

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

The Federal Emergency Management Agency's
Requirements for Reporting Homeland Security Grant
Program Achievements





May 31, 2012

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

Dear Ms. Richards:

Foxx & Company performed an audit of Federal Emergency Management Agency's requirements for states to report progress in enhancing first responder capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The audit was performed in accordance with our Task Order No. HSIQAQ-10-P-0003, dated September 29, 2010. This report presents the results of the audit and includes recommendations to improve the Federal Emergency Management Agency's oversight of states' management of the Homeland Security Grant Program's 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*.

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




OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

June 27, 2012

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *The Federal Emergency Management Agency's
Requirements for Reporting Homeland Security Grant
Program Achievements*

Attached for your action is our final report, *The Federal Emergency Management Agency's Requirements for Reporting Homeland Security Grant Program Achievements*. We incorporated the formal comments from the Office of Policy and Program Analysis in the final report.

The report contains four recommendations aimed at improving the Federal Emergency Management Agency's oversight of states' management of State Homeland Security Program and Urban Areas Security Initiative grants. Your office concurred with three recommendations and partially concurred with one recommendation. As prescribed by the Department of Homeland Security Directive 077-1, Follow-Up and Resolutions for the Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

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

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

Attachment



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Abbreviations

| | |
|------|-------------------------------------|
| DHS | Department of Homeland Security |
| FEMA | Federal Emergency Management Agency |
| FY | fiscal year |
| GAO | Government Accountability Office |
| GPD | Grant Programs Directorate |
| HSGP | Homeland Security Grant Program |
| OIG | Office of Inspector General |
| SHSP | State Homeland Security Program |
| UASI | Urban Areas Security Initiative |



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Executive Summary

During fiscal years 2002 through 2011, the Federal Emergency Management Agency (FEMA) distributed over \$18 billion from the Homeland Security Grant Program. Public Law 110-53, Implementing Recommendations of the 9/11 Commission Act of 2007, requires the Department of Homeland Security, Office of Inspector General, to audit individual states' management of State Homeland Security Program and Urban Areas Security Initiative grants. The Department of Homeland Security Office of Inspector General contracted with Foxx & Company to audit State Homeland Security Program and Urban Areas Security Initiatives grants awarded for fiscal years 2006 through 2008 to Nevada, New York, Tennessee, and Texas. As a result of these audits, the Office of Inspector General contracted with Foxx & Company to evaluate FEMA's requirements for states to report progress in enhancing first responder capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Congress and the Government Accountability Office have expressed concerns over the measurement of progress in achieving needed capabilities with Homeland Security Grant Program funds.

FEMA did not have a system in place to determine the extent that Homeland Security Grant Program funds enhanced the states' capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies before awarding more funds to the states. FEMA did not require states to report progress in achieving milestones as part of the annual application process for Homeland Security Grant Program funds. As a result, when annual grant application investment justifications for individual continuing projects were being reviewed, FEMA did not know if prior year milestones for the projects had been completed. FEMA also did not know the amount of funding required to achieve needed preparedness and response capabilities.

Our four recommendations call for FEMA to initiate improvements which, when implemented, should help strengthen management, performance, and oversight of ongoing individual state projects funded by Homeland Security Grant Program funds. FEMA concurred with three recommendations and partially concurred with one recommendation.



Background

The Department of Homeland Security (DHS), FEMA, awards grants through the Homeland Security Grant Program (HSGP) to help states and local entities enhance capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies. Over \$18 billion was distributed from the HSGP from fiscal years (FY) 2002 through 2011 (see appendix C).

HSGP grants were awarded to individual states based upon the availability of program funds and needs justified in state annual application packages. The states identified their needs through risk and vulnerability assessments, comparing threats to existing capabilities. National priorities, FEMA guidance, and the risk and vulnerability assessments provided the basis for each state's Program and Capability Enhancement Plan.¹ This plan was a key building block in the process states used to develop justifications for projects.² The Enhancement Plan included state-wide capability goals and objectives.

States are faced each year with preparing the application for the next year's grant while managing multiple years of grant funds already received. For the FY 2006 award, the period of performance for all HSGP programs was 24 months from the date of award. The period of performance for the FY 2007 and FY 2008 awards was 36 months. The funds awarded each year must be obligated within the grant program's designated period of performance. Any unobligated funds will be deobligated at the end of the period of performance. In addition, the funds awarded each year must be separately accounted for and not co-mingled with previous or subsequent year awards.

Table 1 depicts the overlapping periods of performance for recent grant years during which FEMA awarded new grant funds to the States.

¹ The Program and Capability Enhancement Plan was included in the FY 2006 and FY 2007 applications for HSGP funds. The Enhancement Plan was replaced by the State Preparedness Report for FY 2008 justifications, and incorporated much of the same content and purpose as the Enhancement Plan.

² In this report, "projects" refers to the activities justified by the states in annual applications for Homeland Security Grant Program funds. Each state typically prepares investment justifications for several projects in its annual application.



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**Table 1: Periods of Performance
Grants FY 2006 through FY 2010**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---------------|---------|---------|---------|---------|---------|---------|
| FY 2006 Award | | | | | | |
| FY 2007 Award | | | | | | |
| FY 2008 Award | | | | | | |
| FY 2009 Award | | | | | | |
| FY 2010 Award | | | | | | |
| Active Awards | 2* | 2 | 2 | 3 | 3 | 3** |

* Includes the second year for the FY 2005 award

** Includes the first year of the FY 2012 award

Annual Awards Process

The process for awarding HSGP funds to individual states begins with FEMA issuing guidance to the states for the preparation of applications for the next year’s HSGP grant funds. Starting in FY 2006, investment justifications for individual projects were established by FEMA as the method for states to annually apply for HSGP funds. The states were required to:

- Assess their preparedness needs by reviewing existing programs and capabilities; and
- Use the assessment findings to develop plans and formal justifications outlining major initiatives (capabilities) for which the states would seek funding.

Capability improvements identified in a state’s application can take multiple grants and years to develop. For example, the achievement of state-wide, interoperable communications systems for first responders requires several years of planning, construction, procurements, training, and exercises. Several grant awards, with overlapping periods of performance, must be efficiently and effectively managed and accounted for in order for the state to deploy a communication system with the desired interoperable capabilities.

Investment Justifications

FEMA uses the investment justifications to review grant applications for completeness, adherence to programmatic guidelines, feasibility, and how well the proposed solutions addressed the needs identified in the state’s Enhancement Plan. FEMA’s guidance recognizes that the prioritized project justifications and the associated milestones are



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important tools for assessing grant performance and complying with national preparedness reporting requirements

FEMA guidance requires the state's annual application to include investment justifications for up to 15 projects. Each project represented a needed enhancement to the state's preparedness and response posture. The total for all projects represented the amount of HSGP funds being requested by the state for the next year's grant award.

FEMA required the states to identify up to 10 milestones per project in the state's annual application. The milestones included for each project must be:

- Critical to the success of the investment;
- Discrete to the investment;
- Major tasks that will need to occur; and
- Completed within the grant's period of performance.

In addition, each milestone must identify:

- Planned Start Date: The earliest action to be taken to start achieving the milestone.
- Completion Date: When all actions related to the milestone will be completed.

Results of Audit

FEMA did not have a system in place to determine if the HSGP funds enhanced the states' capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies before awarding more funds to the states.

FEMA did not require states to report accomplishments or capability enhancements achieved from HSGP funds, or provide progress in achieving milestones in the annual applications for HSGP funds. Furthermore, FEMA did not use other means to determine the states' progress in capability enhancements related to HSGP funds. When investment justifications for individual state projects were being reviewed each year and HSGP funds were being awarded, FEMA did not have information showing the status of prior year project milestones or the extent of additional funding required to complete projects and meet milestones. Tracking accomplishments and milestones are critical elements in making prudent management decisions because of the evolving, dynamic changes that can occur between years or during a grant's period of performance.



Milestone Reporting From One Grant Year to the Next

FEMA did not require the states to report progress in achieving milestones from year to year as part of its annual project justifications. Milestones for a state’s continuing investment projects, included in the next year’s application package, were not comparable to those in the previous year’s application package. The status of the state’s previous year milestones was also not included in the application package. As a result, FEMA could not determine from the annual application process if a capability had been achieved, what progress had been made, or how much additional funding was needed to complete individually justified projects.

Using FY 2006 as a base, we compared the projects in the state application packages for four states for FYs 2006, 2007, and 2008 to determine the number of projects that continued from year to year. Changes in the project names made the comparison difficult. We concluded that most projects compared were ongoing for several years.

- For FY 2007, 40 of the 49 projects were included in the FY 2006 application packages.
- For FY 2008, 36 of 46 projects were included in both the FY 2006 and 2007 application packages.

We also reviewed the FY 2006 through 2008 investment justifications, included in the application packages for the four states, to evaluate the extent to which progress in achieving project milestones was communicated from year to year. All of the projects reviewed were continuing projects. Our review focused on large investment projects continuing from year to year for each state, as shown in table 2.

Table 2: Projects Reviewed

| Project | Nevada | New York | Tennessee | Texas |
|---|--------|----------|-----------|-------|
| Interoperable Communications | X | X | X | X |
| Improvised Explosive Device/ Weapons of Mass Destruction | X | | | |
| Critical Infrastructure Program | | X | | |
| Intelligence/Information Sharing and Dissemination – Establishment of a Fusion Center | | | X | X |



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Our review showed that the number and content of the milestones changed from year to year, were not always comparable, or were not able to be tracked. The four states did not discuss in the annual application justifications previous years' milestone achievements or if the start and end dates were accomplished. We attempted to compare milestones and the states' achievement for more recent years (FYs 2009 and 2010) and found that that the same condition existed, and we were unable to make a useful comparison.

State officials from the four states agreed that tracking and reporting project milestone achievements is important. However, milestones in the annual application investment justifications for individual projects were based on the state-level estimated funding levels when their annual applications were prepared. State officials said that application investment justifications and milestones were different from year to year for ongoing projects because investment justification guidance and national priorities change.

FEMA officials acknowledged that communications between individual states and FEMA do not include the status or achievements of the state's capabilities as identified in investment justification milestones. The officials also agreed that status information at this level was not included in other documents, such as the State Preparedness Reports, which report higher level status information concerning the state preparedness. Discussions with officials who have served on FEMA's Peer Review³ teams agreed that FEMA's peer review process only provided for the teams to review current applications, and that year-to-year comparisons were not made during the peer review.

Concern over the measurement of progress in achieving needed capabilities with Homeland Security Grant Program funds has been expressed by the Congress and the Government Accountability Office (GAO). On October 27, 2009, the House Committee on Homeland Security held a hearing on FEMA efforts to measure the return-on-investment from Homeland Security grants and the eligible uses of preparedness grants.

During this hearing, FEMA's Deputy Administrator for National Preparedness said that intuitively FEMA can answer the question, "How prepared are we?" The FEMA Deputy Administrator said that FEMA can report the amount and type of equipment that has been procured, the physical security improvements that

³ FEMA uses state officials to serve as members of the annual Peer Review Group. The Peer Review Group members review and score application packages received from the states. The results of the Peer Review are used by FEMA officials as part of their deliberations of award amounts to the individual states.



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have been made, and the planning and training improvements that have been achieved. He said, however, that answering intuitively is not enough. He said that neither the Grant Programs Directorate (GPD), or its predecessor offices, had asked the grantees to measure outcomes from the grants. GPD officials concluded in the *Grant Program Accomplishments Report*, dated May 2009, that “To better manage the performance of preparedness grant programs and maximize their capability return on investment, GPD needs to have access to information beyond how much money was spent and what items were purchased.”

On March 17, 2011, before the U.S. Senate Committee on Homeland Security and Governmental Affairs, the GAO Director of Homeland Security and Justice Issues testified that FEMA has made limited progress in assessing national capabilities. The GAO official reiterated an April 2002 GAO report that said the need to define measurable national preparedness capabilities is a well-established and recognized issue. Goals and performance indicators are needed to guide the nation’s preparedness efforts and help to objectively assess the results of Federal investments. The GAO official also noted that in April 2009, GAO recommended that FEMA enhance its program management plan with, among other things, milestones to help it implement its capability assessment efforts.

Programmatic Impact of Fund Reallocations Not Reported During Periods of Performance

FEMA did not require the states to report the programmatic impact of changes in expenditure plans or the use of awarded grant funds during a grant’s period of performance. FEMA’s reporting requirements focused on financial monitoring of program funds. As a result, FEMA did not know the status of the States’ programmatic accomplishments at any given time during a grant’s period of performance.

Each year, the states included individual project justifications and funding plans as part of their application for grant funds. After the funds were awarded, FEMA required the states to report fund reallocations to the justified projects. The fund reallocations were the result of the state receiving less in the award than was included in the state’s application. FEMA also required the states to report the financial status of grant expenditures during the grant’s period of performance. However, FEMA did not require the states to report the programmatic impact of fund reallocations or the status of achieving milestones



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identified as part of the individual project justifications. As a result, FEMA was not aware of the status of the state's achievement of capability enhancements.

The states prepared their investment justifications and annual application packages for FYs 2006 through 2008 without knowing what funding FEMA would award them. In consideration of national goals and the states' needed capabilities, the states identified investment projects and prepared justifications as if there would be no funding constraints. In FYs 2006 through 2008, the states were awarded considerably less than was requested in their application packages. As a result, the states had to revise their expenditure plans for the projects after their original application had been submitted to FEMA. Appendix D compares the amounts requested with the amount received for FYs 2006 through 2008 for the four states sampled in our audit. Although FEMA required the states to report the revised financial allocation of each year's awarded funds, it did not require the states to report the programmatic impact of the reallocation.

The uncertainty of funding levels improved in FY 2009 when FEMA publicized at application time that a state could anticipate receiving within 10 percent of the amount that was received in FY 2008. In FY 2010, FEMA provided the states with the amount that would be awarded before the application process began. However, FEMA could not guarantee that the States would receive the exact level of funding as proposed.

Although these changes may have helped to mitigate the uncertainty of funding expectations, it did not eliminate the need for changes to expenditure plans. Other unpredictable factors can affect the States' capability needs and priorities, such as new leadership (e.g., a new governor), unexpected disasters, or terrorist threats. The uncontrollable events cannot be predicted when the state is preparing its application package for the next year's grant funds.

Each year the states adjusted their planned use of the funds based on the amount of funds received and priorities at that point in time. The revised expenditure plans were reported, as required by FEMA, in an Initial Strategy Implementation Plan. The Initial Strategy Implementation Plan included financial information. However, FEMA did not require, and the format of the Initial Strategy Implementation Plan did not allow, states to report the programmatic impact of the funding changes.

State officials we interviewed said, and FEMA confirmed, that once the state's original investment justifications were inserted into FEMA's electronic reporting



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tool, the information was “frozen” and could not be changed. FEMA’s system would not allow a state to change the milestones or other non-financial information previously entered into the system as part of the state’s application package.

We also noted that FEMA’s required Biannual Strategy Implementation Reports (referred to as progress reports) were a financial monitoring tool that only reported the state’s progress in expending each year’s awarded grant funds. The Biannual Reports did not include updates on milestone status or programmatic achievements. FEMA officials agreed that the Biannual Strategy Implementation Report is primarily a financial tracking tool.

FEMA officials said the monitoring reports provide visibility over the progress made by the state in achieving desired capabilities. However, state officials we visited said that FEMA’s monitoring visits do not include reviewing the state’s progress in achieving annually identified investment project milestones.

Our review of monitoring reports supported that the reports were not a source for tracking milestone progress. We also noted that FEMA’s monitoring protocol for FYs 2006 through 2008 grants limited state monitoring visits to once every two years. With monitoring visits scheduled every two years, and the monitoring reports not being completed for several months following the visit, the results of the visits were not timely or current for reviewing project activity accomplishments when annual applications for grant awards were being reviewed.

Conclusion

Because of insufficient information on milestones and project accomplishments, FEMA has been annually awarding HSGP funds to states for ongoing projects without knowing the accomplishments from prior years’ funding or the extent to which additional funds are needed to achieve desired capabilities. Tracking the states’ milestones and accomplishments for HSGP-funded programs is an important management control for FEMA to ensure that Federal funds are used for their intended purpose and that enhancements in preparedness capabilities are being achieved.

The requirement that the states’ annual applications for grant funds include milestones, with planned start and completion dates, offers an opportunity for FEMA to evaluate the return-on-investment for annual State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) grant awards. If the



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states were required to report the status of milestone activities and capability enhancement accomplishments from previous years, FEMA would have information necessary to provide Congress on the status of national preparedness capability enhancements.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Require the states to provide a comparison of the status of previous year milestones along with the creation of new milestones for each ongoing project included in subsequent years' grant application packages.

Recommendation #2:

Require the states to report each year what has been achieved and what remains to be done for each ongoing project requiring additional funding as it relates to enhancing the state's preparedness and response capability.

Recommendation #3:

Modify FEMA's grant reporting system and require states to report adjustments in project milestones when changes in funding levels or state priorities affect ongoing project activities during a grant's period of performance.

Recommendation #4:

Develop policies and procedures for FEMA's monitoring program to track milestone progress and accomplishments achieved with FEMA grant funds, and include monitoring visits more frequently than once every two years.

Management Comments and Auditors' Analysis

FEMA concurred with Recommendation 1, and commented that FEMA will adjust the FY 2013 Investment Justification to include information on whether an investment is a continuation of an existing investment from a previous fiscal year. The Investment Justification will request information about the scope and milestones of the previous investment and if the investment is meeting its stated goals and objectives. FEMA believes that this addresses the recommendation



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and requests the recommendation be resolved and open pending completion of the stated corrective actions.

The FEMA response addresses the intent of the recommendation. It implies but does not say that the status of individual project milestones will be requested. If properly implemented, the corrective actions proposed by FEMA should resolve the condition identified in the audit. However, the response does not include a date for when the proposed action will be completed. The recommendation will be considered unresolved until a target completion date for implementation has been established.

FEMA concurred with Recommendation 2 and commented that states and territories submit assessments of current capability and documentation of outstanding capability gaps in annual State Preparedness Reports. In 2011, FEMA redesigned the State Preparedness Report assessment with two important considerations. First, the report customizes each assessment to the capability targets that are relevant to the jurisdiction in question. Second, the report measures current capability levels for each of the 31 core capabilities in terms of planning, organization, equipment, training, and exercises--the same elements that are used in grant program reporting through the Biannual Strategy Implementation Report. Grantees are required to demonstrate how proposed projects address gaps and deficiencies in delivering one or more core capabilities. FEMA believes that this addresses the recommendation and requests the recommendation be resolved and closed.

FEMA's response addresses the intent of the recommendation. However, the assessments of current capability and outstanding capability gaps provided by the states in annual State Preparedness Reports are at a higher strategic level than the specific milestones identified in Investment Justifications that are critical to the success of individual projects. Consequently, the State Preparedness Reports will not provide FEMA an assessment of what has been achieved and what remains to be done for individual projects. These reports also do not include the funding that will be required to achieve the capabilities justified for individual projects.

FEMA also references Biannual Strategy Implementation Reports in its response to the draft report. Because Biannual Strategy Implementation Reports only include financial and not performance information, these reports will not provide an assessment of what has been achieved and what remains to be done for individual Investment Justification projects. Because FEMA's response does



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not address the level of reporting intended by recommendation 2, the recommendation will remain unresolved pending appropriate action by FEMA.

FEMA concurred with Recommendation 3 and commented that FEMA is currently developing and completing the Non-Disaster Grants System, scheduled to be completed in FY 2014. The new system is moving towards a project-based application and reporting system that will allow FEMA's Grant Programs Directorate to collect, track, and measure grantees on a project level. Moving to a project-based approach will allow FEMA to measure individual project completion. In supporting this effort, the updated Non-Disaster Grants System will allow the grantee to report to FEMA adjustments in project milestones based on changes in funding levels or state priorities. As part of its performance measurement working group, FEMA is developing a conceptual framework for how to incorporate project-based reporting into the current grant process. This group is scheduled to complete its work by October 1, 2012. FEMA believes that this addresses the recommendation and requests the recommendation be resolved and open pending completion of the stated corrective actions.

The stated intent of FEMA's Non-Disaster Grants System is responsive to the condition reported from the audit. If properly implemented, the corrective actions proposed by FEMA should resolve the condition identified in the audit. However, the response did not include a target completion date for the deployment of the new system. The recommendation will remain unresolved until a target completion date for implementation has been established.

FEMA partially concurred with Recommendation 4, and agreed that a more robust monitoring process needs to be developed. However, the ability to conduct on-site monitor of grantees more frequently than once every two years may not be feasible given the budgetary constraints facing FEMA. FEMA said that the performance measurement working group has been leveraged to develop a single standardized process by which all preparedness grantees can be monitored. This includes developing a common definition of monitoring, as well as, a unified approach to monitoring. Furthermore, this group will incorporate the project-based approach to monitoring that will provide FEMA with better information on grantee progress towards meeting the goals and objectives of their grants. By October 1, 2012, the working group will be able to provide this information to FEMA leadership for review. In addition, this information can be used as the basis for technical requirements for the Non-Disaster Grants System. FEMA will provide a corrective action plan in the response to the final report and request the recommendation be unresolved and open pending the plan.



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If properly implemented, the corrective actions proposed by FEMA should resolve the condition identified in the audit. However, the recommendation will remain unresolved until a target completion date for implementation has been established.



Appendix A

Objectives, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

The objective of this audit was to evaluate FEMA's requirements for states to report progress in enhancing first responder capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The audit originated from audits of SHSP and UASI grants awarded to four states for FYs 2006 through 2008. The four states were Nevada, New York, Tennessee, and Texas. The objectives of the state audits were to determine whether the states distributed and spent grant funds strategically, effectively, and in compliance with laws, regulations, and guidance.

To accomplish the objective of this audit of reporting requirements, we:

- Reviewed workpaper files from the audits of Nevada, New York, Tennessee, and Texas;
- Identified information obtained in those audits that related to states' reporting on improvements in preparedness capabilities as a result of activities funded by the grants;
- Researched available databases and websites to identify preparedness capability enhancement-related reports and Congressional testimonies; and
- Extracted and evaluated the relevant information and prepared a report on the progress in meeting milestones that the states reported to FEMA in grant application packages.

We conducted this performance audit between October 2010 and July 2011 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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This audit did not include a review of costs claimed and we did not perform a financial audit of those costs. 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 of the four states. 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 four states.

While the audit was being 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 officials.



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Appendix B
Management Comments to the Draft

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



FEMA

MAY 25 2012

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

FROM: *for* David J. Kaufman *Katherine Box*
Director
Office of Policy and Program Analysis

SUBJECT: Comments to OIG Draft Report, *FEMA's Requirements for Reporting
Homeland Security Grant Program Achievements*

Thank you for the opportunity to comment on the draft report. The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our programs. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report. Our responses to the recommendations are as follows:

OIG Recommendation #1: We recommend that the Assistant Administrator, Grant Programs Directorate require the states to provide a comparison of the status of previous year milestones along with the creation of new milestones for each ongoing program included in subsequent years' grant application packages.

FEMA Response: FEMA concurs with this recommendation.

To meet this recommendation FEMA will adjust the Fiscal Year (FY) 2013 Investment Justification (IJ) to include information on whether an investment is a continuation of an existing investment from a previous FY. The IJ will request information about the scope and milestones of the previous investment and if the investment is meeting its stated goals and objectives. This will allow FEMA and/or peer reviewers to evaluate the IJ and the proposed investment within the context of previous investments for the same activity.

FEMA believes that this addresses the recommendation and requests the recommendation be resolved and open pending completion of the stated corrective actions

OIG Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate require the states to report each year what has been achieved and what remains to be done for each ongoing program requiring additional funding as it relates to enhancing the state's preparedness and response capability.

FEMA Response: FEMA concurs with the recommendation.



Appendix B Management Comments to the Draft

Effective application of grant funding will result in the decrease of risk—gaps in required capability—over time. The assessment of current capability and documentation of outstanding capability gaps, therefore, becomes a critical component to understanding grant effectiveness. States and territories submit this information through the State Preparedness Report (SPR). All states and territories that receive federal preparedness assistance are required to submit an annual SPR capability assessment¹ to the Administrator. In 2011, FEMA redesigned the SPR assessment with two important considerations. First, the SPR customizes each assessment to the capability targets that are relevant to the jurisdiction in question; these capability targets currently come directly from the THIRA. Second, the SPR measures current capability levels for each of the 31 core capabilities in terms of planning, organization, equipment, training, and exercises—the same elements that are used in grant project reporting through the Biannual Strategy Implementation Report (BSIR). This results in up to 155 individual measures with which to track residual capability gaps and to indicate the degree of progress over time as states continue to invest grant funding. Grantees are required to demonstrate how proposed projects address gaps and deficiencies in delivering one or more core capabilities.

FEMA believes that this addresses the recommendation and requests the recommendation be resolved and closed.

OIG Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate modify FEMA’s grant reporting system and require states to report adjustments in program milestones when changes in funding levels or state priorities affect ongoing program activities during a grant’s period of performance.

FEMA Response: FEMA concurs with this recommendation.

FEMA is currently developing and completing the build out of the Non-Disaster (ND) Grant System. The ND Grants System will be developed via a phased approach and is not scheduled to be completed until Fiscal Year 2014. As part of the development process, FEMA is moving towards a project based application and reporting system that will allow GPD to collect, track, and measure grantees on a project level. Moving to a project based approach will allow FEMA to measure individual project completion. In supporting this effort, the updated ND Grants System will allow the grantee to report to FEMA adjustments in program milestones based on changes in funding levels or state priorities. As part of its performance measurement working group, FEMA is developing a conceptual framework for how to incorporate project based reporting into the current grant process. This group is scheduled to complete its work by October 1, 2012 and will be able to provide the ND Grants development team with function requirements that can be used incorporate project based reporting to ND Grants.

FEMA believes that this addresses the recommendation and requests the recommendation be resolved and open pending completion of the stated corrective actions.

OIG Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate develop policies and procedures for FEMA’s monitoring program to track milestone

¹ Public Law 109-295, Post-Katrina Emergency Management Reform Act of 2006, §652(c).



Appendix B Management Comments to the Draft

progress and accomplishments achieved with FEMA grant funds, and include monitoring visits more frequently than once every two years.

FEMA Response: FEMA partially concurs with this recommendation.

FEMA agrees that a more robust monitoring process needs to be developed, however the ability to conduct on-site monitor of grantees more frequently than once every two years may not be feasible given the budgetary constraints facing FEMA. As for developing a more robust monitoring process, FEMA is leveraging its performance measurement working group to develop a single standardized process by which all preparedness grantees can be monitored. This includes developing a common definition of monitoring, as well as, a unified approach to monitoring. Furthermore, this group will incorporate the project-based approach to monitoring that will provide FEMA with better information on grantee progress towards meeting the goals and objectives of their grants. By October 1, 2012, the working group will be able to provide this information to FEMA leadership to review. In addition, this information can be used as the basis for technical requirements for the ND Grants System.

FEMA will provide a corrective action plan in the response to the final report and request the recommendation be unresolved and open pending the plan.

Again, we thank you for the opportunity to review and comment on your findings concerning the Draft Report, *FEMA's Requirements for Reporting Homeland Security Grant Program Achievements*. Please feel free to contact Gina Norton of FEMA's GAO/OIG Audit Liaison Office at 202-646-4287, with any questions or concerns.



Appendix C
Homeland Security Grant Program Funds Distributed FY 2002
Through FY 2011

Homeland Security Grant Program Funding Distribution
Fiscal Years 2002 Through 2011

| Fiscal Year | Annual Distribution |
|--------------------|----------------------------|
| 2002 | \$315,700,000 |
| 2003 | \$2,700,174,557 |
| 2004 | \$2,924,200,994 |
| 2005 | \$2,344,934,631 |
| 2006 | \$1,670,921,920 |
| 2007 | \$1,666,460,000 |
| 2008 | \$1,698,959,000 |
| 2009 | \$1,714,300,154 |
| 2010 | \$1,786,359,956 |
| 2011 | \$1,289,296,132 |
| TOTAL | \$18,111,307,344 |



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Appendix D
Schedule of Homeland Security Grant Program Funds

Schedule of SHSP and UASI Grant Awards
Fiscal Years 2006 - 2008
Sampled States

| Sampled State | Fiscal Year | Request | Award | Difference | Percent Awarded |
|---------------|-------------|------------|----------|------------|-----------------|
| | | (Millions) | | | |
| Nevada | 2006 | \$54.90 | \$15.90 | \$39.00 | 29% |
| | 2007 | \$31.30 | \$14.90 | \$16.40 | 48% |
| | 2008 | \$44.70 | \$18.40 | \$26.30 | 41% |
| New York | 2006 | \$870.70 | \$155.60 | \$715.10 | 18% |
| | 2007 | \$370.60 | \$178.40 | \$192.20 | 48% |
| | 2008 | \$349.20 | \$230.80 | \$118.40 | 66% |
| Tennessee | 2006 | \$105.20 | \$9.00 | \$96.20 | 9% |
| | 2007 | \$33.70 | \$12.80 | \$20.90 | 38% |
| | 2008 | \$63.50 | \$19.10 | \$44.40 | 30% |
| Texas | 2006 | \$205.80 | \$61.10 | \$144.70 | 30% |
| | 2007 | \$208.90 | \$92.90 | \$116.00 | 44% |
| | 2008 | \$375.90 | \$137.30 | \$238.60 | 37% |



Appendix E

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