



Department of Homeland Security Office of Inspector General

**The Commonwealth of Pennsylvania's Management
of State Homeland Security Program and Urban Areas
Security Initiative Grants Awarded During
Fiscal Years 2007 through 2009**





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.

This report addresses the Commonwealth of Pennsylvania's management of State Homeland Security Program and Urban Areas Security Initiative grants. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

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

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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

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. This report responds to the reporting requirement for the Commonwealth of Pennsylvania.

The audit objectives were to determine whether the Commonwealth distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds (1) effectively and efficiently and (2) in compliance with applicable federal laws and regulations. We were also to address the extent to which grant funds enhanced the Commonwealth's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters. The audit included a review of approximately \$154 million in State Homeland Security Program and Urban Areas Security Initiative grant funds awarded to Pennsylvania during fiscal years 2007 through 2009.

Generally, the Commonwealth administered grant program requirements effectively and efficiently and in compliance with grant guidance and regulations. The Commonwealth linked program goals and objectives to national priorities and Department of Homeland Security mission areas. Grant funds were spent on allowable items and activities, and adequate controls existed over the approval of expenditures and reimbursement of funds. However, we identified four areas for improvement: prioritization of strategic goals and project proposals, development of measurable goals and objectives, obligation of grant funds to subgrantees, and implementation of subgrantee monitoring procedures.

We made five recommendations to the Federal Emergency Management Agency which, if implemented, should help strengthen program management, performance, and oversight. Written comments to the draft report are incorporated as appropriate and included in their entirety in appendix B.

Background

The Department of Homeland Security (DHS) provides federal funding through the Homeland Security Grant Program to help state and local agencies enhance capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. See appendix C for additional details regarding the Homeland Security Grant Program.

The Governor of the Commonwealth of Pennsylvania (the Commonwealth) designated the Pennsylvania Emergency Management Agency as the State Administrative Agency, the entity responsible to administer the Homeland Security Grant Program. The State Administrative Agency is responsible for managing the grant programs in accordance with established federal guidelines and allocating funds to local, regional, and other Commonwealth government agencies. The Pennsylvania Emergency Management Agency organization is depicted in appendix D.

The State Administrative Agency subawarded Homeland Security Grant Program funds to Pennsylvania's nine regional task forces and various state agencies. Appendix E illustrates the location and counties within Pennsylvania's nine regional task forces.

The Commonwealth received \$172 million in Homeland Security Grant Program funds over the course of fiscal years (FYs) 2007, 2008, and 2009. This included \$154 million in State Homeland Security Program and Urban Areas Security Initiative grants. Appendix A provides details on the purpose, scope, and methodology for this audit conducted by the Office of Inspector General (OIG).

Results of Audit

The Commonwealth's Management Practices Were Generally Effective, But Require Some Improvements

Generally, the State Administrative Agency did an efficient and effective job of administering program requirements in accordance with grant guidance and regulations. The State Administrative Agency developed written procedures and protocols for administering the grant program, and implemented internal controls for approving expenditures and reimbursing funds. It also developed yearly strategies that linked goals and objectives

to the four mission areas and eight national priorities established by DHS. However, the Commonwealth could improve its management of the grants by:

- Prioritizing Homeland Security strategic goals and project proposals;
- Establishing measurable strategic goals and objectives;
- Expediting the obligation of grant funds to subgrantees; and
- Implementing procedures for subgrantee monitoring.

Prioritizing Homeland Security Strategic Goals and Project Proposals

The Commonwealth's Homeland Security Strategy was limited in its effectiveness in enhancing emergency management. Specifically, the process to update the strategy did not include a systematic method to prioritize local, regional, and Commonwealth strategic goals and projects to ensure that the Commonwealth's most critical and urgent preparedness needs were targeted and addressed. As a result, the Commonwealth cannot ensure that it is addressing its most critical needs to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies.

The Federal Emergency Management Agency's (FEMA) strategy guidance, *The State and Urban Area Homeland Security Strategy, Guidance on Aligning Strategies with the National Preparedness Goal*, requires the Commonwealth, as part of the national effort to create a National Preparedness System, to create a plan that answers three fundamental questions: (1) How prepared do we need to be? (2) How prepared are we? (3) How do we prioritize efforts to close the gap?

The State Administrative Agency attempts to answer these questions by first conducting a threat and risk assessment to determine overall preparedness needs. Next, counties and regions assess their existing capabilities using the Target Capability Assessment to determine current preparedness levels and identify gaps between current and needed capabilities. Last, the State Administrative Agency strategic planning and project development process, explained in more detail below, is intended to develop a plan to close those gaps. However, the State Administrative Agency does not prioritize the goals and project proposals before submitting them to FEMA for approval. Because all proposals are submitted as equal in importance, the State Administrative Agency cannot ensure that the most critical Commonwealth-wide priorities are being addressed to close the gaps.

The FY 2008 update to the Commonwealth's Homeland Security Strategy relied on the capability assessment process, which involved a self-assessment of 37 capabilities related to the four homeland security mission areas: prevent, protect, respond, and recover. County representatives were instructed to rate their current capabilities in areas such as planning, communications, critical infrastructure protection, and mass care. County representatives were then expected to develop the goals and projects needed to achieve desired capabilities, which were then submitted to the corresponding regional task forces for review. The regional task forces verified that projects were allowable under the grant, categorized the projects under the appropriate 37 capabilities, and provided the information to the State Administrative Agency.

Upon receipt of the regional task force goal and project lists, the State Administrative Agency reviewed the submissions to ensure that the projects were allowable under the grant and were appropriately categorized under 1 of the 37 capabilities. The State Administrative Agency then updated the Homeland Security Strategy and developed a list that included all proposed grant projects, which were submitted to FEMA for approval. However, before submitting the information to FEMA, the State Administrative Agency did not consider projects from a Commonwealth-wide perspective to determine which projects addressed the most critical gaps and thus should receive higher priority and funding. Instead, the State Administrative Agency relied on the discretion of the regional task forces to select projects to implement the Commonwealth's Homeland Security Strategy.

A contractor hired by the State Administrative Agency to assist with the capability assessment and FY 2008 Homeland Security strategy update reached similar conclusions. The contractor recommended that the Commonwealth improve its overall grants program management, including consideration of prioritizing spending based on the strategy and capabilities assessment. The contractor also recommended establishing a Commonwealth-wide approach toward tracking achievement of goals, objectives, and implementation steps included in the 2008 Strategy. Thus, the State Administrative Agency's officials were previously made aware that in order to address the Commonwealth's preparedness needs, the State Administrative Agency must assume greater leadership and provide better oversight, guidance, and management to the regional task forces regarding prioritization of grant projects and goals.

Conclusion

The State Administrative Agency does not prioritize the proposed projects submitted by the counties and regions as a part of the Commonwealth's Homeland Security strategic planning process.

Instead, it relies on input and decisions made by the nine regional task forces without first analyzing the impact of those proposals from a Commonwealth-wide perspective. A Commonwealth-wide perspective is necessary to systematically determine the most critical needs; allocate limited grant resources; and manage county, regional, and commonwealth project implementation.

Recommendation

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

Recommendation #1: Prioritize all Homeland Security strategic goals and related projects to ensure they address the most critical Commonwealth-wide needs prior to submission to FEMA for approval.

Management Comments and OIG Analysis

FEMA concurred with recommendation #1. FEMA is revising the guidance and the content of the Homeland Security strategy, which is anticipated for release in the fall of 2011. The Preparedness Grants Division will require the Director of the Pennsylvania Emergency Management Agency to comply with revised Homeland Security strategy guidelines. Within 90 days of receipt of the revised guidelines, FEMA recommends that the Director of the Pennsylvania Emergency Management Agency develop a process by which all Homeland Security strategic goals and related projects are prioritized to ensure that they address the most critical needs.

The Pennsylvania Emergency Management Agency is preparing to develop the 2012–2014 State Homeland Security Strategy. Commonwealth and regional stakeholders will be asked to identify goals, objectives, and implementation steps to address identified gaps, recommend program priorities, and identify capabilities they depend on the Commonwealth to provide. The resulting information will be rolled up, summarized, and presented to the Agency’s executive staff for the determination of State Homeland Security Grant Program priorities. Commonwealth-wide priorities will be shared with stakeholders during the development stage of the 2012–2014 State Homeland Security Strategy. Executive staff will review the final draft for propriety prior to approving the document for submission to FEMA.

The FEMA and Pennsylvania Emergency Management Agency responses include positive steps for implementing the recommendation. However, until a firm timetable for implementing the recommendation is provided, this recommendation will remain unresolved and open.

Establishing Measurable Strategic Goals and Objectives

The Commonwealth's Homeland Security Strategy did not contain adequately defined goals and objectives to use in measuring performance. We concluded that the FEMA-approved strategies for FYs 2007 through 2009 were not comprehensive and did not contain specific, measurable, results-oriented, and time-limited objectives. As a result, the State Administrative Agency did not have a basis for measuring improvements in its preparedness and response capabilities.

The State and Urban Area Homeland Security Strategy, Guidance on Aligning Strategies with the National Preparedness Goal, states that the primary determinants of an overall successful strategy are the quality of the goals and performance against those goals. The guidance also states that an objective sets a target level of performance over time, expressed as a tangible, measurable objective against which actual achievement can be compared. However, the goals and objectives included in the Commonwealth's strategy are broad and do not provide a basis to determine whether or when the goals and objectives have been achieved. Generally, the goals and objectives were not:

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

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

Table 1 provides examples of goals and associated objectives included in the Commonwealth's 2007–2009 Homeland Security Strategies that, based on our analysis, did not meet FEMA requirements.

Table 1. Examples of Goals and Associated Objectives Included in FEMA-Approved Homeland Security Strategies		
2007 Strategy	2008 Strategy	2009 Strategy
GOALS		
Ensure adequate jurisdictional capability exists to provide an effective and coordinated response to weapons of mass destruction terrorist events.	The Commonwealth is capable of continuous efforts at all levels of government and between government and private-sector and non-governmental organizations to identify threats, determine vulnerabilities, identify required resources and ensure that capabilities required to build, sustain, and improve the operational capability to prevent, protect against, respond to, and recover from all hazards domestic incidents are developed, and ensuring plans are available when and where they are needed.	The Commonwealth is capable of taking actions to avoid an incident or to intervene to stop an incident from occurring in order to protect lives and property through applying intelligence and other information to a range of activities that may include such countermeasures as: deterrence operations; heightened inspections; improved surveillance and security operations; investigations to determine the full nature and source of the threat; public health and agricultural surveillance and testing processes; immunizations, isolation, or quarantine; and, as appropriate, specific law enforcement operations aimed at deterring, preempting, interdicting, or disrupting illegal activity and apprehending potential perpetrators and bringing them to justice.
OBJECTIVES		
By the end of 2006, ensure adequate mutual aid agreements exist within and between jurisdictions that specifically address issues related to response activities.	Enhance and sustain the Commonwealth's capability to ensure that: preparedness plans incorporate an accurate hazard analysis and risk assessment; capabilities required to prevent, protect, mitigate against, respond to, and recover from acts of all-hazards; resources are available when and where they are needed; plans are vertically and horizontally integrated with appropriate departments, agencies and jurisdictions; and where appropriate, plans incorporate a mechanism for requesting State and federal assistance with a clearly delineated process for seeking and requesting assistance from appropriate agency(ies).	Enhance and sustain the Commonwealth's capability to ensure threat and other criminal and/or terrorism-related information is identified, gathered, entered into an appropriate data/retrieval system, and provided to appropriate analysis centers.
OIG IDENTIFIED DEFICIENCIES		
Not specific or measurable	Not specific, measurable, achievable, results oriented, or time limited	Not measurable or time limited

State Administrative Agency officials depended on annual comparisons of capability assessments and the State Preparedness Reports for gauging program success and improved preparedness. However, they acknowledged that neither tool was effective due to yearly changes to the measures, which made trend analysis relative to specific elements nearly impossible. Therefore, because useful performance measures did not

exist, the State Administrative Agency used periodic surveys to evaluate program achievement, a highly subjective approach due to the variety of respondents. They also acknowledged that this process may not be comparable from year to year.

State Administrative Agency officials identified two extenuating factors: (1) FEMA approved the current strategies, including the existing performance measures, and (2) the State Administrative Agency has been promised, but has yet to receive, FEMA assistance in developing useful performance measures. State Administrative Agency officials asserted that the need for useful performance measures that gauge progress and help guide funding decisions has become so critical that they intend to develop their own measures for FY 2012.

Conclusion

Without specific and measurable goals and objectives, neither the State Administrative Agency nor FEMA can assess whether progress is being made. In addition, the amount of funding and time that would be needed to achieve goals and objectives to improve the Commonwealth's preparedness and response capabilities is difficult to determine.

Recommendation

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

Recommendation #2: Develop Homeland Security strategic goals and objectives that are specific, measurable, achievable, results oriented, and time limited, and include associated performance measures in its strategic plan.

Management Comments and OIG Analysis

FEMA concurred with recommendation #2. FEMA is revising the guidance and the content of the Homeland Security strategy, which is anticipated for release in the fall of 2011. The Preparedness Grants Division will require the Director of the Pennsylvania Emergency Management Agency to comply with revised Homeland Security strategy guidelines. Within 90 days of the receipt of the revised guidelines, FEMA recommends that the Director of the Pennsylvania Emergency Management Agency develop a process by which all Homeland Security strategic goals

and related projects are prioritized to ensure that they address the most critical needs.

According to the Pennsylvania Emergency Management Agency, as a part of the State Homeland Security Assessment and Strategy process that will result in the development of the 2012–2014 State Homeland Security Strategy, the Agency has already identified in project requirements that the strategy must include specific, measurable, achievable, results-oriented, and time-limited goals. As a part of the State Homeland Security Strategy review and approval process, the Pennsylvania Emergency Management Agency will ensure that the strategy’s objectives include measures that are meaningful, have sound methodology, and can be verified with reliable data.

The Pennsylvania Emergency Management Agency response included positive steps for implementing the recommendations. However, FEMA’s response did not explicitly address developing specific, measurable, achievable, results-oriented, and time-limited strategic goals and objectives. In addition, neither FEMA nor the Commonwealth’s guidance includes a firm date for implementing the recommendation. This recommendation will remain unresolved and open pending a firm implementation date and specific details from FEMA regarding the development of strategic goals and objectives.

Expediting the Obligation of Grant Funds to Subgrantees

The Commonwealth’s process for obligating grant funds to subrecipients was time-consuming and exceeded the required grant obligation timeline. FEMA’s Homeland Security Grant Program guidance required that at least 80% of each year’s grant funds be obligated to subgrantees within 60 days of the grant being awarded from FEMA in FY 2007, and within 45 days in FYs 2008 and 2009. However, our review of four regional task forces showed that in FYs 2007, 2008, and 2009, the State Administrative Agency took an average of 221, 106, and 257 days, respectively, to execute grant agreements and provide obligation authority.

As a result, the task forces were delayed in acquiring equipment, training, and performing exercises needed to be prepared to address catastrophic events. In addition, the time frame in which the regional task forces had to expend obligated funds within the original period of performance for the grants was reduced.

After receiving the grant award notice from FEMA, the State Administrative Agency determined subgrantee allocations and provided grant agreement letters to the nine regional task forces detailing the grant amounts, terms, and conditions. The grant agreement letters were approved by the regional task forces and returned to the State Administrative Agency to undergo the Commonwealth's administrative process for executing grant agreements. This approval process required the agreements be reviewed and signed by five Commonwealth agency officials: the State Administrative Agency's Director and Chief Counsel, and the Commonwealth's Offices of the Comptroller, General Counsel, and Attorney General.

We determined that the delays in the grant signature process were not from a single, regularly occurring administrative holdup, but rather occurred at different reviewing offices in different grant years. For example, in FY 2007, it took up to 10 weeks for the regional task forces to sign grant agreements, and it took 4 months for Commonwealth officials to review and sign the agreements. However, in FY 2009, the initial process to send the grant agreements to the regional task forces for their signature took more than 6 months, while Commonwealth officials took about a month to sign and return the grant agreements.

The lengthy administrative process to provide obligation authority to subgrantees was previously identified in an October 2007 OIG report.¹ At that time, the State Administrative Agency stated that it was in the process of mapping the entire grant process and developing a gap closure plan, which would shorten the time frames associated with the grant signature process and facilitate the timely expenditure of grant funds. Although we noted an improvement in the time involved in administrative process in FY 2008, in FY 2009 the delays returned to FY 2007 levels. The continued noncompliance with the obligation timeline requirement is evidence that the State Administrative Agency has not fully implemented a corrective action to remediate the problem.

The State Administrative Agency attributed delays in the preparation of the grant agreements to the Commonwealth law that allows the Offices of the General Counsel and Attorney General 30 days each to review and sign grant agreements, as well as to insufficient State Administrative Agency personnel. State Administrative Agency officials also stated that before the Commonwealth signed a fully executed grant agreement, the State Administrative Agency provided a dollar amount to all subgrantees on how much each subgrantee could expect to receive. The State Administrative Agency believed this notification was in compliance with

¹ *The Commonwealth of Pennsylvania's Management of State Homeland Security Grants Awarded During Fiscal Years 2002 through 2004* (OIG-08-03), October 2007.

FEMA’s timeframes for obligating grant funds; however, we identified that subgrantees were instructed, per the grant agreements, not to use grant funds until the State Administrative Agency received the fully executed grant agreements from the Commonwealth offices.

The Commonwealth’s lengthy obligation process restricted the subgrantees’ ability to effectively plan and expend funds to complete projects. The delays in obtaining funds to procure goods and services has contributed to the large percentage of grant funds remaining unused within the 3-year performance period, making it necessary for the State Administrative Agency to request grant extensions from FEMA or risk losing the funds. Table 2 illustrates the percentages of grant awards as of September 30, 2010, that have not been drawn down by the State Administrative Agency for grants awarded during FYs 2007–2009.

Table 2

Pennsylvania Homeland Security Grant Program Drawdowns As of September 30, 2010					
Grant Year	Date of FEMA Award	Total Grant Award	Total Drawdowns	Undrawn Balance	Percentage Undrawn
2007	8/13/2007	\$61,306,260	\$27,702,790	\$33,603,470	55%
2008	8/22/2008	\$56,290,960	\$15,184,278	\$41,106,682	73%
2009	8/21/2009	\$54,042,134	\$281,914	\$53,760,220	99%

As of March 2011, the State Administrative Agency has requested two extensions for the FY 2007 Homeland Security Grant Program, and FEMA expects to receive the first request to extend the performance period for the FY 2008 grant in the near future.

Conclusion

The State Administrative Agency’s obligation process did not allow for the timely receipt of grant funds by subgrantees because of the lengthy and inefficient grant agreement approval process. This process delays the ability of task force recipients to use grant funds effectively and efficiently to prepare for acts of terrorism and other catastrophic events.

Recommendation

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

Recommendation #3: Assess the current process for executing grant agreements and providing obligation authority to subgrantees, and work with all involved Commonwealth offices to identify opportunities to expedite the process.

Management Comments and OIG Analysis

FEMA concurred with recommendation #3. FEMA stated that within 90 days of receipt of the final report, the Director of the Pennsylvania Emergency Management Agency is required to conduct an assessment of the Commonwealth's current policies and procedures involved in the execution of grant agreements and provision of obligation authority to subgrantees to identify opportunities to expedite the process.

The Pennsylvania Emergency Management Agency stated that it is currently investigating a methodology by which the signature routing and approval process can be abbreviated. Negotiations with the Pennsylvania Office of Administration will be conducted to ensure the Office of Administration's awareness of the impact of current Commonwealth contract procedures on grant program compliance.

The actions proposed by both FEMA and the Pennsylvania Emergency Management Agency meet the intent of the recommendation. If properly implemented, the actions identified in the responses should address the conditions identified during the audit. This recommendation is considered resolved and open, pending final implementation of the proposed corrective actions.

Implementing Procedures for Subgrantee Monitoring

The State Administrative Agency's monitoring of grant performance and subgrantees' adherence to federal and Commonwealth regulations needs to be improved. Procedures for monitoring subgrantees have not yet been fully implemented and physical inventories have not been performed. Officials at the State Administrative Agency and subgrantee organizations stated that prior to implementation in July 2009, official written policies and procedures for conducting monitoring were not in place. After the

procedures became effective, sufficient resources were not available for full implementation. By not conducting monitoring activities, the State Administrative Agency is limited in its ability to ensure that the grant program is operating efficiently, effectively, and in compliance with federal and Commonwealth regulations. Furthermore, the State Administrative Agency does not have assurance that equipment purchased with grant funds is accounted for properly.

Code of Federal Regulations, Title 44 §13.40(a), *Monitoring by grantees*, requires grantees to monitor subgrantees to ensure compliance with federal regulations. In addition, Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations, Compliance Supplement, Part 3-M*, requires grantees to ensure that performance goals at the federal and state levels are being achieved. As a result of recommendations issued by DHS OIG in 2008, the State Administrative Agency developed the Federal Grants Program Administrative Manual and State Administrative Agency Monitoring Protocol, which became effective in July 2009. However, the monitoring procedures detailed in the guidance have not been fully implemented.

The State Administrative Agency developed on-site and desk monitoring policies and procedures as part of its Grants Program Administrative Manual. Desk monitoring includes a review of progress related to the accomplishment of objectives, goals, and projects, as well as a review of expenditures of grant funds and an evaluation of project performance, implementation, and timelines. On-site monitoring is similar to desk monitoring but also includes an inspection of equipment inventory, maintenance, use logs, and security. The inspection would also ensure that equipment can be identified as federal grant-funded purchases. The manual does not specify how frequently desk monitoring should be performed, but requires on-site monitoring visits every federal fiscal year. As of March 2011, almost 2 years after the Federal Grants Program Administrative Manual was implemented, the State Administrative Agency has performed desk monitoring for only five of the nine regional task forces, and has not yet performed on-site monitoring at any of the task forces.

In addition, the State Administrative Agency did not monitor subgrantees to ensure that subgrantees perform biannual physical inventories, as required by Code of Federal Regulations, Title 44 §13.32(d)(2). Only one of the four regional task forces we visited had performed a physical inventory, and that inventory was not complete. At two of the four task forces we visited, we identified federal grant-funded equipment that was not labeled as required by grant guidance.

Also, federal grant guidance for FYs 2008 and 2009 requires that the Commonwealth spend at least 25% of Homeland Security Grant Program funds toward law enforcement and terrorism prevention priorities. To meet the federal spending requirement, the State Administrative Agency grant agreements require the subgrantees to spend at least 25% of Homeland Security Grant Program funds toward those priorities. In FY 2009, the Commonwealth increased the minimum spending requirement to 28%. Beginning in FY 2008, the State Administrative Agency also instituted its own requirement that 15% of Homeland Security Grant Program funds awarded to subgrantees be spent on critical infrastructure and key resources protection. However, the State Administrative Agency does not have a mechanism to ensure that federal grant or Commonwealth spending requirements are met.

The limited monitoring activities performed do not allow the State Administrative Agency to thoroughly assess subgrantees' compliance with federal and Commonwealth grant requirements or achievement of performance goals. In addition, the State Administrative Agency cannot ensure that subgrantees are meeting minimum spending requirements in critical areas designated by federal and Commonwealth grant guidance.

Conclusion

The State Administrative Agency has neither fully implemented its grant monitoring procedures for desk reviews and on-site monitoring nor performed biannual physical inventories of equipment purchased with grant funds. As a result, the State Administrative Agency is unable to ensure that federal grant funds are being spent effectively and efficiently and that grant resources are readily available to prepare, prevent, protect, and recover from terrorist attacks or natural disasters.

Recommendations

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

Recommendation #4: Fully implement monitoring procedures, including required site visits and biannual physical inventories.

Recommendation #5: Create a monitoring mechanism to ensure subgrantee compliance with federal and Commonwealth spending requirements.

Management Comments and OIG Analysis

FEMA concurred with recommendations #4 and #5. FEMA stated that within 90 days of the receipt of the final report, the Director of the Pennsylvania Emergency Management Agency is required to develop and fully implement a monitoring program to be compliant with Code of Federal Regulations Title 44 §13.40(a). To be included in this monitoring program is the requirement that physical inventories of equipment be conducted at least once every 2 years as prescribed in Code of Federal Regulations Title 44 §13.32(d)(2).

The Pennsylvania Emergency Management Agency stated that it has obtained approval from the Governor's Office of Administration to hire five audit compliance personnel no later than October 1, 2011, who will maintain the program and fiscal monitoring responsibilities of all subgrantees of federal grant funds for which the Pennsylvania Emergency Management Agency is the State Administrative Agency. In the interim, current Agency staff will be conducting site monitoring visits that will begin in September 2011.

The actions proposed by FEMA and the Pennsylvania Emergency Management Agency meet the intent of the recommendations. If properly implemented, the actions identified in the responses should address the conditions identified during the audit. These recommendations are considered resolved and open, pending final implementation of the proposed corrective actions.

Appendix A
Purpose, Scope, and Methodology

The purpose of the audit was to determine whether the Commonwealth of Pennsylvania distributed and spent State Homeland Security Program and Urban Areas Security Initiative grant funds effectively and efficiently and in compliance with laws, regulations, and guidance. In addition, the goal of the audit was to determine the extent to which the Commonwealth has measured improvements in its ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters.

The entire Homeland Security Grant Program and its five interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. Because of the interrelationship of these grant programs, all were considered when evaluating the planning cycle and the effectiveness of the overall grant program. However, only State Homeland Security Program and Urban Areas Security Initiative funding equipment and programs supported by the grant funding were reviewed for compliance. Additional information on these grant programs is provided in appendix C.

The scope of the audit included the following:

Homeland Security Grant Program Awards FYs 2007 through 2009				
Program	FY 2007	FY 2008	FY 2009	Total
State Homeland Security	\$20,230,000	\$30,310,000	\$28,589,000	\$79,129,000
Urban Areas Security Initiative	\$25,640,000	\$24,871,000	\$24,346,150	\$74,857,150
Subtotal	\$45,870,000	\$55,181,000	\$52,935,150	\$153,986,150
Law Enforcement Terrorism Prevention	\$14,450,000	Not Applicable	Not Applicable	\$14,450,000
Citizen Corps	\$469,970	\$467,518	\$464,542	\$1,402,030
Metropolitan Medical Response System	\$516,290	\$642,442	\$642,442	\$1,801,174
Total	\$61,306,260	\$56,290,960	\$54,042,134	\$171,639,354

Source: Federal Emergency Management Agency.

The audit methodology included interviews with FEMA representatives as well as work at the State Administrative Agency,

Appendix A

Purpose, Scope, and Methodology

both of the urban areas that received grants, and various subgrantee locations. To achieve our audit objective, we analyzed data, reviewed documentation, and interviewed key Commonwealth and local officials directly involved in the management and administration of the Commonwealth of Pennsylvania Homeland Security Grant Programs. We conducted site visits and held discussions with appropriate officials from selected Commonwealth agencies, regional task forces, urban areas, and local jurisdictions to determine if program grant funds were expended in accordance with grant requirements and Commonwealth-established priorities.

In addition to the State Administrative Agency, we contacted the following 24 subgrantee organizations:

Regional Task Forces

- Northeast Task Force
- South Central Task Force
- Southeast Task Force
- Southwest Task Force

Urban Areas Security Initiative Recipients

- Philadelphia
- Pittsburgh

State Agencies

- Office of Administration
- Office of Homeland Security
- Office of the State Fire Commissioner
- Pennsylvania State Police
- State Animal Response Team

Counties

- Adams County
- Beaver County
- Butler County
- Cambria County
- Carbon County
- Cumberland County
- Delaware County
- Lackawanna County

Local Jurisdictions and First Responders

- Abington Township
- Allegheny County Sheriff's Department

Appendix A

Purpose, Scope, and Methodology

- Bucks County Emergency Services
- Northampton County Coroner's Office
- Philadelphia Police Department Special Weapons and Tactics Unit

We interviewed responsible officials, reviewed documentation supporting State Administrative Agency and subgrantee management of the awarded grant funds (including expenditures for equipment, training, and exercises), and physically inspected judgmentally selected equipment procured with the grant funds.

We reviewed a judgmental sample of the grants expenditures representing approximately 32% of the dollar value expended for the FYs 2007–2009 grants to determine whether the expenditures were supported and allowable under the grants. We judgmentally chose specific equipment items to observe at the local sites where they reside.

We conducted this performance audit between October 2010 and April 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.

Appendix B
Management Comments to the Draft Report

Page 1


U.S. Department of Homeland Security
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FEMA

AUG - 9 2011

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

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

SUBJECT: Comments to OIG Draft Report, *The Commonwealth of Pennsylvania's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2007 through 2009*

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 Director of the Pennsylvania Emergency Management Agency to prioritize all Homeland Security strategic goals and related projects to ensure they address the most critical Commonwealth-wide needs prior to submission to FEMA for approval.

OIG Recommendation #2: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Pennsylvania Emergency Management Agency to develop Homeland Security strategic goals and objectives that are specific, measurable, achievable, results oriented, and time limited, and includes associated performance measures in its strategic plan.

FEMA Response: FEMA concurs with Recommendations #1 & #2.

The National Preparedness Directorate (NPD), the Federal Emergency Management Agency (FEMA) entity responsible for the homeland security strategy (HSS) and its guidance, is revising the guidance and the content of the HSS which is anticipated for release in the fall of 2011 and in advance of the FY 2012 Homeland Security Grant Program (HSGP) application cycle. The Preparedness Grants Division (PGD) within FEMA's Grant Programs Directorate (GPD) will require the Director of the Pennsylvania Emergency Management Agency (PEMA) to comply with revised HSS guidelines developed by NPD.

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Within 90 days of the receipt of the revised guidelines, PGD within FEMA's GPD recommends the Director of FEMA develop a process by which all Homeland Security strategic goals and related projects are prioritized to ensure they address the most critical Commonwealth-wide needs.

FEMA believes this satisfies the intent of the recommendations and requests that these recommendations be resolved and open pending implementation of the stated corrective actions.

OIG Recommendation #3: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Pennsylvania Emergency Management Agency to assess the current process for executing grant agreements and providing obligation authority to subgrantees, and work with all involved Commonwealth offices to identify opportunities to expedite the process.

FEMA Response: FEMA concurs with this recommendation.

Within 90 days of receipt of the final report via the grantee notification letter, the Director of PEMA is required by FEMA to conduct an assessment of the Commonwealth's current policies and procedures involved in the execution of grant agreements and provision of obligation authority to subgrantees to identify opportunities to expedite the process. FEMA requests that this recommendation be resolved and open pending confirmation of implementation of the stated corrective actions.

OIG Recommendation #4: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Pennsylvania Emergency Management Agency to fully implement monitoring procedures, including required site visits and biannual physical inventories.

OIG Recommendation #5: We recommend that the Assistant Administrator, Grant Programs Directorate, require the Director of the Pennsylvania Emergency Management Agency to create a monitoring mechanism to ensure subgrantee compliance with federal and Commonwealth spending requirements.

FEMA Response: FEMA concurs with Recommendations #4 & #5.

Within 90 days of the receipt of the final report via the grantee notification letter, the Director of FEMA is required by FEMA to develop and fully implement a monitoring program to be compliant with 44 CFR §13.40 (a) Monitoring by Grantee. To be included in this monitoring program, is the requirement that physical inventories of equipment be conducted at least once every two years as prescribed in 44 CFR §13.32 (d)(2) physical inventory. FEMA believes this satisfies the intent of the recommendations and requests that these recommendations be resolved and open pending implementation of the stated corrective actions.

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July 1, 2011

Mr. Mark Bell
Deputy Assistant Inspector General for Audit
Office of Audit
Office of Inspector General
Department of Homeland Security
Washington, DC 20528

Dear Mr. Bell:

Attached you will find the Commonwealth of Pennsylvania's written comments on the "Draft Report: The Commonwealth of Pennsylvania's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded during Fiscal Years 2007 through 2009".

Should you have any questions regarding these comments, please contact Mr. David Holl, Deputy Director for Administration, at 717-651-2186 or via email at dholl@state.pa.us.

Sincerely,

Robert A. Full
Chief Deputy Director

Attachment

cc: Mr. Patrick Tobo, Department of Homeland Security, Office of Inspector General

Pennsylvania Emergency Management Agency | 2605 Erie State Drive | Harrisburg, PA 17110 | 800-Hbg-PEMA | www.pema.state.pa.us

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Finding #1: Prioritizing Homeland Security Strategic Goals and Project Proposals

Condition:

The State Administrative Agency does not prioritize the proposed projects and strategic goals submitted by the counties and regions from a Commonwealth-wide perspective to determine which projects and goals addressed the most critical gaps and thus should receive higher priority and funding before submitting them to FEMA for approval.

Cause:

The State Administrative Agency did not consider projects from a Commonwealth-wide perspective to determine which projects addressed the most critical gaps and thus should receive higher priority and funding. The State Administrative Agency relied on the discretion of the regional task forces to select projects to implement the Commonwealth's Homeland Security Strategy.

Effect:

The Commonwealth cannot ensure that its most critical needs to prevent, detect, respond to, and recover from terrorist attacks, major disasters, and other emergencies are being addressed.

Recommendation:

Require the Director of the Pennsylvania Emergency Management Agency to prioritize all Homeland Security strategic goals and related projects to ensure they address the most critical Commonwealth-wide needs prior to submission to FEMA for approval.

PEMA Response:

PEMA is preparing to develop the 2012 - 2014 State Homeland Security Strategy (SHSS) following the State Homeland Security Assessment and Strategy (SHSAS) process. Following completion of the Risk and Needs Assessment, Homeland Security Grant Program (HSGP) State and regional stakeholders will be asked to identify goals, objectives and implementation steps to address identified gaps, recommend program priorities and to identify capabilities they depend on: the State to provide. The resulting information will be rolled up, summarized and presented to PEMA Executive Staff for the determination of State HSGP priorities. Statewide priorities will be shared with stakeholders during the development stage of the 2012 - 2014 SHSS. PEMA HSGP staff will actively participate in that development process, and Executive Staff will review the final draft for propriety prior to approving the document for submission to FEMA.

In accordance with HSGP requirements, State and Regional HSGP applicants will continue to be required to directly align their submitted projects with goals and prioritized objectives delineated in the SHSS during the application process. Projects submitted for HSGP funding will be reviewed by the State Administrative Agency to verify alignment with 2012 - 2014 SHSS prior to inclusion in the annual HSGP grant application.

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Finding #2: Establishing Measurable Strategic Goals and Objectives

Condition:

The Commonwealth's Homeland Security Strategy did not contain adequately defined goals and objectives to use in measuring performance.

Cause:

State Administrative Agency officials depended on annual comparisons of capability assessments and the State Preparedness Reports for gauging program success and improved preparedness. However, neither tool was effective due to yearly changes to the measures, which made trend analysis relative to specific elements nearly impossible. In addition, the State Administrative Agency used periodic surveys to evaluate program achievement, a highly subjective approach due to the variety of respondents. They also acknowledged that this process may not be comparable from year-to-year.

Effect:

The State Administrative Agency does not have a basis for measuring improvements in its preparedness and response capabilities. As such, the amount of funding and time that would be needed to ultimately achieve goals and objectives to improve the Commonwealth's preparedness and response capabilities is difficult to determine.

Recommendation:

Require the Director of the Pennsylvania Emergency Management Agency to develop Homeland Security strategic goals and objectives that are specific, measurable, achievable, results oriented, and time-limited, and include associated performance measures in its strategic plan.

FEMA Response:

As part of the SHSS process which will result in the development of the 2012 - 2014 State Homeland Security Strategy (SHSS), FEMA has already identified in project requirements that SHSS must include goals and objectives that are:

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

As part of the SHSS review and approval process, FEMA will ensure the strategy's objectives include measures that are meaningful, the measurement methodology is sound, and the measures can be verified with reliable data.

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Finding #3: Expediting the Obligation of Grant Funds to Subgrantees

Condition:

The Commonwealth's process for obligating grant funds to subrecipients was time consuming and exceeded the required grant obligation timeline. Specifically, the Homeland Security Grant Program guidance required grant funds be obligated to subgrantees within 60 days of the grant being awarded from FEMA in FY 2007, and within 45 days in FYs 2008 and 2009. Our review of four regional task forces showed that in FYs 2007, 2008, and 2009, the State Administrative Agency took an average of 221, 106, and 257 days, respectively, to execute grant agreements and provide obligation authority.

Cause:

The State Administrative Agency attributed delays in the preparation of the grant agreements to the Commonwealth law that allows the Offices of the General Counsel and Attorney General 30 days each to review and sign grant agreements, as well as insufficient State Administrative Agency personnel. State Administrative Agency officials were also under the belief that, prior to a fully executed grant agreement being signed by the Commonwealth, a notification letter sent to all of the subgrantees which detailed how much each subgrantee could expect to receive, was in compliance with FEMA's timelines for obligating grant funds.

Effect:

The task forces were delayed in acquiring equipment, training, and performing exercises needed to be adequately prepared to address catastrophic events. In addition, the timeframe the regional task forces had to expend obligated funds within the original period of performance for the grants was significantly reduced.

Recommendation:

Require the Director of the Pennsylvania Emergency Management Agency to assess the current process for executing grant agreements and providing obligation authority to subgrantees, and work with all involved Commonwealth offices to identify opportunities to expedite the process.

PEMA Response:

PEMA is currently investigating a methodology by which the signature routing and approval process can be abbreviated. Negotiations with the Pennsylvania Office of Administration will be conducted to ensure the Office of Administration's awareness of the impact of current Commonwealth contract procedures on grant program compliance and the consequences of violating the terms and conditions of the grant program as established by federal policy and law.

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Finding #4: Implementing Procedures for Subgrantee Monitoring

Condition:

The State Administrative Agency's monitoring of grant performance and subgrantees' adherence to federal and Commonwealth regulations needs to be improved. Procedures for monitoring subgrantees have not yet been fully implemented and physical inventories have not been performed. In addition, the State Administrative Agency does not have a mechanism to ensure federal grant or Commonwealth spending requirements are met.

Cause:

Officials at the State Administrative Agency and subgrantee organizations stated that prior to implementation in July 2009, official written policies and procedures for conducting monitoring were not in place. After the procedures became effective, sufficient resources were not available for full implementation.

Effect:

By not conducting monitoring activities, the State Administrative Agency is limited in its ability to ensure the grant program is operating efficiently, effectively, and in compliance with federal and Commonwealth regulations. Furthermore, the State Administrative Agency does not have assurance that equipment purchased with grant funds is accounted for properly and that subgrantees are meeting minimum spending requirements in critical areas designated by federal and Commonwealth grant guidance.

Recommendations:

Require the Director of the Pennsylvania Emergency Management Agency to fully implement monitoring procedures including required site visits and biannual physical inventories.

Require the Director of the Pennsylvania Emergency Management Agency to create a monitoring mechanism to ensure subgrantee compliance with federal and Commonwealth spending requirements.

PEMA Response:

PEMA has obtained approval from the Governor's Office of Administration to hire five (5) audit compliance personnel who will maintain the responsibility of the program and fiscal monitoring responsibilities of all subgrantees of federal grant funds for which PEMA is the State Administrative Agency. PEMA anticipates that these personnel will be recruited and hired no later than October 1, 2011. In the interim, current PEMA staff will be conducting site monitoring visits that will begin in September of 2011.

Appendix C

Homeland Security Grant Program Background

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. Programs include the following:

- **State Homeland Security Program** provides financial assistance directly to each of the states and territories to prevent, respond to, and recover from acts of terrorism and other catastrophic events. The program supports the implementation of the State Homeland Security Strategy to address the identified planning, equipment, training, and exercise needs.
- **Urban Areas Security Initiative** provides financial assistance to address the unique planning, equipment, training, and exercise needs of high-risk urban areas, and to assist in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism and other disasters. Allowable costs for the urban areas are consistent with the State Homeland Security Program. Funding is expended based on the Urban Area Homeland Security Strategies.

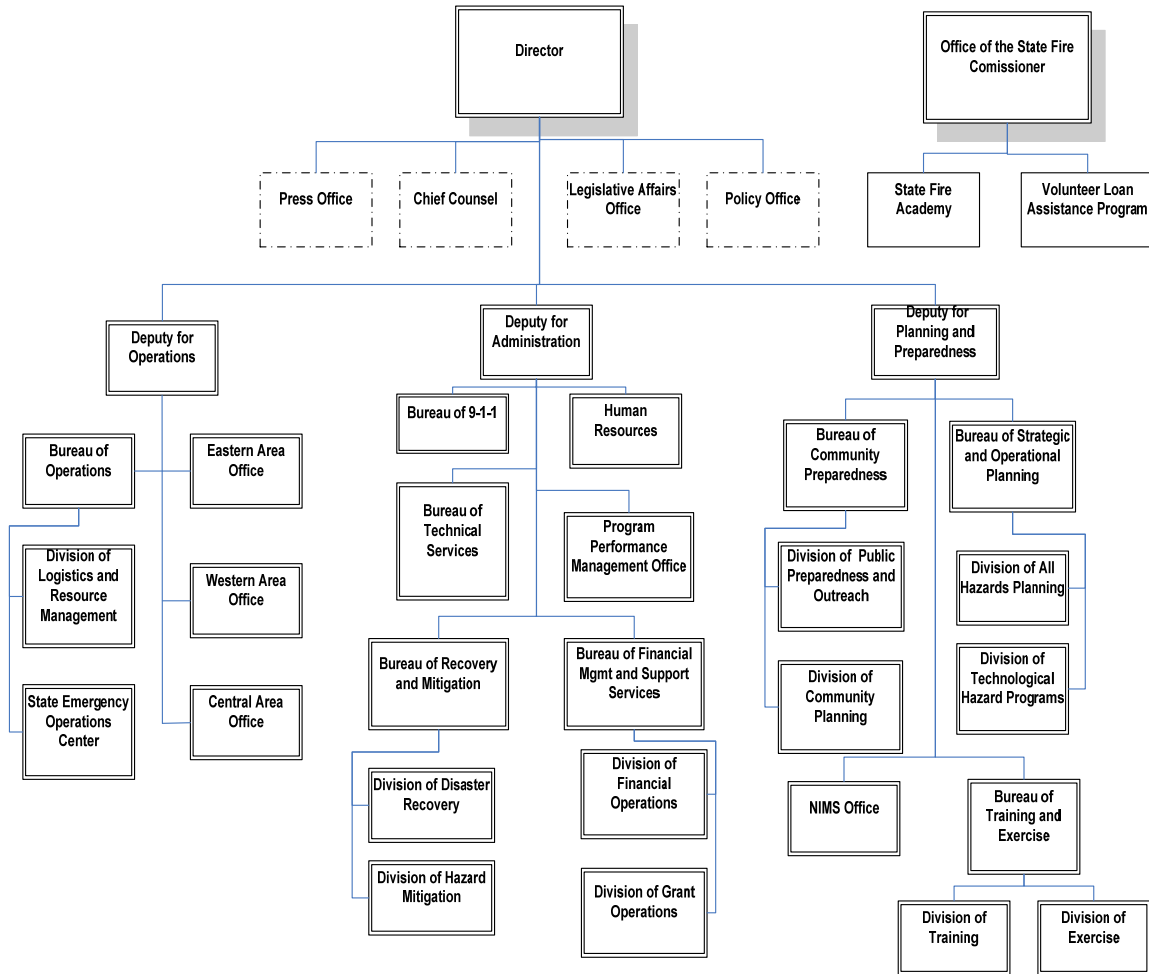
In addition, the Homeland Security Grant Program includes other interrelated grant programs with similar purposes. Depending on the fiscal year, these programs include:

- Metropolitan Medical Response System
- Citizen Corps Program
- Law Enforcement Terrorism Prevention Program (through FY 2007)

Appendix D
Pennsylvania Emergency Management Agency Organization Chart

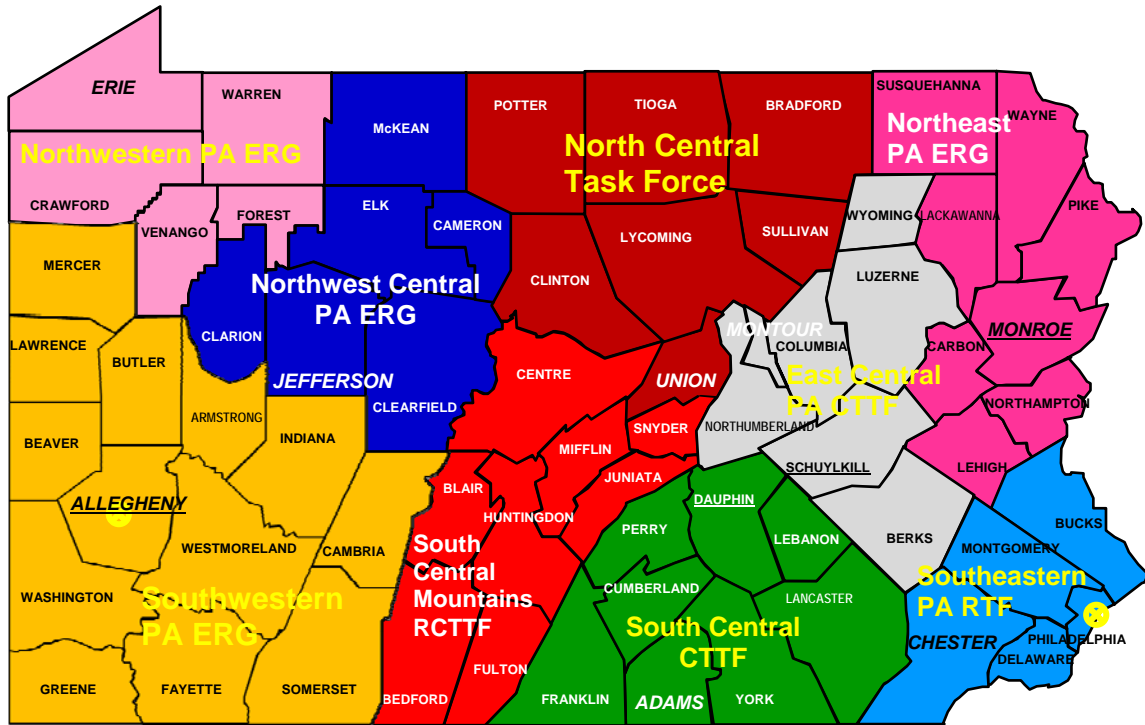
Pennsylvania Emergency Management Agency

As of February 17, 2011



Source: Pennsylvania Emergency Management Agency.

Appendix E
Map of Pennsylvania's Nine Regional Task Forces



☀ – denotes federal UASI cities Lead County italicized, Fiduciary County underlined
 ERG – Emergency Response Group RTF – Regional Task Force CTTF – Counter Terrorism Task Force
 Regional Task Forces' Jurisdictions as of February 2011

Source: Pennsylvania Emergency Management Agency.

Appendix F
Major Contributors to this Report

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Patrick Tobo, Audit Manager
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Department of Homeland Security

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

Federal Emergency Management Agency

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

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate



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- Write to us at:
DHS Office of Inspector General/MAIL STOP 2600,
Attention: Office of Investigations - Hotline,
245 Murray Drive, SW, Building 410,
Washington, DC 20528.

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