



Department of Homeland Security Office of Inspector General

The State of Texas' Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008





Homeland Security

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Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports 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 Texas' management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during Fiscal Years 2006 through 2008. We contracted with the independent public accounting firm Foxx & Company to perform the audit. The contract required that Foxx & Company perform its audit according to generally accepted government auditing standards. Foxx & Company's report identifies seven reportable conditions where State management of the grant funds could be improved, resulting in 14 recommendations addressed to the Assistant Administrator, Grant Programs Directorate, Federal Emergency Management Agency. Foxx & Company also identified two best practices that should be considered for use by other jurisdictions. Foxx & Company is responsible for the attached auditor's report dated January 26, 2011, 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



January 26, 2011

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, D.C. 20528

Dear Ms. Richards:

Foxx & Company performed an audit of the State of Texas' management of the Department of Homeland Security's State Homeland Security Program and Urban Areas Security Initiative grants for Fiscal Years 2006 through 2008. The audit was performed in accordance with our Task Order No. TPD-FIG-BPA-07-0007-0004 dated September 29, 2009. This report presents the results of the audit and includes recommendations to help improve the State'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, we did not perform a financial audit, the purpose of which would be to render an opinion on the State of Texas' 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 if we can be of any further assistance, please call me at (513) 639-8843.

Sincerely,

Foxx & Company

Martin W. O'Neill
Partner

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Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
OIG	Office of Inspector General

OIG

*Department of Homeland Security
Office of Inspector General*

Executive Summary

Foxx & Company completed an audit of the State of Texas' Management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during Fiscal Years 2006 through 2008. The audit objectives were to determine whether the State distributed and spent Homeland Security Grant Program funds strategically, effectively, and in compliance with federal laws, regulations, and guidance. The audit included a review of approximately \$291 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded to the State of Texas.

Generally, the State did an efficient and effective job of administering program requirements in accordance with grant guidance, regulations, and laws. The State's plans linked funding to all-hazard capabilities and to goals that were established based on risk assessments. We identified two best practices that should be considered for sharing with other jurisdictions.

However, some improvements are needed in the State's establishment of measurable goals and objectives, monitoring subgrantee activities, timeliness of expenditures, overseeing special response teams, reviewing and approving State Agency projects, allocating funds by Councils of Government, and complying with inventory requirements.

Our 14 recommendations call for the Federal Emergency Management Agency to require the State of Texas to initiate improvements which, if implemented, should help strengthen program management, performance, and oversight. Federal Emergency Management Agency officials and Texas State officials concurred with all of the recommendations. These officials' written comments are included in the report as Appendix B and Appendix C, respectively.

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, and which subsequently became part of FEMA.

Although the grant program was transferred to DHS, applicable Department of Justice grant regulations and legacy systems still were 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 April 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 state 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 administration 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 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 explosive terrorism, epidemic disease outbreaks, natural disasters, and large-scale hazardous material incidents.

State Administrative Agency

The governors of each state appoint a State Administrative Agency to administer the Homeland Security Grant Program. The State Administrative Agency is responsible for managing the grant programs in accordance with established federal guidelines. The State Administrative Agency is also responsible for allocating funds to local, regional, and other state government agencies.

In January 2004, the Texas Seventy-eighth Legislature created the Governor's Office of Homeland Security. This office coordinates the Homeland Security Council and prepares the Texas Homeland

Security Strategic Plan. The Homeland Security Council has responsibility for statewide planning, coordination, and communication for homeland security preparedness. It is the decision making body for the Texas Strategic Plan.

The Governor's Office, through the State Director of Homeland Security, directs policy for the Homeland Security Grant Program in Texas. The Department of Public Safety is the State Administrative Agency appointed by the governor in 2005 to manage and monitor Homeland Security Grant Program funds for state and local entities.

The Texas Division of Emergency Management, which is under the Texas Department of Public Safety, makes recommendations regarding the distribution of federal homeland security funds, administers applications for local and state entities applying for federal homeland security-related grant funds, audits and tracks homeland security funds, and coordinates implementation of the State's Homeland Security Strategic Plan. The State Administrative Agency administers the Homeland Security Grant Program for the Texas Division of Emergency Management. The Texas Department of Public Safety's organizational structure is included as Appendix D.

The State of Texas has 254 counties, 1,205 cities, and 3 Native American tribes. When the first homeland security grant program began, the Governor's Office considered it infeasible for the State Administrative Agency to be knowledgeable of the needs of more than 1,400 jurisdictions, and to manage homeland security grants for such a large number of jurisdictions. The Governor's Office mandated that homeland security needs be evaluated and grants awarded on a regional basis using the existing structure of 24 state Councils of Government planning regions, which were already charged with carrying out a wide variety of regional programs. The Councils of Government are governed by representatives of cities and counties in each region.

Proposed homeland security projects developed by cities, counties, and other eligible entities, and proposed regional projects, were submitted to Councils of Government planning regions for review, evaluation, and ranking. Each region had a committee primarily comprised of emergency responders and local officials to accomplish these tasks. Project proposals approved at the regional level were provided to the State Administrative Agency, where the projects were aggregated by emergency function. That

information was used to develop individual initiatives and related investment justifications to be funded by homeland security grants.

Texas State agency subgrantees were to follow a different process, which called for submitting project proposals to the State homeland security staff for review. Proposed projects could be approved for full or partial funding by the Director and/or Assistant Director of Homeland Security. State agencies were required to meet all Federal grant requirements.

The State of Texas also had five Urban Areas Security Initiative areas: Austin, Arlington-Dallas-Fort Worth, El Paso, Houston, and San Antonio. Each Urban Areas Security Initiative jurisdiction had groups for planning, strategy development, identifying needs, and preparing investment justifications.

Grant Funding

FEMA awarded the State of Texas approximately \$354 million in Homeland Security Grant Program funds during FYs 2006 through 2008. As part of this program, the State received \$291 million in State Homeland Security Program and Urban Areas Security Initiative grants. During that timeframe, the State Administrative Agency awarded funds to the following subgrantees which included counties, cities, State agencies, urban areas, and a Native American tribe:

- 2006: 233 subgrantees comprised of 24 Councils of Government, 103 counties, 100 cities, 1 State agency, 1 Native American tribe, 1 airport, and 3 urban areas;
- 2007: 182 subgrantees comprised of 24 Councils of Government, 80 counties, 66 cities, 6 State agencies, 1 Native American tribe, 1 organization, and 4 urban areas; and
- 2008: 233 subgrantees comprised of 24 Councils of Government, 94 counties, 99 cities, 9 State agencies, 1 Native American tribe, 1 airport, and 5 urban areas.

Table 1 displays a breakdown of the State Homeland Security Program and Urban Areas Security Initiative grant funds by year. Some urban areas did not receive grant funds during each of the fiscal years.

Table 1

Homeland Security Grant Program Awards FYs 2006 through 2008				
Funded Activity	FY 2006	FY 2007	FY 2008	Total
State Homeland Security Program	\$26,140,000	\$34,400,000	\$65,440,000	\$125,980,000
Urban Areas Security Initiative	\$34,960,000	\$58,540,000	\$71,857,000	\$165,357,000
Law Enforcement Terrorism Prevention Program	\$24,740,000	\$24,560,000	Not Applicable	\$49,300,000
Citizen Corps Program	\$1,020,000	\$773,000	\$798,000	\$2,591,000
Metropolitan Medical Response System Program	\$3,020,000	\$3,356,000	\$4,176,000	\$10,552,000
Total	\$89,880,000	\$121,629,000	\$142,271,000	\$353,780,000

Foxx & Company completed an audit of the State of Texas' management of DHS' State Homeland Security Program and Urban Areas Security Initiative grants awarded during FYs 2006 through 2008. The objectives of the audit were to determine whether the State distributed and spent Homeland Security Grant Program funds strategically, effectively, and in compliance with federal laws, regulations, and guidance. Nine researchable questions provided by the DHS Office of Inspector General (OIG) established the framework for the audit. The researchable questions were related to the State Administrative Agency's planning, management, and evaluations of grant activities. Appendix A 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 Require Some Improvements

Generally, the State did an efficient and effective job of administering program requirements in accordance with laws, grant guidance and regulations. The State's plans linked funding to all-hazard capabilities and to goals that were established based on risk assessments. We identified two best practices that should be considered for sharing with other states.

However, improvements were needed to enhance Texas' management of the grants including:

- Setting goals and objectives and measuring improvements,
- Monitoring of subgrantee activities,
- Timeliness of grant fund expenditures,
- Statewide strategy for special response teams,
- Review and approval process for State Agency projects,
- Allocation of grant funds by Councils of Government, and
- Compliance with federal inventory requirements.

We have provided 14 recommendations, which if implemented, should enhance the effectiveness of the State's grants management and overall use of grant funds to improve preparedness and response capabilities.

Setting Goals and Objectives and Measuring Improvements

The State's strategic plan did not contain adequately defined goals and objectives to use in measuring performance. As a result, the State did not have an adequate basis for measuring improvements in the State's preparedness and response capabilities.

Code of Federal Regulations Title 44 § 13.40, *Monitoring and reporting program performance*, requires that grantees monitor grant and subgrant supported activities to assure that program goals are being achieved. Department of Homeland Security *State and Urban Area Homeland Security Strategy Guidance on Aligning Strategies with the National Preparedness Goal*, dated July 22, 2005, states that an objective sets a tangible and measurable target level of performance over time against which actual achievement can be compared, including a goal expressed as a quantitative standard, value or rate. Therefore, an objective should be:

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- Specific, detailed, particular, and focused — helping to identify what is to be achieved and accomplished;
 - Measurable — quantifiable, providing a standard for comparison, and identifying a specific achievable result;
 - Achievable — the objective is not beyond a State, region, jurisdiction, or locality’s ability;
 - Results-oriented — identifies a specific outcome; and
 - Time-limited — a target date exists to identify when the objective will be achieved.

The goals and objectives in the State’s Strategic Plan were not consistent with federal requirements. The State’s goals and objectives were broad-based and did not provide for tracking and impartially measuring the impact of funds expended for equipment, training, and exercises. For example, one of the State’s objectives was to reduce vulnerability to man-made and natural threats to the agriculture industry. Examples of two priority actions that are not measurable for this objective were: (1) amplify statewide pest, pesticide, agricultural disease, and food contamination monitoring capabilities, and (2) ensure sufficient laboratories and specialized facilities are available to analyze pest and disease samples.

State officials said that measurable goals and objectives as part of the State’s strategic planning process are difficult to develop. Without adequate measurable goals and objectives, the State did not have a sufficient basis to evaluate the effect of grant expenditures on its preparedness and response capabilities. Also, the State was unable to adequately determine progress toward goals and objectives in future funding and management decisions.

Because the State did not have a performance measurement mechanism to identify improved capabilities, it periodically performed surveys requesting jurisdictions to rate their progress toward achieving Department of Homeland Security’s target capabilities. However, the survey information received is technically flawed because these surveys were based on the subjective judgment of local jurisdiction officials. To further exacerbate the quality of the survey information, jurisdiction officials said that they did not want to report “no progress” on a capability because it would appear they were doing nothing, or that the capability was “fully achieved.” The officials were concerned that they would not receive additional funding for “fully achieved” capabilities.

Recommendations:

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to:

Recommendation #1: Develop strategic goals and objectives applicable to jurisdictions and first responder capabilities that are specific, measurable, achievable, results-oriented, and time limited.

Recommendation #2: Incorporate the goals and objectives into a statewide system for measuring first responder, local jurisdiction, Councils of Government, Urban Area, and State agency progress toward achieving the goals and objectives.

Recommendation #3: Include the progress achieved during the decision making process for preparing applications and determining allocations of future grant funds.

Management Comments and Auditors' Analysis

FEMA concurred with recommendation #1. FEMA said that the State's revised Homeland Security Strategy, approved in January 2010, has goals and objectives that are specific, measurable, achievable, results-oriented, and time limited. Based on the revised strategy, FEMA concluded that the recommendation had been sufficiently addressed.

With respect to recommendation #2, FEMA said that while it may not legally "require" the grantee to use (or create) a "statewide system," it encourages grantees to measure the progress of their capabilities as part of the State Homeland Security Grant Program and the Urban Areas Security Initiatives awards.

FEMA concurred with the third recommendation. FEMA said it recognizes that the State is making an effort to achieve this recommendation already, and is satisfied with the State's progress as demonstrated through the 2009 and 2010 fiscal year grant processes.

The State concurred with the findings and recommendations. The State said it is waiting for FEMA's response to Congressman Cuellar's HR 398 -- the Redundancy Elimination & Enhanced Performance for Preparedness Act, recently signed into law by the President, and it looks forward to incorporating the resulting

proposed measures within a reasonable timeframe into its future homeland security planning and grants management processes.

The State said that in the meantime, Texas will rely on:

- The outcome goals inherent in the 37 capabilities of the Target Capabilities List,
- The Texas risk-based assessment framework currently being developed, and
- The homeland security goals, objectives, priority actions, milestones, and measures already established in the Texas Homeland Security Strategic Plan for 2010-2015, the Texas Department of Public Safety Strategic Plan for 2010-2015, and investment justifications of the Councils of Government, Urban Areas Security Initiatives, and State agencies.

The State said that the items cited above, along with the results reflected in reports of the State's on-site monitors and various after-action reviews, will assist with future grant funding decisions.

The FEMA and State responses include positive steps for implementing the recommendations. Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to outline specific corrective actions with supporting documentation for implementation of the recommendations, and a plan to ensure that the State's implementation of its proposed corrective actions proceed as intended.

Monitoring Subgrantee Activities

The State did not monitor the subgrantees' performance to ensure that the subgrantees were adequately performing their responsibilities toward enhancing terrorism prevention, response, recovery, and mitigation capabilities. The State's monitoring of subgrantees did not focus on program performance, but instead, focused primarily on financial and fiscal compliance-type issues. The State generally had reasonable assurance that fiscal and compliance requirements were met. However, the monitoring did not evaluate whether the State's capability to prevent, respond to, recover from, and mitigate the effects of terrorist attacks and other catastrophic events was being enhanced. The monitoring did not provide specific assurance that subgrantees (i.e., State agencies, regional Councils of Government, Urban Areas Security Initiative recipients, and local jurisdictions) were adequately performing their responsibilities toward enhancing terrorism prevention, response, recovery, and mitigation capabilities.

Code of Federal Regulations Title 44 § 13.40, *Monitoring and reporting program performance*, establishes requirements for monitoring grant program performance. The regulations require grantees to (1) provide day-to-day management of all grant and subgrant supported activities and (2) assure that subgrantees comply with applicable federal requirements and achieve program performance goals. The regulations also specify that the grantees' monitoring programs must cover each program, function, or activity, and require subgrantees to adhere to the same performance monitoring and reporting standards as required of grantees.

Office of Management and Budget Circular A-133, Compliance Supplement, Part 3-M states that grantees are responsible for monitoring subgrantee use of federal awards through reporting, site visits, regular contact, or other means. Grantee monitoring should provide reasonable assurance that the subgrantee administers federal awards in compliance with laws and regulations, as well as the provisions of contracts or grant agreements. Monitoring should also identify whether performance goals are achieved.

Current Monitoring Activities

The State's monitoring activity was not designed to monitor subgrantee performance of their responsibilities toward enhancing terrorism prevention, response, recovery, and mitigation capabilities. The State's major subgrantee monitoring activities included (1) tracking grant-funded projects and activities via a comprehensive automated system called the "State Preparedness Assessment and Reporting Service" and (2) making site visits to selected subgrantees. Neither of these activities was designed to monitor subgrantee program performance.

Under the State's automated assessment and reporting system, subgrantees must enter and update information on each funded project from its beginning through its completion or termination. The project data tracked with this system consisted of basic financial data only, i.e., the amount of grant funds allocated to the project, the amount expended to date, and the balance remaining unspent.

The State's on-site monitoring program lacks effective subgrantee performance monitoring because the State has not dedicated the necessary resources to monitor the subgrantees' performance. The State Compliance and Audit Section (within the State Administrative Agency) is responsible for monitoring visits to regional Councils of Government, Urban Areas Security Initiative

areas, and local subgrantees (counties, cities, villages, and others). The Compliance and Audit Section had a staff of five monitors. During the 4-year period from 2006–2009, the staff visited 245 sites or an average of 61 subgrantees a year. The guidelines for these visits focused on numerous compliance and fiscal issues and put little or no emphasis on program performance issues.

Each subgrantee was responsible for taking certain actions to plan or implement grant-funded projects that are designed to enhance prevention of, response to, recovery from, or mitigating the results of, terrorist attacks or other catastrophic events. The performance responsibilities of the Councils of Government, Urban Areas Security Initiatives, and local subgrantee were included in annual implementation plans, investment justifications, project descriptions, or award agreements. For example, the 24 regional Councils of Government were allocated a total of about \$23 million from the FY 2006 through FY 2008 State Homeland Security Program for planning and related services. The 24 Councils were also allocated another \$21 million for specific capability enhancement projects. The planning funds were to pay for various tasks described in the State's standard statements of work expected of each regional Council of Government. The tasks included 7 regional planning tasks, 10 local planning assistance tasks, 9 grant support planning tasks, 3 exercise planning tasks, and 4 reporting tasks.

The State required each Council of Government to prepare annual implementation plans detailing what each Council was to do and milestones for completion of the work. Although performance requirements were specifically defined by the State, it did not require the Councils to document or regularly report on whether and how these requirements were performed. As indicated above, neither the automated project tracking system nor the on-site subgrantee monitoring program were designed to cover subgrantees' performance of expected program or project activities.

Similar situations existed for the Urban Areas and the other subgrantees. As a result, the State did not have an adequate basis for knowing whether or how well subgrantees were performing assigned tasks related to enhancing prevention, response, recovery, and mitigation capabilities.

Identified Performance Issues

During our visits we observed several conditions that could have been identified through routine performance tracking or on-site monitoring of subgrantee performance. If these types of issues were identified during monitoring visits, the State would have been in a better position to evaluate the problems and to determine the appropriate actions to address the issues.

- The State had invested more than \$10 million in the development of seven fusion centers. However, the State had not developed systematic state-wide guidance on assessing the performance of the centers. Fusion center and local officials said that little guidance had been provided by the State on the expectations for the Centers. The officials said that they were left on their own and were still developing performance goals for assessing Centers effectiveness.
- Councils of Government differed in how they related to subgrantees. For example, one Council was closely engaged with the activities of subgrantees and special response teams, while another Council was not familiar with such critical matters as what special response teams were located in the region. Also, the latter Council's implementation plans called for designing and applying a process for reviewing the eligibility of potential subgrantees in the region. When asked whether these tasks had been done, a Council official told us that both had been done, but neither had been documented.
- A first responder trailer purchased by a regional Council of Government in 2006 for \$250,000 was of questionable use within the Council's region because of the trailer's unusually large size and design. At the time of our visit, we were informed that the trailer had been parked since its purchase, with very little use. When we notified the State Administrative Agency of this situation, the Agency immediately investigated the matter and began efforts to find use for the trailer at another location.
- A special response team had to use bolt cutters to cut pad-locks to open the doors on two first responder trailers because keys to the locks were not available. Upon opening the trailer doors, we discovered that two relatively new mobile generators had flat tires and would have been difficult to move in the event of an emergency.

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- In another city, a consultant’s report in March 2009 said that the city’s Special Weapons and Tactics team’s body armor had been expired since 2003. Efforts to fund replacement body armor were still under way at the time of our visit.
 - During our visits to subgrantees, we identified some grant-funded projects that had developed into potential “best practices” that could be beneficial if adopted by other jurisdictions. (See the best practices section of this report.) The State’s tracking and site-monitoring efforts did not identify best practices that could be communicated statewide for optimum application.

In 2005, the Texas State Auditor also reported that the State had not adequately held regional and local jurisdictions accountable for grant funds and for reporting their performance. The report recommended, among other things, that the State develop subgrantee agreements that hold regional and local jurisdictions accountable by clearly defining expectations and developing and including detailed performance measures in the agreements. In the response to the audit report, the State Administrative Agency (then the Texas Engineering Extension Service) agreed with the recommendation and said that it would develop and include detailed performance measures in all subgrantee agreements for the 2004 grant years and beyond. At the time of our review, the State still had not developed or applied performance measures that would hold regional and local subgrantees accountable for their performance.

The State Administrative Agency Director told us that the Agency will be looking for ways to improve its monitoring of subgrantees by including program performance issues in its routine monitoring efforts and its on-site monitoring program. The Director said that high staff turnover and absence of expertise had impeded the Agency’s efforts to improve subgrantee monitoring, which has contributed to the above issues.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to:

Recommendation #4: Develop and implement a process for expanding the scope of monitoring to include:

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- a. assessments of key program performance and progress issues, and
 - b. the identification of potential best practices that may warrant communications to other subgrantees.

Management Comments and Auditors' Analysis

The draft report commented on by FEMA contained two recommendations for our findings on monitoring of subgrantees. While expressing concurrence with the two recommendations (formerly recommendations #4 and #5 in the draft report), FEMA suggested that they be combined into one recommendation to avoid duplication and redundancy. We agreed with FEMA's suggestion and revised the recommendations accordingly before finalizing this report. The revised recommendation is essentially the same as the two in the draft report.

Additionally, FEMA said that its FY 2010 monitoring visit showed that Texas had established a process to identify and document best practices discovered through monitoring their subrecipients. FEMA also said that it is satisfied with the state's progress in this regard and is confident that the State will be able to provide greater focus and resources in its monitoring protocols, and assess progress and performance achieved under currently open grants.

The State concurred with the finding and recommendation. Officials explained that while performance checks of Urban Areas Security Initiative grants are conducted every two years by DHS and Texas State monitors, Texas is taking additional steps to enhance the performance improvement process by assigning:

- A senior homeland security planner to each of the six Department of Public Safety regions (which include 24 Councils of Government and 5 Urban Areas Security Initiatives),
- Two homeland security planners for the 34 State agencies, and
- A State Lead for each of the 37 items on the Target Capabilities List, aligning those items and leads with already existing homeland security-related councils and committees.

The State expects that the actions above will provide the leadership, oversight, and assistance required to periodically assess and improve performance state-wide. In addition, the State said

that the State Administrative Agency has been realigned under the Office of Homeland Security and will form the basis for a reorganized and expanded homeland security directorate to assist in enhancing the homeland security posture of the State while serving as a model for the nation in collaborative grants management and faithful stewardship of taxpayer resources.

The State said it will establish performance standards and include the standards in subgrantee agreements for subsequent monitoring. State monitors will then expand the scope of on-site monitoring to include programmatic issues. The State also said that its monitors began sharing best practices among jurisdictions in July of 2010. The State said that the Urban Areas Security Initiatives programs already identify and share best practices through the quarterly meetings hosted by the State Administrative Agency and through the Texas Urban Areas Security Initiatives Peer-to-Peer Planning Network.

The FEMA and State comments are responsive to our recommendations. If properly implemented, the actions identified in the responses should address the conditions identified during the audit. Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to provide corrective actions for the recommendations and a plan to ensure the State's implementation of its proposed corrective actions proceeds as intended.

Timely Expenditure of Grant Funds

The State obligated grant funds to subgrantees in accordance with federal requirements but subgrantees did not always initiate projects in a timely manner. As a result, funds were not expended within the original 3-year performance period of the grants. Consequently, first responders were less likely to be timely equipped, trained, and prepared as possible. Additionally, other priority homeland security initiatives were not completed as timely as possible.

FEMA Information Bulletin No. 257 dated July 17, 2007, addressed the condition that there were many requests by grantees for extending the grant performance periods for FY 2002, 2003, and 2004 grants. The bulletin recognized that there were problems in making timely procurements but that it was important to ensure that funds were obligated and expended in a timely manner, within established periods for performance. In addition, FEMA's Program Guidance for the FY 2008 Homeland Security Grant Program stated that FEMA strongly encouraged

the timely obligation of funds from local units of government to other subgrantees.

The State's grant expenditure report showed that 60% of the FY 2007 grant funds awarded to subgrantees had not been drawn down as of September 30, 2009. The following table shows the undrawn amount of Homeland Security Grant Program funds for each of the 3 grant years included in our audit, based on data in the State's expenditure reports.

Table 2

Texas Homeland Security Grant Program Awards and Draw Downs As of September 30, 2009 (\$ millions)					
Grant Year	Date of Award to the State	Total Awarded	Total Draw Downs	Undrawn Balance	Percentage Undrawn
2006	06/30/06	\$ 89.9	\$ 80.1	\$ 9.8	11%
2007	08/13/07	\$ 121.6	\$ 48.8	\$ 72.9	60%
2008	09/05/08	\$ 142.3	\$ 17.2	\$ 125.1	88%

The State had previously advised all potential subgrantees in 2007 grant guidance that the State needed the help of subgrantees' staff to ensure that the tasks needed to carry out grant requirements (deciding what to buy, ordering, receiving, and submitting invoices for payment) were executed expeditiously. The 2007 grant guidance included a timeline that showed (1) when all grant funds were to be allocated towards projects, (2) deadlines for cities, counties, and regions to order equipment or otherwise commit funds to training and exercises, and (3) established a deadline for grantees to submit invoices to the State for reimbursement. The guidance stated that subgrantees needed to make every effort to accomplish tasks before deadlines approached since the State did not plan to issue any grant extensions.

State officials said that the large percentage of 2007 funds that remained unexpended as of September 30, 2009, indicated that some jurisdictions were still not sufficiently aggressive in starting and finishing projects, which could lead to requests for extensions in the grant performance period. The State noted in the 2007 grant guidance that it had to extend the period of performance for FY 2005 homeland security grants until October 31, 2007 for these reasons. In the 2007 grant guidance, the State also advised subgrantees that the lead time for the procurement of build-to-order-equipment, such as hazardous response vehicles, specialized fire equipment, and customized electronics, was long.

During our fieldwork, State Administrative Agency staff provided documentation to show they were receiving reports from the regional planning commissions and Councils of Government on the status of subgrantee projects which could be used to monitor subgrantee project progress. The State Administrative Agency Director said that she was considering establishing specific timeframes for grant recipients to initiate and complete certain projects. If projects were not initiated timely, the funds may be reallocated to other projects. However, this possible action had not been formalized into official procedures.

Delays in expenditures of grant funds can impede State and subgrantees' opportunities to enhance preparedness and response capabilities. Such delays also lead to extensions in the grant performance time period and delays in officially closing the grant. Accounting and reporting requirements continue as long as the grant remains open, which burdens both staff and tracking systems.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to:

Recommendation #5: Develop and implement procedures, with appropriate controls (such as deadlines), to ensure that subgrantee funds are drawn down in a timely manner.

Management Comments and Auditors' Analysis

FEMA concurred with the recommendation (formerly recommendation #6 in the draft report). FEMA said that Texas has met all applicable grant program requirements concerning draw-downs, and there were no outstanding compliance issues. FEMA believed it was in the State's best interest to identify and implement strategies that ensure its subrecipients' funds are drawn down on a regular basis to facilitate accurate reporting and 100% of grant draw-down upon the grant's expiration.

The State also concurred with the finding and recommendation. The State said that, to maximize the productivity of grant funds, Texas will revise the timeline for grant expenditures, narrowing the window for subgrantee expenditures to give the State an opportunity to identify and reallocate unspent funds. The reallocations would be, in accordance with the State homeland security strategic plan, to other high-priority gaps and unmet needs

throughout the State. The State said these changes will soon be incorporated into a State-wide guide.

The comments by FEMA and the State are responsive to the recommendation. If properly implemented, the actions identified in the State's response should address the conditions identified during the audit. Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to outline the corrective actions for the recommendation and a plan to ensure the State's corrective actions proceed as intended.

Statewide Strategy for Special Response Teams

The State had not established a statewide strategy concerning the optimum numbers, types, and locations of special response teams needed in the State. Also, the State had not established requirements or provided guidance and direction to existing or potential special response teams concerning standardization of equipment, training, exercises, and capability revalidation needs. As a result, the special response teams did not benefit from an overall statewide strategy to ensure that the teams were properly equipped, trained, exercised, validated, and interoperable.

The State of Texas relies on special response teams in cities and counties throughout the State to be ready to respond to terrorist attacks and other catastrophic events. Teams were established to specialize in hazardous materials, search and rescue, special weapons and tactics, improvised explosive devices (bombs), and other emergencies. Within these categories, individual teams can vary, depending on their equipment, training, and capabilities. For example, Hazardous Materials Entry Teams are Type I, II, or III, depending on whether the Teams are staffed, equipped, and trained to meet or exceed minimum capabilities defined by FEMA for each type.

An overall assessment of the State's special response teams' capabilities would require establishing a policy defining the States' goals and objectives as to the desired special response team types, numbers, locations, and capabilities, and analyzing the locations and established capabilities of existing special response teams across the State. While not required by FEMA, the State's strategic plan did not include a strategy concerning the optimum numbers, types, and locations of special response teams needed in the State. Also, the State's Preparedness Reports did not provide an overall assessment of the State's special response team preparedness and response capabilities.

The continued readiness of a special response team involves vigilance to ensure that the team is properly equipped, fully trained and exercised, and periodically revalidated as being capable of carrying out its role. Standardization of equipment and training among teams aspiring to develop and maintain like capabilities is beneficial because standardization provides interoperability among the teams, promotes economies in procurement, and facilitates oversight and assessment of how team leaders ensure that their teams are properly equipped, trained, exercised, and revalidated.

The State Administrative Agency recognized that the identification and correction of a team's deficiencies during exercises and revalidation reviews were vital to attaining and maintaining capabilities at the desired level. In this regard, the State Administrative Agency told us that reviews were performed of special response teams that verified training of first responders. However, the State had not provided guidance and direction on how special response team leaders were to ensure, on a current basis, that teams were ready to respond with the appropriate equipment, training, exercise experience, and revalidation credentials vital to effective response.

We visited several special response teams in Texas, which included hazardous materials teams, urban area rescue teams, strategic weapons and tactics teams, crisis management teams, and bomb squads. We had discussions with each team on how the team ensured that they were adequately equipped, trained, exercised, and revalidated. All of the teams seemed highly motivated and dedicated toward that objective. The following observations indicate areas that need improvement:

- Except for bomb squads, the teams we visited did not have standardized listings of the minimum items of equipment and training needed to perform their respective team missions. The decisions on equipment and training were made team-by-team using general guidance from recognized organizations and associations. The State did not provide standards or guidance on the minimum equipment and training needs. As a result, the State did not ensure that special response teams were as interoperable as would be the case if all of the teams were similarly equipped and trained.
- One Special Weapons and Tactics team leader said that when his department decided to form the team, there was no ready means for finding out what specific items of equipment the team needed. He explained that he and his team members learned about equipment by attending various training sessions.

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- Although the teams maintained data on various events related to training class scheduling and attendance, only one of the teams had assembled such data into an overall matrix or similar document showing whether or not each member had attended each mandatory or highly-recommended training course.
 - Needed improvements identified during exercises, and actions taken to affect the improvements, were also not readily visible in team records.
 - The State had not established a process for independent subject matter experts to periodically assess the readiness of special response teams, or validate teams' capabilities.

According to State and regional officials, the State staff did not have sufficient subject matter expertise and was reluctant to assert control over regional, city, and local officials. In this regard, the State's FY 2008 Investment Justification for Public Safety and Response stated that grant management and administration oversight would be provided by each subgrantee. Each subgrantee had dedicated project and financial management personnel who would oversee the use of grant funds. The State Administrative Agency was to serve in a review and approval capacity only.

Without an overall strategy on the optimum numbers, types, and locations of special response teams needed, the State cannot ensure that efforts to enhance its response capability are given appropriate priority and direction. The absence of statewide standards on special response team equipment, training, exercises, and validation requirements decreases the prospect of teams working smoothly and effectively together in the event of a major terrorist attack requiring massive response. As a result, the special response teams did not benefit from an overall statewide strategy to ensure that the teams were properly equipped, trained, exercised, and validated.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, direct the Texas Director of Public Safety to employ appropriate subject matter experts to:

Recommendation #6: Coordinate regionally in determining the numbers, types, and locations of special response teams needed in the State in comparison to the numbers, types and locations of existing special response teams.

Recommendation #7: Provide guidance and direction to special response teams concerning standardization of equipment, training, exercise, and revalidation needs.

Recommendation #8: Establish a procedure designed to ensure that strategically positioned special response teams are equipped, trained, exercised, and validated.

Management Comments and Auditors' Analysis

FEMA concurred with recommendation #6 (formerly recommendation #7 in the draft report) to coordinate regionally in determining the numbers, types, and locations of special response teams needed in the State in comparison to the numbers, types and locations of existing special response teams. FEMA said that the State will be better positioned to meet its Homeland Security Strategy Goal to maximize response capabilities by expanding the State's regional response and mutual aid network, and by coordinating with its subrecipients in an effort to more accurately determine current resources, needs, and desired end state/outcomes relating to special response teams throughout the State of Texas. FEMA added that the importance of capabilities and needs assessments that address multiple disciplines and agencies is evident throughout FEMA's planning doctrine.

FEMA did not concur with recommendation #7 (formerly recommendation #8 in the draft report) as presented in the draft report, to require the State to provide guidance and direction to special response teams and use independent subject matter experts to assess special response team capabilities and readiness. FEMA believed the development of subrecipient policies and procedures is a State responsibility. FEMA deferred to the State to identify the mechanisms and/or means by which the State will provide guidance and direction to the special response teams in the area of equipment, training, standardization, and exercise validation. The recommendation was changed to delete the use of independent subject matter experts to assess capabilities and readiness.

FEMA concurred with recommendation #8 (formerly recommendation #9 in the draft report), which was revised as FEMA suggested in discussing a draft of this report. FEMA explained that the suggested revision sought to reaffirm the responsibilities of State Administrative Agencies to ensure the grant program expenditures are made in direct support of state or urban area homeland security strategic plans as applicable, and that

operational plans, purchases, training, and exercises align to those strategies.

The State concurred with the findings and recommendations. The State said that an updated Texas Homeland Security Strategic Plan will address this recommendation and designate a State lead to oversee how special response teams are established, positioned, equipped, trained, exercised, and validated.

The State said that, in the meantime, State and federal policies and procedures are already in place to support the standardization of equipment, training, exercises, and revalidation of various special response teams. These include (1) the *FEMA Resource Typing* guidance; (2) the National Fire Protection Association's *472 Standards for Competence of Responders to Hazardous Materials/Weapons of Mass Destruction Incidents, 2008 Edition*, adopted by the Texas Commission on Fire Protection; (3) the *National Tactical Officers Association SWAT Standards*, supplemented by the Texas Tactical Police Officers Association's *SWAT Best Practices* publication; (4) the *National Guidelines for Bomb Technicians*, regularly updated by the Federal Bureau of Investigations; and (5) the *National Strategic Plan for U.S. Bomb Squads*, annually updated by the National Bomb Squad Commanders Advisory Board. In addition, the State said that annual investment justifications generally reference specific changes in guidelines or best practices to justify proposed purchases of equipment, training, or exercises.

The FEMA and State proposed actions are responsive to the recommendations. Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to outline the corrective actions for the recommendations and a plan to ensure the State's corrective actions proceed as intended.

State Agency Project Selection and Tracking

State Agency project proposals were not evaluated with the same scrutiny applied to other Homeland Security projects proposed by local jurisdictions. Additionally, State Agency projects were not tracked in the State's automated grants management tracking system. As a result, the State cannot ensure that the most deserving State Agency projects were selected from among all proposed State Agency projects. Also, State Administrative Agency officials did not receive the benefits of the State's tracking system for State Agency projects. Accordingly, the State's ability

to ensure that the State Agency projects were being managed in accordance with federal requirements was diminished.

FEMA guidance has emphasized the importance of tying project funding decisions to approved state Homeland Security Strategies, which in turn must align with national priorities and target capabilities. Toward this end, Texas has developed and implemented processes and procedures to:

- Ensure that projects proposed by subgrantees are reviewed and ranked by formal committees or working groups;
- Ensure that the projects are, among other things, in line with the State strategy and national priorities; and
- Ensure that the most beneficial projects are selected for funding.

The State also has a highly automated system, the State Preparedness Assessment and Reporting Service, for controlling and tracking the financial progress of grant-funded homeland security projects. The Assessment and Reporting Service is a customized grant management tool that is designed to help grantee staff oversee the financial progress of Homeland Security grants. The system has several automatic checks and balances to ensure compliance with federal requirements. However, the State did not require that State Agency funded projects be tracked in the State's automated system, as required of other subgrantees. The State agencies used their own systems for tracking the projects rather than the State Preparedness Assessment and Reporting Service system.

The State designed a formal process for reviewing and approving subgrantee State Agency proposed projects, but the process was never implemented. The process included providing homeland security guidance to the potential State agency subgrantees, notifying the Texas Division of Emergency Management Council (made up representatives from State Agencies with Homeland Security responsibilities) of the guidance, and requesting potential State agency subgrantees to submit (on-line) investment justifications in alignment with target capabilities and with the Texas Homeland Security Strategic Plan.

Instead of the formal process for selecting State Agency projects, an informal process was used. State Agency officials explained that they would meet with the Director of the Texas Department of Emergency Management to discuss the merits of each project. The State Agency's staff would then submit a project proposal to the Director for review. The Director would then discuss the proposed project and funding with the State's Director of Homeland Security. These officials would make the

final decision as to which State Agency projects were approved and the amount of grant funds awarded for each project. State Agencies whose projects were selected for funding would receive a letter advising them of the amount of funding. The State Agency would then enter into a subrecipient agreement with the Texas Department of Emergency Management.

Texas Department of Emergency Management officials stated that the need for some projects was initially identified as a result of a shortfall identified either during an exercise or actual response to an emergency incident or disaster. At other times, the need for a project was identified by local governments, Councils of Government, and State Agencies during workshops, conferences, training, and exercises. Once the need for the project was determined, discussions among staff were conducted to determine the best means to close the gap. Under this less formal process, there is an increased risk that important projects proposed by State Agencies will not receive proper consideration.

State officials acknowledged that State Agency projects were not tracked in the State Preparedness Assessment and Reporting Service system but were tracked separately. However, State officials said that actions had been initiated to include State Agency projects in the State Preparedness Assessment and Reporting Service system. We believe this is a positive first step and should be promptly completed. Including the State Agency projects would better ensure that the State Agency projects are subject to the same tracking and control as regional and local projects.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of Texas Department of Public Safety to:

Recommendation #9: Ensure that State Agency project proposals are evaluated using the State's established review and approval process.

Recommendation #10: Complete the process to enter current and future State Agency projects into the State Preparedness Assessment and Reporting Service.

Management Comments and Auditors' Analysis

FEMA concurred with both recommendations (formerly recommendations #10 and #11 in the draft report). FEMA

acknowledged the need for consistency in review of all grant-funded, local, regional, and State projects. FEMA stated that it concurs with the intent of the recommendation as a best practice with the understanding that the State is already compliant with its reporting requirements cited within the FEMA grant program guidance packages.

The State also concurred with the finding and recommendations. Prior-year State agency grants are currently being closed out and, due to financial tracking requirements, it is not practical to enter current State projects into State Preparedness and Reporting Service system. All FY 2010 and future State projects will be entered into and tracked using that system. The State has opened a competitive call for State agency projects, which will be reviewed, prioritized and awarded by the Texas Homeland Security Council based on the technical capabilities list, risk assessment framework, and how well they address the goals and objectives of the State Strategic Plan.

The FEMA and State comments are responsive to the recommendations. If properly implemented, the actions identified in the State's response address the conditions identified during the audit. Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to outline the corrective actions and a plan to ensure the State's implementation of its proposed corrective actions proceed as intended.

Councils of Government Allocations

Councils of Government funding allocations to their local jurisdictions were not always made using a risk-based methodology. While not required by FEMA, risk management is a way to direct finite resources to those areas that are most at risk of terrorist attack under conditions of uncertainty. Given limited resources, risk management is a structured means of making informed tradeoffs and choices about how to use available resources, and of monitoring the effect of those choices.

In three Texas regions, the Councils of Government used factors other than risk to allocate funding to their jurisdictions, including dividing available funds equally among jurisdictions. For example:

- For FY 2006 funding and prior years, one Council of Government's First Responder Preparedness Committee used a percentage to allocate funding. The region's major city, with a population of about 700,000, received 60 % of the funding while

the remaining jurisdictions divided the remaining 40 % of the funds equally.

- For FYs 2007 and 2008, the Committee divided all funds evenly throughout the eligible jurisdictions with the exception of the Tribal Nation, which received less funding. The reason given for dividing the funding equally was to allow each jurisdiction (i.e., county) to build capabilities. No reference was made to risk, vulnerability, or consequence in making the equal division, even though populations and infrastructures of the seven jurisdictions varied significantly. The largest county in the region, which included a major city, had an estimated population of 742,000 in 2008, whereas the next largest county had a population of 9,331 and the smallest county had 2,275 residents.

The State Administrative Agency had not developed a risk-based methodology for the Councils to use in assessing risks when ranking potential projects. Instead, Councils were allowed flexibility in the manner in which projects were prioritized and funding allocated. The State Administrative Agency also did not examine the methodology of the Councils to ensure that fund allocations were risk-based.

Without a requirement and process for allocating funds to local jurisdictions based on risk, there was no assurance that the Homeland Security Grant Program fund allocations reflected the appropriate level of risk and provided the respective jurisdictions grant funds consistent with the level of threat to the jurisdiction.

State Administrative Agency officials acknowledged that a risk-based methodology was not always used with respect to allocating funds to local jurisdictions. However, the officials said that starting with FY 2011 funding they intended to require the use of a risk-based methodology for the distribution of all grant funds.

Recommendation:

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of Texas Department of Public Safety to:

Recommendation #11: Ensure that Councils of Government consider the benefits of a risk-based methodology when allocating grant funds to local jurisdictions.

Management Comments and Auditors' Analysis

FEMA stated that it may not legally “require” the recommended action. However, FEMA supported the spirit and intent of the recommendation (formerly recommendation #12 in the draft report). FEMA added that it does not mandate that grantees administer a specific allocation method in their sub-award process. It is therefore up to the State to determine the most effective method of allocation, whether to include risk or otherwise, and to advise its subrecipients accordingly.

The State concurred with the recommendation. The State explained that this methodology is already under development and will be introduced to the subgrantees in December 2010, with initial implementation for grant year 2011. In addition, as part of their quarterly reporting, subgrantees will be required to demonstrate how they use this methodology for allocating homeland security funds to local jurisdictions. This methodology is based upon the State Preparedness Report being tailored to specific needs of urban and rural areas, and is designed to promote equity, transparency, and the use of common tools and assessment approaches. Although the State Preparedness Report relies on self-reporting, monitoring processes are also being developed to ensure accuracy of and compliance with what is being reported. Annual reviews central to the allocation of grants funds, based on the developed methodology, will be conducted in the first quarter of each subsequent calendar year, beginning in calendar year 2012 (allocations of grant funding from Councils of Government to local jurisdictions).

The comments by FEMA and the State are responsive to the recommendation and, if properly implemented, the State's proposed corrective actions should address the conditions identified during the audit. Within 90 days the Assistant Administrator, Grant Programs Directorate, needs to outline the specific corrective actions and provide a plan to ensure the State's implementation of its proposed corrective actions proceed as intended.

Inventory Control Requirements

State subgrantees did not always maintain inventory records in accordance with federal requirements. Eight of the 10 subgrantees we visited were not in compliance with property record requirements. As a result, the State did not have reasonable assurance that the assets procured with

federal funds were adequately safeguarded to prevent loss, damage, or theft of the property.

Statewide, subgrantees are responsible for managing and safe-guarding equipment and property purchased with State Homeland Security Program and Urban Areas Security Initiative grant funds. Code of Federal Regulations Title 44 § 13.32 (d), *Management requirements*, establishes procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, and includes the following minimum requirements:

- Property inventory records must be maintained and must include 12 data elements for each item: unit cost, description, source, acquisition date, identification number, location, title holder, use, condition, percent purchased with federal funds, ultimate disposition date, and sales price.
- A physical inventory of the property must be taken and the results reconciled with the property records at least every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

Code of Federal Regulations Title 44 § 13.20 (b) (3) requires that effective control and accountability be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Also, Code of Federal Regulations Title 2 § 215.34 (f) (4) requires that a control system be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. In the State of Texas, contracts between the grantee and the subgrantees also require subgrantees to maintain control and accountability over assets acquired with federal funds.

Inventory records at 8 of the 10 subgrantees we visited did not contain all of the required information. Individually, the control log for each of the eight noncompliant subgrantees was missing between 1 and 10 of the 12 data fields with an average of 6 missing data fields. Some subgrantee staff responsible for maintaining the inventory control logs told us that they were not fully aware of the property management requirements. However, the property management requirements were included by general reference in the grant agreements between the State and each subgrantee. Also, the State Administrative Agency had posted information on its web site detailing federal property record keeping

requirements. In addition, the State Administrative Agency presented the property record keeping requirements at State Homeland Security Conferences.

Without the required property management records, subgrantees cannot maintain, safeguard, control, or adequately account for assets procured with federal funds. If subgrantees do not have accurate records of existing equipment, they cannot make sound management decisions regarding what additional equipment they need in the future.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to:

Recommendation #12: Enforce the property management requirements for equipment purchased with federal funds in individual subgrantee contracts.

Recommendation #13: Require subgrantees that are not in compliance to provide a plan to the State to become compliant within a specified timeframe.

Recommendation #14: Include verification of compliance with property management requirements during on-site monitoring visits to subgrantee locations.

Management Comments and Auditors' Analysis

FEMA concurred with the recommendations (formerly recommendations #13, #14, and #15 in the draft report). FEMA said that each state is monitored by FEMA to ensure compliance with the specific property management requirements cited within 44 CFR.

The State concurred with the findings and recommendations. The State said that it will reaffirm and enforce the property management requirements for equipment purchased with federal funds in individual subgrantee contracts. The State also said that verification of compliance with property management requirements will be accomplished during on-site monitoring visits to subgrantee locations. The State said further that jurisdictions/agencies found not to be in compliance will be

required to provide a plan to the State to become compliant within 30 days of the finding.

The comments by FEMA and the State are responsive to the recommendation and, if properly implemented, the actions identified in the State's response should address the conditions identified during the audit. Within 90 days, the Assistant Administrator, Grant Programs Directorate, needs to outline the corrective actions and provide a plan to ensure the State's implementation of its proposed corrective actions proceed as intended.

Two Texas Subgrantees Developed Systems That May Be Best Practices

We identified the following two practices in Texas that the Assistant Administrator, Grant Programs Directorate, should consider evaluating for potential use by other jurisdictions and states:

- The City of Houston developed an emergency medical service patient tracking system. The system provides information on patients and tracks the patients from the time they arrive in Houston from an evacuated location (e.g., New Orleans) or from the scene of an incident, to a healthcare facility, through discharge from the facility, and to reunification with family or friends. This system was designed to avoid serious problems that actually had been experienced during major evacuations from hurricanes.
- The Texas State Health and Human Services Department used Homeland Security grant funding for a system called the 2-1-1 Information and Referral and Transportation Assistance Registry (Registry). All persons in Texas who may need assistance evacuating their homes during a disaster are entered in the Registry. The Registry is for people with disabilities, medical conditions, or other problems that would impede their ability to respond to a mandatory evacuation order because they do not drive or have family and friends to help. Across Texas, 2-1-1 Area Information Centers assist callers by explaining the Registry purpose and process. The Centers capture caller registration data in the Registry database. The Registry gives local emergency planners a better idea of the numbers of individuals who may need assistance and the type of assistance they may need during emergencies.

Appendix A

Purpose, Scope, and Methodology

The purpose of the audit was to determine whether the State of Texas 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 the audit was to identify problems and solutions that can help the State of Texas 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 capabilities?
- 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 State Homeland Security Program and Urban Areas Security Initiative grant awards for FYs 2006, 2007, and 2008 as described in the Background section of this report.

The audit methodology included work at FEMA Headquarters, State of Texas offices, each of the urban areas that received grants, and various subgrantee locations. To achieve our audit objective we analyzed data, reviewed documentation, and interviewed the key state and local officials directly involved in the management and administration of the State of Texas' Homeland Security Grant Programs. We conducted site visits and held discussions with appropriate officials from state agencies, Councils of Governments, Urban Areas, counties, and cities in order to determine if program grant funds were expended according to grant requirements and State-established priorities.

In addition to the State Administrative Agency, we contacted the following 26 subgrantee organizations. Except for two State agencies (which provided information via written responses to our questions) we made site visits to each subgrantee organization:

Appendix A

Purpose, Scope, and Methodology

State Agencies:

- Animal Health Commission
- Department of Emergency Management
- Department of Health and Human Services
- Department Information Resources
- Forest Service (written response only)
- National Emergency Response and Rescue Training Center (written response only)

Councils of Government

- Alamo Area
- Capital Area
- North Central Texas
- Coastal Bend
- Houston-Galveston Area
- Rio Grande

Urban Areas Security Initiative Recipients

- Austin
- Dallas-Fort Worth
- El Paso
- Houston
- San Antonio

Counties

- Bexar County
- El Paso County
- Harris County

Cities

- Austin
- Dallas
- El Paso
- Fort Worth
- Houston
- San Antonio

At each location, we interviewed responsible officials, reviewed documentation supporting State 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 also visited special response teams at various locations.

Appendix A

Purpose, Scope, and Methodology

We conducted the audit between February 2010 and June 2010, in accordance with *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.

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. Foxx & Company 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, Foxx & Company was neither required to review, nor express an opinion on, the costs claimed for the grant programs included in the scope of the audit. Had Foxx & Company been required to perform additional procedures, or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to their 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 Texas.

While the audit was performed and the report prepared under contract, the audit results are being reported by the DHS Office of Inspector General to appropriate Federal Emergency Management Agency and State of Texas officials.

Appendix B
FEMA Management Comments to the Draft Report

December 2, 2010

MEMORANDUM FOR: Michael Siviy
Director
Grants Management Division, DHS OIG

FROM: Elizabeth M. Harman
Assistant Administrator



SUBJECT: Response to Draft OIG: The State of Texas' Management of State Homeland Security and Urban Areas Security Initiatives Awarded During Fiscal Years 2006 through 2008

Thank you for the opportunity to comment on the subject draft report entitled, "The State of Texas' Management of State Homeland Security and Urban Areas Security Initiatives Awarded During Fiscal Years 2006 through 2008". The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure the program. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report.

Thank you for the opportunity to respond to the report and to work with the Office of the Inspector General during this engagement.

Attachment

cc: Annette Hampton, RMBA
Mildred Lloyd, GPD Audit Liaison

Appendix B
FEMA Management Comments to the Draft Report

Response to the Draft Report: The State of Texas' Management of State Homeland Security Program and Urban Areas Security Initiatives Grants Awarded During Fiscal Years 2006 through 2008

OIG Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to develop strategic goals and objectives applicable to jurisdictions and first responder capabilities that are specific, measurable, achievable, results-oriented, and time limited.

FEMA Response: FEMA concurs with the recommendation. The Grant Development and Administration Division (GD&A) of the Federal Emergency Management Agency's (FEMA) Grant Program Directorate (GPD) approved the state's Homeland Security Strategy revision in January 2010. It is GD&A's opinion that these revised goals and objectives are specific, measurable, achievable, results-oriented and time limited, and will serve the state well in its homeland security efforts going forward. Based on the resubmitted Homeland Security Strategy, FEMA concludes that this recommendation has sufficiently been addressed.

OIG Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to incorporate the goals and objectives into a statewide system for measuring first responder, local jurisdiction, Councils of Government, Urban Area, and State agency progress toward achieving the goals and objectives.

FEMA Response: FEMA may not legally "require" the recommended action. Although FEMA GPD may not legally require the grantee to use (or create) a "statewide system", we encourage grantees to measure the progress of their capabilities as part of the State Homeland Security Grant Program (SHSP) and the Urban Areas Security Initiative (UASI) awards. Thus, FEMA supports the spirit and intent of the OIG's recommendation as it will enhance the state's ability to measure progress at grantee and sub grantee levels.

OIG Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to include the progress achieved during the decision making process for preparing applications and determining allocations of future grant awards.

FEMA Response: FEMA concurs with the recommendation. As in recommendation #2, FEMA encourages grantees to measure the progress of their capabilities as part of the SHSP and UASI grants and, if this is done, use this as a basis for making determinations on grant allocations to sub grantees. GPD recognizes that the state is making an effort to achieve this recommendation already, and GPD is satisfied with the state's progress as demonstrated through the 2009 and 2010 fiscal year grant processes.

Appendix B

FEMA Management Comments to the Draft Report

OIG Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to develop and implement a process for periodically assessing and improving the performance of grant recipients against the goals, expectations, milestones, and work tasks described in their respective implementation plans, investment justifications, area strategies, and funded project descriptions.

FEMA Response: FEMA concurs with the recommendation however OIG agreed with GD&A at the October 25, 2010 Exit Conference to merge Recommendations 4 and 5 to assess performance and monitor accomplishments, according to sub grantee goals and objectives.

OIG Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to expand the scope of monitoring (including on-site monitoring) to include assessments of key program performance and progress issues and the identification of potential best practices that may warrant communicating to other subgrantees.

FEMA Response: FEMA concurs with the finding and suggests that recommendations 4 and 5 be combined as one to avoid implementation duplication and redundancy. On this specific issue, GD&A and the OIG were in agreement at the October 25, 2010 Exit Conference to merge both of these recommendations. Additionally, and based on the FY2010 Monitoring Visit conducted by GD&A, it acknowledges that Texas has established a process to identify and document best practices discovered through monitoring their sub recipients. GD&A is satisfied with the state's progress in this regard and is confident that by combining both recommendations as one the State will be able to provide greater focus and resources in its monitoring protocols, and assess progress and performance achieved under currently open SHSP and UASI grants.

OIG Recommendation #6: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to develop and implement procedures, with appropriate controls (such as deadlines), to ensure that sub grantees draw down funds in a timely manner.

FEMA Response: FEMA concurs with the recommendation. FEMA GD&A acknowledges that Texas has met all applicable grant program requirements concerning draw downs, and there are currently no outstanding compliance issues. To that end, it is in the state's best interest to identify and implement strategies that ensure its sub recipients are drawing down grant funds on a regular basis to facilitate accurate reporting and 100% grant draw down upon the grant's expiration.

OIG Recommendation #7: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to coordinate with the Councils of Government in determining the numbers, types, and

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locations of special response teams needed in the State in comparison to the numbers, types and locations of existing special response teams.

FEMA Response: FEMA concurs with the recommendation. The state will be better positioned to meet its Homeland Security Strategy's Goal 3 Objective 3.3, Maximize Response Capabilities by Expanding the Statewide Regional Response and Mutual Aid Network, by coordinating with its sub recipients in an effort to more accurately determine current resources, needs, and desired end state/outcomes relating to special response teams throughout the state of Texas. Though not cited as a programmatic requirement within any current grant guidance under SHSP or UASI, the importance of capabilities and needs assessments that address multiple disciplines and agencies can be found throughout FEMA's planning doctrine.

OIG Recommendation #8: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to provide guidance and direction to special response teams concerning standardization of equipment, training, exercise, and revalidation needs. including the possible use of independent subject matter experts to assess special response team capability and readiness.

FEMA Response: FEMA does not concur with the recommendation to require the State to provide guidance and direction for sub recipient special response teams. FEMA proposes removing the recommendation to use independent subject matter experts to assess special response team capabilities and readiness because the development of sub recipient policies and procedures is a State responsibility. Therefore, FEMA defers to the State to identify the mechanisms and/or means by which the State will provide guidance and direction to the special response teams in the areas of equipment, training, standardization, and exercise validation.

OIG Recommendation #9: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to establish a procedure to assess that strategically positioned special response teams are equipped, trained, exercised, and validated.

FEMA Response: FEMA concurs with the intent of the recommendation, however the proposed language to replace "assess" with "establish procedures designed to ensure" is a more practical approach to identify ways to equip, train, exercise and validate response teams. With this revised language, FEMA seeks to reaffirm the responsibilities of State Administrative Agencies to ensure that grant program expenditures are made in direct support of state or urban area homeland security strategic plans (as applicable) and that operational plans, purchases, training, and exercises align to those strategies.

OIG Recommendation #10: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to

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ensure that State Agency project proposals are evaluated using the State's established review and approval process.

FEMA Response: FEMA concurs with the recommendation. GD&A acknowledges the need for consistency in review of all grant funded, local, regional and state projects.

OIG Recommendation #11: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to complete the process to enter current and future State Agency projects into the State Preparedness Assessment and Reporting Service.

FEMA Response: FEMA GD&A concurs with the intent of this recommendation as a best practice, with the understanding that the state is already compliant with its reporting requirements cited within the SHSP and UASI grant program guidance packages.

OIG Recommendation #12: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to ensure that Councils of Government consider the benefits of a risk-based methodology when allocating grant funds to local jurisdictions.

FEMA Response: FEMA may not legally "require" the recommended action. However, FEMA supports the spirit and intent of the OIG's recommendation. FEMA GPD does not mandate that grantees administer a specific allocation method in their subaward process, and it is therefore up to the state to determine the most effective method of allocation, whether to include risk or otherwise, and to advise its sub recipients accordingly.

OIG Recommendation #13: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to enforce the property management requirements for equipment purchased with federal funds in individual sub grantee contracts.

FEMA Response: FEMA concurs with the recommendation. The Code of Federal Regulations Title 44 §13.32 (d), *Management requirements*, states the minimum requirements for managing equipment and replacement equipment purchased with grant funds. Each state is monitored by FEMA to ensure compliance with the property management requirements cited within 44 CFR. Grantees comply with these standards in accordance with the applicable grant terms, conditions and assurances.

OIG Recommendation #14: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to require sub grantees that are not in compliance to provide a plan to the State to become compliant within a specified timeframe.

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FEMA Response: FEMA concurs with the recommendation. The Code of Federal Regulations Title 44 §13.32 (d), *Management requirements*, states the minimum requirements for managing equipment and replacement equipment purchased with grant funds. Each state is monitored by FEMA to ensure compliance with the property management requirements cited within 44 CFR. Grantees must comply with these standards in accordance with the applicable grant terms, conditions and assurances.

OIG Recommendation #15: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Texas Department of Public Safety to include verification of compliance with property management requirements during on-site monitoring visits to sub grantee locations.

FEMA Response: FEMA concurs with the recommendation. The Code of Federal Regulations Title 44 §13.40 *Monitoring and reporting program performance*, requires FEMA grantees to “*monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved*”. This includes the requirements set forth within §13.32 (d), *Management requirements*, which states the minimum requirements for managing equipment and replacement equipment purchased with grant funds.

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TEXAS DEPARTMENT OF PUBLIC SAFETY

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November 22, 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, D.C. 20528

Dear Ms. Richards:

This letter is in answer to your recent report presenting audit results of the State of Texas' management of State Homeland Security Program and Urban Areas Security Initiative grants awarded during Fiscal Years 2006 through 2008.

The State of Texas concurs with the 15 recommendations, which, when implemented, will enhance the effectiveness of the State's grants management and overall use of grant funds. It will improve our ability to prepare, protect, respond and recover from acts of terrorism and/or any all-hazard.

During the course of six months (Feb-Jun 2010), the Foxx & Company audit team displayed high professional competence and were extremely conscientious and diplomatic during each of their visits. We appreciate the opportunity to provide input to your draft findings and hope that we have offered a response (below) that is helpful in finalizing your report.

Recommendation #1: Develop strategic goals and objectives applicable to jurisdictions and first responder capabilities that are specific, measurable, achievable, results-oriented, and time limited.

Recommendation #2: Incorporate the goals and objectives into a statewide system for measuring first responder, local jurisdiction, Councils of Government, Urban Area, and State agency progress toward achieving the goals and objectives.

Recommendation #3: Include the progress achieved during the decision making process for preparing applications and determining allocations of future grant funds.

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Concur. Texas eagerly awaits FEMA's response to Congressman Cuellar's HR 398 -- the Redundancy Elimination & Enhanced Performance for Preparedness Act, recently signed into law by President Obama, and it looks forward to incorporating the resulting proposed measures within a reasonable timeframe into its future homeland security (HLS) planning and grants management processes.

However, in the meantime, Texas will rely on (1) the outcome goals inherent in the 37 capabilities of the Target Capabilities List (TCL), (2) the Texas risk-based assessment framework currently being developed (Items 13 & 14 below), and (3) those homeland security goals, objectives, priority actions, milestones, and measures already established in (a) the Texas Homeland Security Strategic Plan, 2010-2015, (b) the Texas Department of Public Safety (DPS) Strategic Plan, 2010-2015, and (c) investment justifications (IJ) of the COGs, UASIs and State agencies.

These, as well as the results reflected in reports of the Office of Homeland Security (OHLS)/State Administrative Agency (SAA) Monitors and various after-action reviews (AAR), will assist with future grant decisions.

Recommendation #4: Develop and implement a process for periodically assessing and improving the performance of grant recipients against the goals, expectations, milestones, and work tasks described in their respective implementation plans, investment justifications, area strategies, and funded project descriptions.

Concur. While performance checks of UASIs are conducted every year by DHS and Texas OPHLS/SAA Monitors, Texas is taking additional steps in enhancing the performance improvement process by assigning (1) a senior HLS planner to each of the six DPS regions (which include 24 COGs and 5 UASIs) and two for the 34 state agencies, and (2) a state lead for each of the 37 items on the Target Capabilities List (TCL), aligning those items and leads with already existing homeland security-related councils and committees.

This will provide the leadership, oversight and assistance required to periodically assess and improve performance state-wide. In addition, the SAA has been realigned under the Office of Homeland Security (OHLS) and will form the basis for a reorganized and expanded HLS directorate to assist in enhancing the homeland security posture of the State while serving as a model for the nation in collaborative grants management and faithful stewardship of taxpayer resources.

Recommendation #5: Expand the scope of monitoring (including on-site monitoring) to include assessments of key program performance and progress issues and the identification of potential best practices that may warrant communicating to other sub grantees.

Concur. OHLS/SAA will establish performance standards to be monitored and include them to sub-recipient agreements (SRA) (authority to monitor). OHLS/SAA Audit & Compliance will then expand the scope of on-site monitoring to include programmatic issues. OHLS/SAA Audit & Compliance began sharing best practices among jurisdictions in July of 2010. In addition,

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Texas UASIs already identify and share best practices through the quarterly UASI Council meetings, hosted by OHLS/SAA, and the Texas UASI Peer-to-Peer Planning Network.

Recommendation #6: Develop and implement procedures, with appropriate controls (such as deadlines), to ensure that sub grantees draw down funds in a timely manner.

Concur. To maximize the productivity of grant funds, Texas will revise the timeline for grant expenditures, narrowing the window for COG/UASI/State agency expenditures to give the State an opportunity to sweep unspent funds and reallocate them, in accordance with the State homeland security strategic plan, to other, high-priority gaps and unmet needs throughout the State. These changes will be incorporated into a soon-to-be-published policies & procedures guide for state-wide use, as well as continued allowances, as necessary, for certain large projects, such as radio systems upgrades, which may require more time due to the requirements of planning, contract negotiations, and actual build-out of equipment.

Recommendation #7: Coordinate with the Councils of Government in determining the numbers, types, and locations of special response teams needed in the State in comparison to the numbers, types and locations of existing special response teams.

Recommendation #8: Provide guidance and direction to special response teams concerning standardization of equipment, training, exercise, and revalidation needs; including the possible use of independent subject matter experts to assess special response team capability and readiness.

Recommendation #9: Establish a procedure to assess that strategically positioned special response teams are equipped, trained, exercised, and validated.

Concur. In the next update to the Texas Homeland Security Strategic Plan, the OHLS will address this recommendation and designate a State lead to oversee how special response teams are established, positioned, equipped, trained, exercised and validated.

In the meantime, be advised that State and federal policies and procedures are already in place to support the standardization of equipment, training, exercises and revalidation of various special response teams, such as:

- (1) FEMA Resource Typing guidance;
- (2) National Fire Protection Association's (NFPA) 472 Standards for Competence of Responders to Hazardous Materials/Weapons of Mass Destruction Incidents, 2008 Edition, adopted by the Texas Commission on Fire Protection (TCFP)
- (3) National Tactical Officers Association SWAT Standards, supplemented by the Texas Tactical Police Officers Association's SWAT Best Practices publication
- (4) National Guidelines for Bomb Technicians, regularly updated by the FBI
- (5) National Strategic Plan for U.S. Bomb Squads, annually updated by the National Bomb Squad Commanders Advisory Board.

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In addition, annual IJ requests generally reference specific changes in guidelines or best practices to justify proposed purchases of equipment, training or exercises.

Recommendation #10: Ensure that State Agency project proposals are evaluated using the State's established review and approval process.

Recommendation #11: Complete the process to enter current and future State Agency projects into the State Preparedness Assessment and Reporting Service.

Concur. Prior-year State agency grants are currently being closed out and, due to financial tracking requirements, it is not practical to enter current State projects into SPARS. All 2010 and future State projects will be entered into SPARS and tracked using that system. OHLS/SAA has opened a competitive call for State agency projects, which will be reviewed, prioritized and awarded by the Texas Homeland Security Council based on the TCL, risk assessment framework, and how well they address the goals and objectives of the State HLS Strategic Plan.

This methodology is already under development and will be introduced to the COGs, UASIs and State agencies in December 2010, with initial implementation for grants year 2011. In addition, as part of their quarterly reporting, COGs, UASIs and State agencies will be required to demonstrate how they use this methodology for allocating homeland security funds to local jurisdictions. This methodology is based upon the State Preparedness Report (SPR), being tailored to specific needs of urban and rural areas, and is designed to promote equity, transparency, and the use of common tools and assessment approaches.

Although the SPR relies on self-reporting, monitoring processes are also being developed to ensure accuracy of and compliance with what is being reported. Annual reviews centric to the allocation of grants funds, based on the developed methodology, will be conducted in the first quarter of each subsequent calendar year, beginning in calendar year 2012 (allocations of grant funding from COGs to local jurisdictions).

Recommendation #13: Enforce the property management requirements for equipment purchased with federal funds in individual sub grantee contracts.

Recommendation #14: Require sub grantees that are not in compliance to provide a plan to the State to become compliant within a specified timeframe.

Recommendation #15: Include verification of compliance with property management requirements during on-site monitoring visits to sub grantee locations.

Concur. Texas will reaffirm and enforce the property management requirements for equipment purchased with federal funds in individual sub grantee contracts. Verification of compliance with property management requirements will be accomplished during on-site monitoring visits to sub grantee locations. Jurisdictions/agencies found not to be in compliance will be required to provide a plan to the State to become compliant within 30 days of the finding.

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Please let us know if you require more information on any of the issues identified in the report. Again, we welcome your feedback.

Sincerely,



Robert J. Bodisch
Deputy Director, Texas Homeland Security

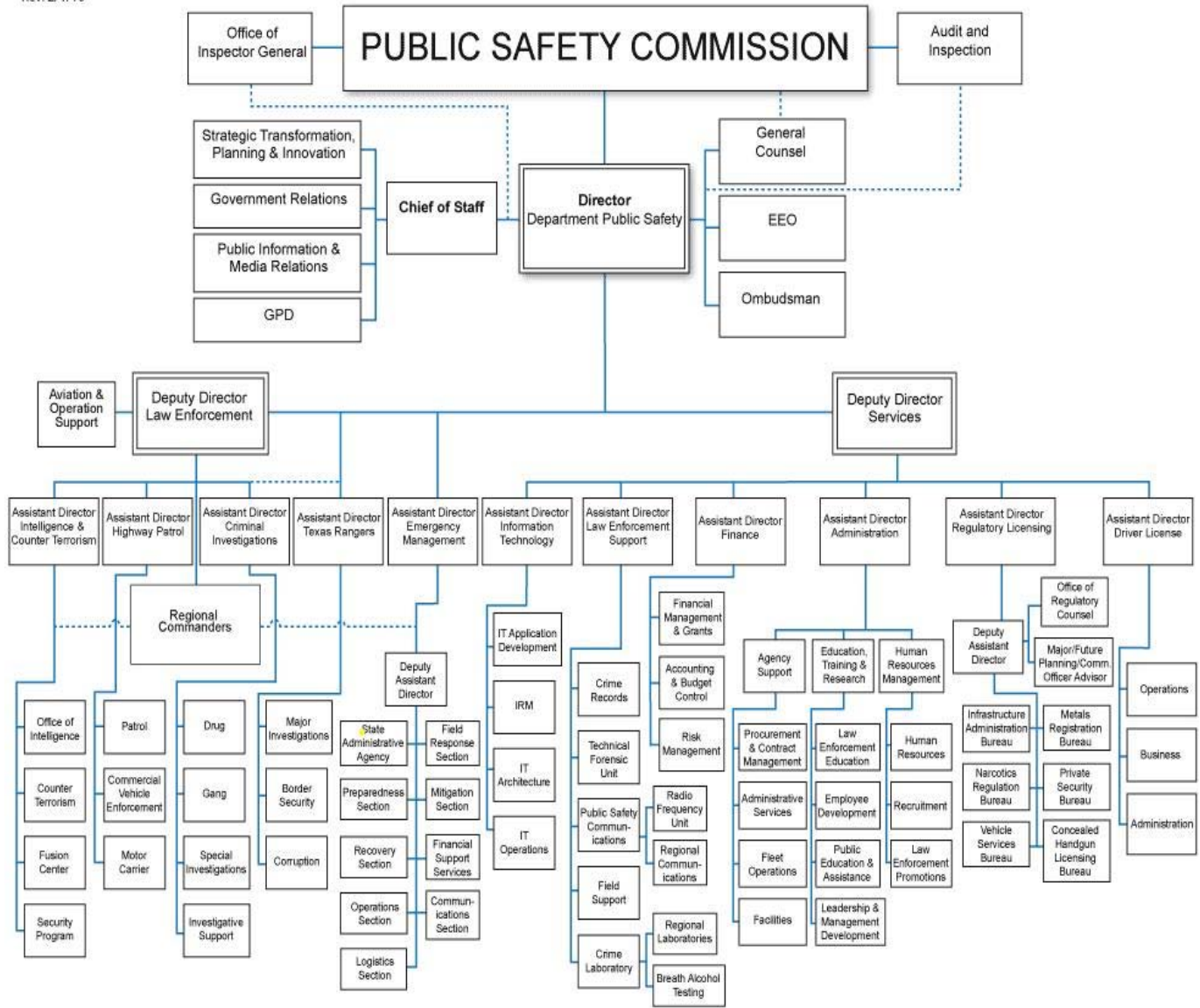
cc: Mr. Marty O'Neill, Foxx & Company

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**Appendix D
Organization Chart**

**Texas Department of Public Safety
Organizational Chart**

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Appendix E
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