urban Area was not able to measure preparedness improvements in order to gauge their capabilities and preparedness levels in the event of a catastrophic event.

#### **Recommendation**

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

#### **Recommendation #3:**

Ensure that the Urban Area Working Group establishes and utilizes a performance measurement process that can assess the progress towards implementing the Urban Area strategic goals and objectives.

#### **Management Comments and Auditors' Analysis**

FEMA concurred with the intent of Recommendation 3, and indicated in its written response that it redesigned the State Preparedness Report, which is required from all grantees by December 31, 2012, to include assessments that are customized to each capability target that is relevant to the jurisdiction in question. The capability targets come directly from the Threat and Hazard Identification and Risk Assessment (THIRA).

In its substantive comments to the draft report, the State noted that beginning in FY 2010, the State of Illinois required the Urban Area subgrantees to develop specific measurable outcomes associated with the approved projects. These outcomes, including incremental milestones, are required to be reported to the State on a quarterly basis throughout the performance period.

The actions proposed by FEMA, and comments from the Illinois Emergency Management Agency, meet the intent of the recommendation. Recommendation 3 is considered resolved and open, pending final implementation of the proposed FEMA action.



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### **Property, Inventory, and Procurement Requirements**

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The State did not ensure the submission of timely, complete, and accurate inventory records by the two Urban Area subgrantees, City of Chicago and Cook County, as required by the State. The Urban Area did not properly tag 54 out of 84 equipment inventory items observed as purchased with DHS funds. Also, Cook County did not always comply with Federal and local procurement regulations regarding UASI funded expenditures.

#### **The Urban Area Did Not Submit Timely, Complete, and Accurate Inventory Records**

The State did not enforce the submission of timely, complete, and accurate inventory records by the City of Chicago and Cook County that would enable the State and other stakeholders to plan for their usage. These records are necessary for the State to perform inventory verification. Both the City of Chicago and Cook County did not provide timely, accurate, and complete inventory records to the State on multiple occasions.

According to the State, Cook County submitted a report in January of 2006 that did not meet the Federal rules for property management (i.e., not tied to the grant funding, no acquisition price, or no location). According to State Officials, multiple requests were made for the annual inventory report.

According to the State, the City of Chicago submitted an incomplete report in 2008; they then submitted an incomplete update in January 2010. State officials noted that the State's grant Compliance Officer has spent more than 150 hours since January 2010 attempting to reconcile the inventories submitted by the City of Chicago and Cook County with Illinois Terrorism Task Force payment records. However, instead of initiating corrective actions to resolve the issues, the State continued to work with the City of Chicago and Cook County to incrementally correct the inventories with the expectation that they would eventually comply with the State's requirement to provide complete and accurate annual grant funded inventory reports.

#### **Equipment Purchased with DHS Grant Funds Were Not Properly Tagged**

The Urban Area did not properly tag 54 of the 84 equipment inventory items observed, as equipment purchased with DHS funds. These included a Bomb and Arson Vehicle costing \$131,797 and a High Capacity Imaging Device costing \$214,657.



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FEMA's special award condition in the grant award to the State includes a requirement that recipients agree, when practicable, that any equipment purchased with grant funding shall be prominently marked as: "Purchased with funds provided by the U.S. Department of Homeland Security."

The State did not enforce FEMA guidelines to ensure that equipment purchased with DHS grants was tagged and identified as being purchased with DHS funds. The City of Chicago, as a result of this audit, is tagging their equipment, as required. According to the City of Chicago, they were previously unaware of the requirement. Cook County's policy required departments receiving equipment to use an internal Cook County Department of Homeland Security Fixed Asset tag, instead of the DHS tag. According to Cook County officials, they believed that their internal policy takes precedence over FEMA's policy.

Without adequate and complete inventory records, there is no reasonable assurance that assets acquired with grant funds were adequately safeguarded to prevent loss, damage, or theft. Without proper identification, it would be difficult to identify and account for the equipment purchased with DHS funds. In the event of an all-hazards event, the inability to deploy needed equipment because of improper accountability of such equipment could result in loss of life and property.

### **Federal and Local Procurement Regulations Were Not Always Followed**

Cook County did not always comply with Federal and local procurement regulations regarding UASI funded expenditures. The Office of Inspector General (OIG) conducted a separate review of UASI-funded procurements for Project Shield interoperable communications equipment in Cook County and identified deficiencies in the procurement process. See report number OIG-12-19 *Homeland Security Grant Program Funds Awarded for Project Shield* dated December 2011 for further details. In addition, the OIG conducted a limited review of other UASI-funded procurements in both the City of Chicago and Cook County, and determined that Cook County did not have documentation, such as competitive quotations and sole source justifications, for procurements outside of Project Shield.

### **Recommendations**

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





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### **Recommendation #4:**

Maintain complete, accurate, and timely inventory records of all equipment purchased, including non-expendable property, with Department of Homeland Security grant funds.

### **Recommendation #5:**

Ensure the Urban Area tags and identifies equipment in compliance with FEMA requirements.

### **Recommendation #6:**

Ensure that Cook County complies with Federal and Local procurement regulations.

### **Recommendation #7:**

Review all Cook County procurements, funded by UASI funds, to determine reasonableness of cost, and recover amounts deemed unreasonable.

### **Management Comments and Auditors' Analysis**

FEMA concurred with Recommendations 4, 5, 6, and 7. Regarding Recommendations 4 and 5, FEMA will require the State Administrative Agency, within 90 days, to provide a plan for managing grant funded equipment, to include a detailed process for tagging and identifying equipment. For Recommendation 6, FEMA will require the Illinois Emergency Management Agency Director to ensure the development of procurement Standard Operating Procedures for Cook County, as related to Federal awards. However, FEMA did not provide a final implementation timetable. For Recommendation 7, FEMA will require the Illinois Emergency Management Agency Director to ensure that the Urban Areas Working Group creates and reviews a complete list of all Cook County for 2006-2008 with UASI funds, and provide to FEMA within 180 days an analysis of any items and costs deemed unreasonable.

In its substantive comments to the draft report, the State provided a summary of monitoring visits to Cook County and Chicago during the period and beyond, which did not specifically address the intent of the recommendations.



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The actions proposed by FEMA meet the intent of the recommendations. Recommendations 4, 5, and 7 are considered resolved and open, pending final implementation of the proposed actions. Until FEMA provides a firm timetable for implementing Recommendation 6, the recommendation will remain unresolved and open.

**Timeliness of Subgrantee Awards**

The State did not award funds to the Urban Area subgrantees timely as required by FEMA. For FYs 2006 through 2008, the subgrants were awarded after the required timeframes established by FEMA, as shown in table 2.

**Table 2: Timeliness of Subgrantees Awards**

| <b>Subgrantee / FY</b> | <b>Amount</b> | <b>Deadline to Award Subgrantees</b> | <b>Subgrantee Award Date</b> | <b># of Days Late</b> |
|------------------------|---------------|--------------------------------------|------------------------------|-----------------------|
| City of Chicago 2006   | \$39,195,000  | 09/22/06                             | 10/02/06                     | 10                    |
| Cook County 2006       | \$13,065,000  | 09/22/06                             | 10/02/06                     | 10                    |
| City of Chicago 2007   | \$30,732,000  | 10/08/07                             | 03/26/08                     | 170                   |
| Cook County 2007       | \$16,548,000  | 10/08/07                             | 03/28/08                     | 172                   |
| City of Chicago 2008   | \$29,536,975  | 10/18/08                             | 11/24/08                     | 37                    |
| Cook County 2008       | \$15,904,525  | 10/18/08                             | 11/05/08                     | 18                    |

The Special Terms and Conditions of the FEMA Grant Award states that the recipient must submit within 60 days of the grant award an Initial Strategy Implementation Plan of the funding to be allocated per Investment based upon the final grant award amounts. The recipient must also submit a certification that funds have been obligated to local units of government (to include the identification of subgrantees and sub-award amounts). Failure to provide this information within the required time frame may result in National Preparedness Directorate withholding grant funds from further draw down.

In FYs 2006 and 2007, the requirement was 60 days and was changed in FY 2008 to 45 days. The DHS Financial Management Guide dated January 2006, states that obligations are a legal liability to pay, under a grant, subgrant, and/or contract, determinable sums for services or goods incurred during the grant period. The award document constitutes the operative document obligating and



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reserving Federal funds for use by the recipient in execution of the program or project covered by the award.

State officials believed that they complied with the FEMA requirement to obligate funds to its subgrantees within the established timeframe (60 or 45 days, as applicable) of the State receiving FEMA award. State officials believed that through other communications, such as email, that the City of Chicago and Cook County officials were notified of their awards and amounts, prior to the actual date of the signed subgrant award letters. However, subgrantees could not use the funds until the award letters were signed.

Delays in making funds available to the subgrantees may result in delaying projects intended to increase homeland security and achieve program objectives. Consequently, this could affect the subgrantees' preparedness for catastrophic or potential hazardous events threatening the Urban Area. Additionally not complying with requirements to provide these funds within the established timeframe could result in FEMA withholding grant funds from further drawdown.

#### **Recommendation**

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

#### **Recommendation #8:**

Comply with FEMA's requirement to ensure that funds are obligated to the subgrantees within the FEMA specified timelines.

#### **Management Comments and Auditors' Analysis**

FEMA concurred with Recommendation 8, and indicated in its written response that it will require the State Administrative Agency within 90 days to review current State of Illinois policies and procedures to identify opportunities to expedite the fund obligation process to subgrantees.

The actions proposed by FEMA meet the intent of the recommendation. The recommendation is considered resolved and open, pending final implementation of the proposed FEMA action.



## **Appendix A**

### **Objectives, Scope, and Methodology**

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 purpose of the audit was to determine whether the State distributed and spent UASI grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. The goal of this audit was to identify problems and solutions that can help the State of Illinois better prepare for and respond to threats, acts of terrorism, and other hazards. The audit further enabled us to answer the following nine researchable questions:

- Were measurable goals developed from plans?
- Do funded plans link all-hazards 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 UASI grant awards for FYs 2006, 2007, and 2008 as described in appendix C of this report and summarized in table 1.

The audit methodology included work at the offices responsible for the management of the grants, specifically: FEMA Headquarters, the State of Illinois Emergency Management Agency, the City of Chicago's Office of Emergency Management Communications, and Cook County Department of Homeland Security. 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 City of Chicago/Cook County Urban Area grant programs.

Because of procurement issues identified during a separate OIG audit of Cook County's Project Shield, the OIG supplemented this audit with an additional review of the UASI procurement process. The OIG review was limited to the sample of financial



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expenditures we selected to test for the City of Chicago and Cook County. The OIG conducted this review in response to procurement issues identified in its December 2011 report titled *Homeland Security Grant Program Funds Awarded for Project Shield*, OIG-12-19. The OIG findings from this limited review are discussed in the section titled *Federal and Local Procurement Regulations Were Not Always Followed*.

During the fiscal years covered by this audit, the State Administrative Agency awarded UASI funding to the City of Chicago and Cook County. The City of Chicago then disbursed the funding to four local agencies: the Office of Emergency Management and Communications, the Police Department, Fire Department and the Department of the Environment. However, the Office of Emergency Management and Communications procured and disbursed equipment on behalf of the Department of the Environment. These agencies then procured and disbursed the equipment throughout the City of Chicago.

Cook County disbursed 96 percent of the funding to two local agencies: the Sherriff's Department and the Judicial Advisory Council. These agencies then procured and subsequently disbursed the equipment throughout Cook County.

We conducted site visits for equipment verification and interviews with Chicago/Cook County Urban Area Working Group officials at the following 16 City and County local agencies and jurisdictions:

### **City of Chicago Departments**

- 311 Call Center
- Communication Emergency Center
- Fire Department
- Office of Emergency Management and Communications
- Police Department

### **Cook County Departments**

- Department of Homeland Security and Emergency Management
- Department of Public Safety
- Emergency Telephone Systems Board
- Medical Examiner's Office
- Sheriff's Department



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### Local Jurisdictions within Cook County

- Fire and Emergency Management Services, Village of Western Springs
- North Maine Fire Protection District, Des Plaines
- Northeastern Illinois Public Safety Training
- Oak Forest Hospital
- Oak Park Police
- Prospect Heights Police

We interviewed responsible officials, reviewed documentation supporting the State and subgrantees management of the awarded grant funds. We judgmentally selected items from supplied inventory listings and physically inspected the equipment procured with the grant funds at various locations throughout Cook County and the City of Chicago. We held discussions with the appropriate officials which were awarded UASI Grants, in order to determine whether grant program funds were expended according to grant requirements and priorities established by the State of Illinois.

We conducted this performance audit between December 2009 and April 2010, pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Additionally, the OIG performed testing of the procurement process in February and March 2012. 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.

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 Illinois.



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Appendix B  
Management Comments to the Draft Report


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



FEMA

AUG 15 2012

MEMORANDUM FOR: Anne L. Richards  
Assistant Inspector General for Audits  
Office of Inspector General

FROM: David J. Kaufman   
Director  
Office of Policy and Program Analysis

SUBJECT: Response to Draft Report: *The State of Illinois' Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008*

FEMA appreciates the opportunity to review and respond to the Office of Inspector General draft report *The State of Illinois' Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008*.

The following are our responses to the recommendations for corrective action.

**Recommendation #1:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group updates capabilities assessments at least annually, in order to determine the status on the Urban Area's capabilities.

**FEMA Response:** FEMA concurs with the intent of this recommendation. While capabilities assessments are strongly encouraged, annual updates are not currently a requirement. The Threat and Hazard Identification and Risk Assessment (THIRA), a risk assessment process, incorporates the intent of this recommendation. The THIRA helps whole community members identify and understand likely vulnerabilities in order to manage risk. Part of this process involves examining core capabilities as well as setting capability targets. The first iteration of the THIRA is due December 31, 2012. FEMA requests that this recommendation be resolved and open pending submission and review of the Chicago Urban Area's THIRA.

**Recommendation #2:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group performs risk assessments that cover the entire Urban Area.

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**FEMA Response:** FEMA concurs with the intent of this recommendation. The introduction of the THIRA process (please see FEMA response to recommendation #1) identifies risk across the entire Urban Area and uses existing risk assessments efforts already in place. THIRA is an adaptable process which seeks to identify and define potential emergency situations and apply capability targets to leverage resources to prevent, protect against, mitigate, respond to, and recover from risks. FEMA requests that this recommendation be resolved and open pending submission and review of the Chicago Urban Area's THIRA.

**Recommendation #3:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group establishes and utilizes a performance measurement process that can assess the progress towards implementing the Urban Area strategic goals and objectives.

**FEMA Response:** FEMA concurs with the intent of this recommendation. Effective application of grant funding will result in the decrease of risk—gaps in required capability—over time. The assessment of current capability and documentation of outstanding capability gaps, therefore, becomes a critical component to understanding grant effectiveness. States and territories submit this information through the State Preparedness Report (SPR). All states and territories that receive federal preparedness assistance are required to submit an annual SPR capability assessment to the Administrator. In 2011, FEMA redesigned the SPR assessment with two important considerations. First, the SPR customizes each assessment to the capability targets that are relevant to the jurisdiction in question; these capability targets currently come directly from the THIRA. (Setting capabilities targets is Step 4 in the Comprehensive Preparedness Guide 201: THIRA Guide published in April 2012.) The first iteration of the THIRA is due December 31, 2012. Second, the SPR measures current capability levels for each of the 31 core capabilities in terms of planning, organization, equipment, training, and exercises—the same elements that are used in grant project reporting through the Biannual Strategy Implementation Report (BSIR). This results in up to 155 individual measures with which to track residual capability gaps and to indicate the degree of progress over time as states continue to invest grant funding. Grantees are required to demonstrate how proposed projects address gaps and deficiencies in delivering one or more core capabilities. FEMA requests that this recommendation be resolved and open pending submission and review of the Chicago Urban Area's THIRA.

**Recommendation #4:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group maintain complete, accurate, and timely inventory records of all equipment purchased, including non-expendable property, with Department of Homeland Security grant funds.

**FEMA Response:** FEMA concurs with this recommendation. The CFR Title 44 § 13.32 (d), *Management Requirements*, states the minimum requirements for managing equipment purchased with grant funds. Each state is monitored by FEMA to ensure compliance with the equipment management requirements cited within 44 CFR. Grantees must comply with these standards in accordance with the applicable grant terms, conditions and assurances. The SAA will be required to provide a plan for managing grant funded equipment (to include the maintenance of complete, accurate, and timely inventory) to their GPD Program Analyst within 90 days of the receipt of the response to the final report via the grantee notification. FEMA requests that this recommendation be resolved and open pending approval and implementation of the stated corrective action.





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**Recommendation #5:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group ensure the Urban Area tags and identifies equipment in compliance with FEMA requirements.

**FEMA Response:** FEMA concurs with this recommendation. Per FEMA response to recommendation #4, the SAA will be required to provide a plan for managing grant funded equipment which will include a detailed process for tagging and identifying equipment in compliance with 44 CFR, as well as applicable guidance within 90 days of the receipt of the response to the final report via the grantee notification. FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

**Recommendation #6:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group ensure that Cook County complies with federal and local procurement regulations.

**FEMA Response:** FEMA concurs with this recommendation. FEMA will require the IEMA Director to ensure the development of procurement Standard Operating Procedures (SOP) for Cook County as related to federal awards. The SOP should include policies and procedures that adhere to federal, state, and local procurement regulations. In order to verify implementation, FEMA will require an update report on progress from IEMA within 120 days of the date of the grantee notification letter on this required corrective action. FEMA requests this recommendation be resolved and open pending implementation of the stated corrective actions.

**Recommendation #7:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to ensure that the Urban Area Working Group review all Cook County procurements, funded by UASI funds, to determine reasonableness of cost, and recover amounts deemed unreasonable.

**FEMA Response:** FEMA concurs with this recommendation. FEMA will require the IEMA Director to ensure the UAWG creates and reviews a complete list of all Cook County purchases for 2006 – 2008 with UASI funds. Within the list, the UAWG should identify any items deemed potentially unreasonable. The IEMA will review the full list and provide further analysis of any items and costs that are deemed unreasonable. The results of that analysis will be submitted to the GPD Program Analyst for FEMA review, within 180 days of the issuance of the final report. FEMA requests this recommendation be resolved and open pending full resolution of the stated corrective actions.

**Recommendation #8:** We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Illinois Emergency Management Agency to comply with FEMA's requirement to ensure that funds are obligated to the subgrantees within the FEMA specified timelines.

**FEMA Response:** FEMA concurs with this recommendation. HSGP guidance requires the SAA to obligate at least 80% of funds awarded under UASI to local units of government within 45 days of receipt of the funds. The SAA will be required to conduct an assessment of Illinois' current policies



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and procedures involved in the execution of grant agreements and obligation of funds to identify opportunities to expedite the process within 90 days of the receipt of the response to the final report via the grantee notification. Results of this assessment with areas of improvement must be submitted to the Program Analyst. Additionally, the SAA will be required to provide validation that funds have been obligated and subawarded within the 45 day period. FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

Again, we thank you for the opportunity to review and comment on your draft report which contains recommendations aimed at improving the efficiency of our agency. Should you have any further questions regarding our response, please do not hesitate to call FEMA's Acting Chief Audit Liaison, Gina Norton, at 202-646-4287.



## **Appendix C**

### **Homeland Security Grant Program Background**

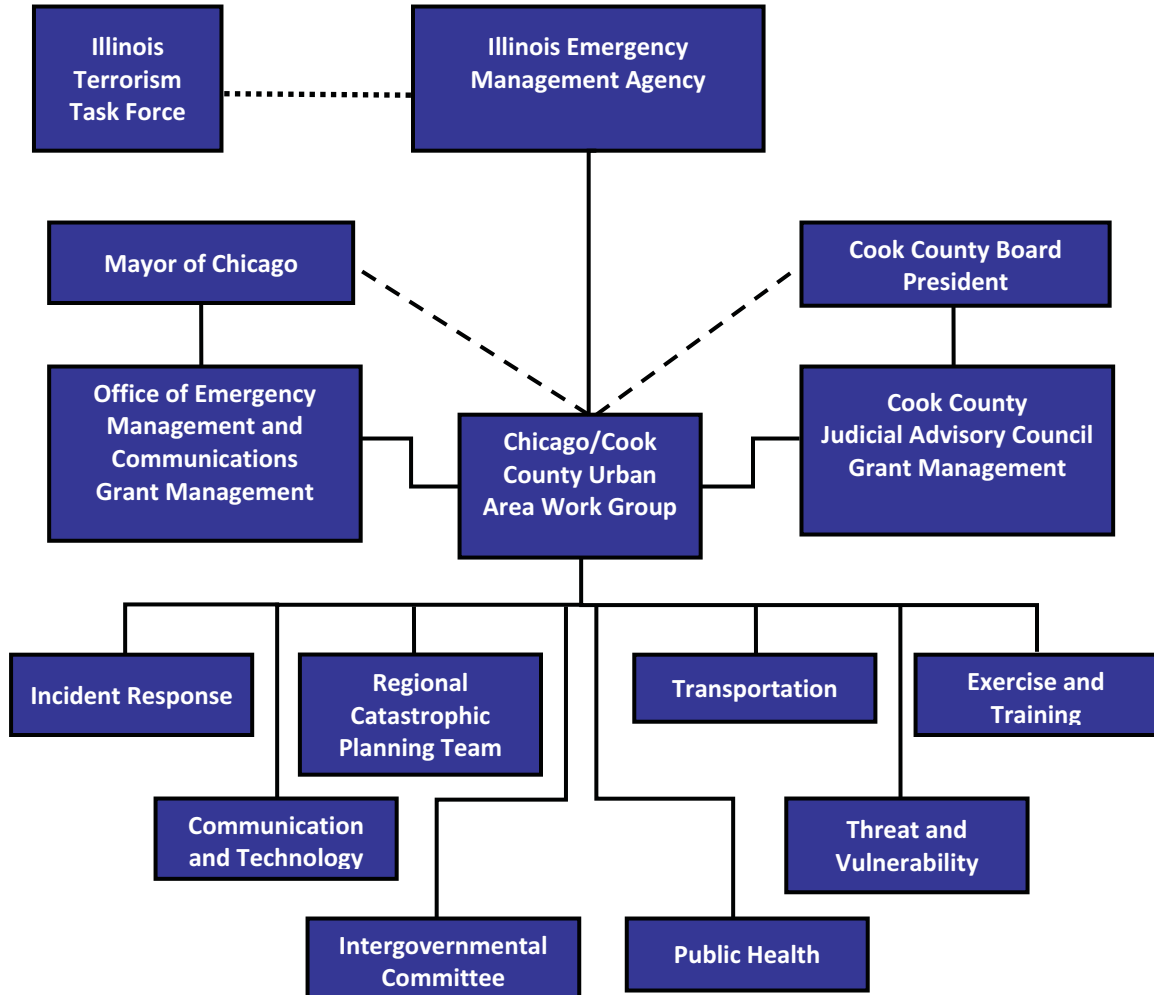
The Homeland Security Grant Program encompasses several interrelated Federal grant programs that together fund a range of preparedness activities including planning, organization, equipment purchase, training, and exercises, as well as management and administrative costs. Depending on the fiscal year, the program included some or all of the following programs:

- **State Homeland Security Program** supports the implementation of State Homeland Security Strategies to address the identified planning, organization, equipment, training, and exercise needs to prevent, protect against, respond to, and recover from acts of terrorism and other catastrophic events.
- **Urban Areas Security Initiative Program** funds address the unique planning, organization, equipment, training, and exercise needs of high-threat, high-density Urban Areas, and assists them in building an enhanced and sustainable capacity to prevent, protect against, respond to, and recover from acts of terrorism.
- **Law Enforcement Terrorism Prevention Program** provides resources to law enforcement and public safety communities (working with their private partners) to support critical terrorism prevention activities, including: establishing / enhancing fusion centers and collaborating with non-law enforcement partners, other government agencies, and the private sector.
- **Citizen Corps Program** mission is to bring community and government leaders together to coordinate the involvement of community members and organizations in emergency preparedness, planning, mitigation, response, and recovery.
- **Metropolitan Medical Response System Program** funds support designated jurisdictions to further enhance and sustain a regionally integrated, systematic mass casualty incident preparedness program that enables a response during the first crucial hours of an incident. The program prepares jurisdictions for response to all-hazards mass casualty incidents, including chemical, biological, radiological, nuclear, and explosives terrorism, epidemic disease outbreaks, natural disasters, and large-scale hazardous material incidents.



## Appendix D Organization Chart

### Chicago/Cook County Urban Areas Security Initiative Grants





## **Appendix E**

### **Report Distribution**

#### **Department of Homeland**

Secretary  
Deputy Secretary  
Chief of Staff  
Deputy Chief of Staff  
General Counsel  
Executive Secretary  
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  
Acting Chief Privacy Officer

#### **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 document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov).

For additional information, visit our website at: [www.oig.dhs.gov](http://www.oig.dhs.gov), or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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